ANNUAL STATEMENT

OF THE

SAFECO INSURANCE COMPANY OF ILLINOIS

of WARRENVILLE

in the state of ILLINOIS

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2011

PROPERTY AND CASUALTY

2011

39012201120100100

ANNUAL STATEMENT

For the Year Ended December 31, 2011
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 27201 Bella Vista Parkway, Suite 130 (Street and Number) , Warrenville, IL 60555 (City or Town, State and Zip Code)

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

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

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

Internet Web Site Address WWW.SAFECO.COM

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

OFFICERS

Chairman of the Board

James Paul Condrin, III #

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

James Paul Condrin, III #	John Derek Doyle	Michael Joseph Fallon	John Christopher Ingram
Dexter Robert Legg #	Christopher Charles Mansfield	James Paul McKenney #	Richard Thomas Reminger, Jr.
Mary Ann Thaman			

State of Massachusetts

County of Suffolk ss

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

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

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

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	430,083,191		430,083,191	419,994,938
2. Stocks (Schedule D):				
2.1 Preferred stocks	7,932,000		7,932,000	7,954,200
2.2 Common stocks	47,515,737		47,515,737	48,011,692
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 ($ 2,833,979, Schedule E - Part 1), cash equivalents ($ 2,194,218, Schedule E - Part 2), and short-term investments ($ 14,919,232, Schedule DA)	19,947,429		19,947,429	21,481,974
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	4,084,870		4,084,870	4,869,155
9. Receivables for securities	1,025,691		1,025,691	2,022,500
10. Securities lending reinvested collateral assets (Schedule DL)	9,370,415		9,370,415	8,992,842
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	519,959,333		519,959,333	513,327,301
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	4,579,161		4,579,161	4,402,123
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	9,049,823	1,035,468	8,014,355	7,179,559
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 125,277 earned but unbilled premiums)	60,321,496	12,528	60,308,968	57,741,741
15.3 Accrued retrospective premiums	102,603	10,251	92,352	183,217
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	63,801,678		63,801,678	49,322,423
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				5,589,164
18.2 Net deferred tax asset	13,420,000	1,825,453	11,594,547	11,842,510
19. Guaranty funds receivable or on deposit	240,466		240,466	337,937
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	35,118,942		35,118,942	41,029,495
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	1,951,755	241,735	1,710,020	1,782,936
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	708,545,257	3,125,435	705,419,822	692,738,406
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	708,545,257	3,125,435	705,419,822	692,738,406

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	1,181,253		1,181,253	1,162,656
2502. Equities and deposits in pools and associations	523,903		523,903	529,059
2503. Other assets	246,599	241,735	4,864	91,221
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,951,755	241,735	1,710,020	1,782,936

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	180,287,428	178,610,914
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	13,456,922	11,984,331
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	39,864,766	39,863,536
4.	Commissions payable, contingent commissions and other similar charges	5,613,074	5,394,729
5.	Other expenses (excluding taxes, licenses and fees)	3,142,849	1,578,884
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	1,483,871	1,804,143
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	159,805	
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 $ 514,031,895 and including warranty reserves of $ 0 and accrued accident and healthexperience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	100,782,441	97,063,154
10.	Advance premium	687,950	657,863
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	27,597	18,747
12.	Ceded reinsurance premiums payable (net of ceding commissions)	98,216,250	90,198,024
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	197,823	119,298
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	7,121,479	6,546,565
19.	Payable to parent, subsidiaries and affiliates	74,574	7,542,069
20.	Derivatives		
21.	Payable for securities	2,015,000	4,082,519
22.	Payable for securities lending	9,370,415	8,992,842
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	3,328,331	3,425,843
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	465,830,575	457,883,461
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	465,830,575	457,883,461
29.	Aggregate write-ins for special surplus funds	1,731,945	2,535,443
30.	Common capital stock	2,500,000	2,500,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	85,428,035	85,428,035
35.	Unassigned funds (surplus)	149,929,267	144,391,467
36.	Less treasury stock, at cost:		
	36.1 0 shares common (value included in Line 30 $ 0)		
	36.2 0 shares preferred (value included in Line 31 $ 0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	239,589,247	234,854,945
38.	Totals (Page 2, Line 28, Col. 3)	705,419,822	692,738,406

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	1,774,101	1,908,021
2502.	Other liabilities	1,446,497	1,037,718
2503.	Amounts held under uninsured plans	107,733	215,216
2598.	Summary of remaining write-ins for Line 25 from overflow page		264,888
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,328,331	3,425,843
2901.	SSAP 10R incremental change	1,311,496	2,102,863
2902.	Special surplus from retroactive reinsurance	420,449	432,580
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	1,731,945	2,535,443
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	209,424,811	206,283,600
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	129,567,044	115,582,752
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	25,300,094	24,352,043
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	67,520,218	69,324,449
5.	Aggregate write-ins for underwriting deductions	(21,406)	(11,284)
6.	Total underwriting deductions (Lines 2 through 5)	222,365,950	209,247,960
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(12,941,139)	(2,964,360)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	18,290,510	16,978,568
10.	Net realized capital gains (losses) less capital gains tax of $ 254,091 (Exhibit of Capital Gains (Losses))	471,883	1,836,081
11.	Net investment gain (loss) (Lines 9 + 10)	18,762,393	18,814,649
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 7,417 amount charged off $ 475,514)	(468,096)	(866,779)
13.	Finance and service charges not included in premiums	1,768,167	1,820,262
14.	Aggregate write-ins for miscellaneous income	(703,584)	(2,585,039)
15.	Total other income (Lines 12 through 14)	596,487	(1,631,556)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	6,417,741	14,218,733
17.	Dividends to policyholders	420,566	(70,485)
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)	5,997,175	14,289,218
19.	Federal and foreign income taxes incurred	147,909	(410,659)
20.	Net income (Line 18 minus Line 19) (to Line 22)	5,849,266	14,699,877
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	234,854,945	183,745,502
22.	Net income (from Line 20)	5,849,266	14,699,877
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (541,824)	(343,727)	2,125,732
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	(621,324)	(5,408,501)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	481,190	6,099,976
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	160,264	
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		43,847,672
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		(10,000,000)
36.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	(791,367)	(255,313)
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	4,734,302	51,109,443
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	239,589,247	234,854,945

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	(21,406)	(11,284)
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)	(21,406)	(11,284)
1401.	Retroactive reinsurance gain/(loss)	(42,692)	(30,484)
1402.	Other income/(expense)	(660,892)	(2,554,555)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(703,584)	(2,585,039)
3701.	Other changes in surplus		(121,605)
3702.	SSAP 10R incremental change	(791,367)	(133,708)
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(791,367)	(255,313)

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	217,759,896	228,617,912
2.	Net investment income	20,463,573	20,710,253
3.	Miscellaneous income	594,091	(6,122,610)
4.	Total (Lines 1 through 3)	238,817,560	243,205,555
5.	Benefit and loss related payments	140,322,277	112,786,512
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	91,196,779	103,204,230
8.	Dividends paid to policyholders	411,716	80,567
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(5,346,969)	7,370,955
10.	Total (Lines 5 through 9)	226,583,803	223,442,264
11.	Net cash from operations (Line 4 minus Line 10)	12,233,757	19,763,291
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	89,257,344	233,633,980
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets	30,493,232	
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds	996,809	(2,022,500)
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	120,747,385	231,611,480
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	100,552,835	227,984,377
	13.2 Stocks		43,847,672
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets	30,870,805	9,132,372
	13.6 Miscellaneous applications	2,067,519	6,032,325
	13.7 Total investments acquired (Lines 13.1 to 13.6)	133,491,159	286,996,746
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)	(12,743,774)	(55,385,266)
	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		43,847,672
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		10,000,000
	16.6 Other cash provided (applied)	(1,024,528)	(6,820,421)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(1,024,528)	27,027,251
	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)	(1,534,545)	(8,594,724)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	21,481,974	30,076,698
	19.2 End of year (Line 18 plus Line 19.1)	19,947,429	21,481,974

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds		25,022,630
20.0002	16.5 Dividends to Stockholders		8,919,974
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	4,036,536	1,994,754	2,129,766	3,901,524
2. Allied lines	3,350,954	1,656,308	1,820,367	3,186,895
3. Farmowners multiple peril	1,667,557	776,247	836,421	1,607,383
4. Homeowners multiple peril	33,406,281	16,019,150	17,767,782	31,657,649
5. Commercial multiple peril	37,309,161	18,984,914	18,712,580	37,581,495
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	3,377,593	1,627,541	1,629,747	3,375,387
10. Financial guaranty				
11.1 Medical professional liability—occurrence	14,709	7,227	5,823	16,113
11.2 Medical professional liability—claims-made	1,988	835	916	1,907
12. Earthquake	704,490	347,707	363,989	688,208
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	17,683,272	7,609,934	6,872,395	18,420,811
17.1 Other liability—occurrence	10,675,991	5,340,378	5,227,336	10,789,033
17.2 Other liability—claims-made	454,254	213,763	204,299	463,718
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	261,521	148,863	132,117	278,267
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	38,503,659	14,185,801	15,737,780	36,951,680
19.3,19.4 Commercial auto liability	16,332,079	8,172,736	7,893,459	16,611,356
21. Auto physical damage	29,900,801	11,691,375	12,710,906	28,881,270
22. Aircraft (all perils)				
23. Fidelity	128,834	107,044	105,157	130,721
24. Surety	14,848,985	8,716,264	8,692,292	14,872,957
26. Burglary and theft	5,611	2,983	2,800	5,794
27. Boiler and machinery	2,172	1,656	1,184	2,644
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	212,666,448	97,605,480	100,847,116	209,424,812

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	2,129,766				2,129,766
2. Allied lines	1,820,367				1,820,367
3. Farmowners multiple peril	836,421				836,421
4. Homeowners multiple peril	17,767,782				17,767,782
5. Commercial multiple peril	18,641,282	141	70,030	1,127	18,712,580
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	1,625,640	4,108			1,629,748
10. Financial guaranty					
11.1 Medical professional liability—occurrence	5,823				5,823
11.2 Medical professional liablity—claims-made	912	4			916
12. Earthquake	363,989				363,989
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	6,899,062		75,936	(102,603)	6,872,395
17.1 Other liability—occurrence	5,186,407	21,082	20,973	(1,127)	5,227,335
17.2 Other liability—claims-made	201,823	2,380	96		204,299
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	131,875		242		132,117
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	15,737,780				15,737,780
19.3,19.4 Commercial auto liability	7,833,350	60,110			7,893,460
21. Auto physical damage	12,700,932	9,973			12,710,905
22. Aircraft (all perils)					
23. Fidelity	37,185	67,971			105,156
24. Surety	5,976,996	2,715,296			8,692,292
26. Burglary and theft	2,800				2,800
27. Boiler and machinery	1,184				1,184
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	97,901,376	2,881,065	167,277	(102,603)	100,847,115
36. Accrued retrospective premiums based on experience					102,603
37. Earned but unbilled premiums					(167,278)
38. Balance (Sum of Lines 35 through 37)					100,782,440

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	662,839	4,036,536		662,839		4,036,536
2. Allied lines	281,729	3,350,954		281,729		3,350,954
3. Farmowners multiple peril		1,667,557				1,667,557
4. Homeowners multiple peril	156,279,471	33,406,281		156,279,471		33,406,281
5. Commercial multiple peril		37,309,161				37,309,161
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	5,097,206	3,377,593		5,097,206		3,377,593
10. Financial guaranty						
11.1 Medical professional liability--occurrence		14,709				14,709
11.2 Medical professional liability--claims-made		1,988				1,988
12. Earthquake	8,245,775	704,490		8,245,775		704,490
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	450,453	17,683,272		450,453		17,683,272
17.1 Other liability—occurrence	2,619,824	10,675,991		2,619,824		10,675,991
17.2 Other liability—claims-made		454,254				454,254
17.3 Excess workers' compensation						
18.1 Products liability—occurrence		261,521				261,521
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	664,538,398	38,503,659		664,538,398		38,503,659
19.3,19.4 Commercial auto liability		16,332,079				16,332,079
21. Auto physical damage	397,749,025	29,900,801		397,749,025		29,900,801
22. Aircraft (all perils)						
23. Fidelity		128,834				128,834
24. Surety		14,848,985				14,848,985
26. Burglary and theft		5,611				5,611
27. Boiler and machinery		2,172				2,172
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,235,924,720	212,666,448		1,235,924,720		212,666,448

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	24,629	1,294,885	24,629	1,294,885	672,203	651,746	1,315,342	33.714
2. Allied lines	199,230	2,707,231	199,230	2,707,231	592,217	545,201	2,754,247	86.424
3. Farmowners multiple peril		1,064,985		1,064,985	338,228	464,160	939,053	58.421
4. Homeowners multiple peril	87,596,017	25,460,599	87,596,017	25,460,599	9,536,026	7,817,471	27,179,154	85.853
5. Commercial multiple peril		23,149,044		23,149,044	37,159,632	34,310,148	25,998,528	69.179
6. Mortgage guaranty								
8. Ocean marine		9		9	482	(17)	508	
9. Inland marine	1,600,775	1,376,415	1,600,775	1,376,415	203,646	284,755	1,295,306	38.375
10. Financial guaranty								
11.1 Medical professional liability—occurrence		1,766		1,766	53,854	47,283	8,337	51.741
11.2 Medical professional liability—claims-made					10,583	9,664	919	48.191
12. Earthquake		322		322	32	789	(435)	(0.063)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		7,844		7,844	928,457	906,015	30,286	
16. Workers' compensation	2,850,371	13,244,114	2,850,371	13,244,114	58,953,909	55,738,204	16,459,819	89.354
17.1 Other liability—occurrence	36,054	5,668,999	36,054	5,668,999	17,145,687	19,260,558	3,554,128	32.942
17.2 Other liability—claims-made		153,342		153,342	716,884	1,047,233	(177,007)	(38.171)
17.3 Excess workers' compensation								
18.1 Products liability—occurrence		94,732		94,732	642,282	424,776	312,238	112.208
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	346,466,138	21,184,024	346,466,138	21,184,024	26,818,972	27,877,579	20,125,417	54.464
19.3,19.4 Commercial auto liability		10,457,162		10,457,162	18,797,846	18,858,606	10,396,402	62.586
21. Auto physical damage	226,158,666	18,097,849	226,158,666	18,097,849	1,076,084	1,165,074	18,008,859	62.355
22. Aircraft (all perils)		(63)		(63)	9,263	1,576	7,624	
23. Fidelity		16,271		16,271	42,395	16,190	42,476	32.494
24. Surety		3,751,279		3,751,279	2,627,760	5,267,544	1,111,495	7.473
26. Burglary and theft		2,327		2,327	60	70	2,317	39.990
27. Boiler and machinery		(317)		(317)	(1,727)	1,039	(3,083)	(116.604)
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX	157,711		157,711	3,962,655	3,915,249	205,117	
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	664,931,880	127,890,530	664,931,880	127,890,530	180,287,430	178,610,913	129,567,047	61.868

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

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

	Reported Losses				Incurred But Not Reported			8	9
	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	220,280	430,267	220,280	430,267	69,252	241,936	69,252	672,203	55,787
2. Allied lines	35,728	536,785	35,728	536,785	5,981	55,432	5,981	592,217	35,597
3. Farmowners multiple peril		334,079		334,079		4,150		338,229	110,002
4. Homeowners multiple peril	32,724,939	6,280,101	32,724,939	6,280,101	9,868,028	3,255,925	9,868,028	9,536,026	1,470,904
5. Commercial multiple peril	16,998	22,686,942	16,998	22,686,942	2,871	14,472,689	2,871	37,159,631	15,239,857
6. Mortgage guaranty									
8. Ocean marine		566		566		(85)		481	2
9. Inland marine	1,031,256	215,888	1,031,256	215,888	144,138	(12,243)	144,138	203,645	33,195
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		7,877		7,877		45,976		53,853	27,698
11.2 Medical professional liablity—claims-made						10,583		10,583	2,991
12. Earthquake		32		32				32	335
13. Group accident and health								(a)	(51)
14. Credit accident and health (group and individual)									
15. Other accident and health		204,005		204,005		724,452		(a) 928,457	123,664
16. Workers' compensation	27,374,161	37,143,327	27,374,161	37,143,327	7,426,402	21,810,583	7,426,402	58,953,910	6,999,709
17.1 Other liability—occurrence	2,303,167	6,674,366	2,303,167	6,674,366	1,593,749	10,471,322	1,593,749	17,145,688	4,851,564
17.2 Other liability—claims-made		293,630		293,630		423,254		716,884	467,846
17.3 Excess workers' compensation									6
18.1 Products liability—occurrence		471,136		471,136	4,005	171,146	4,005	642,282	233,957
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	419,186,434	23,006,825	419,186,434	23,006,825	60,528,892	3,812,147	60,528,892	26,818,972	5,221,673
19.3,19.4 Commercial auto liability		12,094,168		12,094,168		6,703,678		18,797,846	2,859,578
21. Auto physical damage	224,283	557,646	224,283	557,646	7,928,649	518,438	7,928,649	1,076,084	194,399
22. Aircraft (all perils)		9,223		9,223		40		9,263	
23. Fidelity		8,921		8,921	28	33,473	28	42,394	15,324
24. Surety		(1,514,496)		(1,514,496)		4,142,256		2,627,760	1,810,843
26. Burglary and theft		6		6		54		60	262
27. Boiler and machinery		(1,450)		(1,450)		(278)		(1,728)	752
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X	1,684,441		1,684,441	X X X	2,278,214		3,962,655	108,873
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	483,117,246	111,124,285	483,117,246	111,124,285	87,571,995	69,163,142	87,571,995	180,287,427	39,864,767

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	29,345,767			29,345,767
1.2 Reinsurance assumed	9,824,906			9,824,906
1.3 Reinsurance ceded	29,345,767			29,345,767
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	9,824,906			9,824,906
2. Commission and brokerage:				
2.1 Direct, excluding contingent		169,233,248		169,233,248
2.2 Reinsurance assumed, excluding contingent		31,628,385		31,628,385
2.3 Reinsurance ceded, excluding contingent		169,233,248		169,233,248
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		2,961,637		2,961,637
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)		34,590,022		34,590,022
3. Allowances to manager and agents	1,551	11,394		12,945
4. Advertising	141,733	1,623,986	7,645	1,773,364
5. Boards, bureaus and associations	31,254	437,938	219	469,411
6. Surveys and underwriting reports	2,375	1,298,538	5,439	1,306,352
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	8,999,312	11,420,958	491,375	20,911,645
8.2 Payroll taxes	245,185	1,293,882	16,501	1,555,568
9. Employee relations and welfare	1,312,009	4,603,799	62,892	5,978,700
10. Insurance	683,640	184,220	9,050	876,910
11. Directors' fees	28	40		68
12. Travel and travel items	650,791	854,937	16,681	1,522,409
13. Rent and rent items	403,213	1,463,455	20,177	1,886,845
14. Equipment	323,839	789,410	10,947	1,124,196
15. Cost or depreciation of EDP equipment and software	79,496	736,865	23,370	839,731
16. Printing and stationery	141,219	179,449	2,099	322,767
17. Postage, telephone and telegraph, exchange and express	857,976	702,932	22,776	1,583,684
18. Legal and auditing	42,846	136,337	33,428	212,611
19. Totals (Lines 3 to 18)	13,916,467	25,738,140	722,599	40,377,206
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 65,196		4,702,430		4,702,430
20.2 Insurance department licenses and fees		591,155		591,155
20.3 Gross guaranty association assessments		37,978		37,978
20.4 All other (excluding federal and foreign income and real estate)		416,556		416,556
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		5,748,119		5,748,119
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	1,558,722	1,443,939	140,337	3,142,998
25. Total expenses incurred	25,300,095	67,520,220	862,936	(a) 93,683,251
26. Less unpaid expenses—current year	39,864,766	10,239,793		50,104,559
27. Add unpaid expenses—prior year	39,863,536	8,777,756		48,641,292
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)	25,298,865	66,058,183	862,936	92,219,984

DETAILS OF WRITE-IN LINES				
2401. Other expenses	1,558,722	1,443,939	140,337	3,142,998
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	1,558,722	1,443,939	140,337	3,142,998

(a) Includes management fees of $ 2,286,152 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) 3,504,689	3,504,036
1.1	Bonds exempt from U.S. tax	(a) 5,724,525	5,509,342
1.2	Other bonds (unaffiliated)	(a) 9,777,375	10,171,945
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 532,500	532,500
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	5,956	5,956
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) 22,036	20,340
7.	Derivative instruments	(f)	
8.	Other invested assets	(784,285)	(784,285)
9.	Aggregate write-ins for investment income	193,613	193,613
10.	Total gross investment income	18,976,409	19,153,447
11.	Investment expenses		(g) 862,937
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)		862,937
17.	Net investment income (Line 10 minus Line 16)		18,290,510

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	193,613	193,613
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)	193,613	193,613
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

(a) Includes $ 668,848 accrual of discount less $ 2,234,664 amortization of premium and less $ 427,019 paid for accrued interest on purchases.
(b) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 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	(568)		(568)	239,289	
1.2	Other bonds (unaffiliated)	730,096	(3,554)	726,542	(606,685)	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)				(22,200)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)				(1,158,473)	
2.21	Common stocks of affiliates				662,518	
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	729,528	(3,554)	725,974	(885,551)	

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

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	1,035,468	866,153	(169,315)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	12,528	1,339	(11,189)
15.3 Accrued retrospective premiums	10,251	20,325	10,074
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	1,825,453	1,656,990	(168,463)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	241,735	270,451	28,716
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	3,125,435	2,815,258	(310,177)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	3,125,435	2,815,258	(310,177)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	241,735	270,451	28,716
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	241,735	270,451	28,716

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 applies the following accounting policies, where applicable:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).

2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.

3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).

4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).

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

6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.

7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88,* and the SVO Manual.

8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.

9. Derivative Securities, refer to Note 8.

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

11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.

12. The Company did not change its capitalization policy in 2011.

13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

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

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

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

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

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

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
59023XAB2	140,306	122,727	17,579	122,727	122,909	3/31/2009
59023XAB2	93,041	80,755	12,286	80,755	64,285	12/31/2009
59023XAB2	61,544	60,082	1,462	60,082	47,008	3/31/2010
59023XAB2	41,854	41,467	386	41,467	28,746	9/30/2011
59023XAB2	38,250	35,082	3,168	35,082	27,806	12/31/2011
61749BAB9	146,428	139,087	7,341	139,087	89,277	12/31/2009
61749BAB9	122,339	121,258	1,081	121,258	98,932	3/31/2010
61749BAB9	98,753	98,274	479	98,274	91,315	12/31/2010

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

	1	2
	Less Than 12 Months	12 Months or Longer
Gross Unrealized Loss	-	(132,692)
Fair Value of Securities with Unrealized Losses	-	2,755,207

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

NOTES TO FINANCIAL STATEMENTS

E. Repurchase Agreements and Securities Lending

1. The Company did not enter into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral for securities lending.

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

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	$ 9,370,415
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	9,370,415
Securities Received	-
Total Collateral Received	$ 9,370,415

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

   a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	-	-
30 Days or Less	$ 2,321,671	$ 2,321,678
31 to 60 Days	4,582,921	4,583,001
61 to 90 Days	2,466,659	2,466,809
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	9,371,251	9,321,488
Securities Received	-	-
Total Collateral Reinvested	$ 9,371,251	9,371,488

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

F. Real Estate

The Company does not own real estate.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

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

The Company has no investments in joint ventures, partnerships, or limited liability companies.

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

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

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	16,700,502	1,466,498	18,167,000	16,484,076	963,424	17,447,500	216,426	503,074	719,500
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	16,700,502	1,466,498	18,167,000	16,484,076	963,424	17,447,500	216,426	503,074	719,500
Deferred Tax Liabilities	(2,213,350)	(2,533,650)	(4,747,000)	(1,414,350)	(2,533,650)	(3,948,000)	(799,000)	-	(799,000)
Net DTA (DTL)	14,487,152	(1,067,152)	13,420,000	15,069,726	(1,570,226)	13,499,500	(582,574)	503,074	(79,500)
Deferred Tax Assets Nonadmitted	(1,825,453)	-	(1,825,453)	(1,656,990)	-	(1,656,990)	(168,463)	-	(168,463)
Net Admitted DTA (DTL)	12,661,699	(1,067,152)	11,594,547	13,412,736	(1,570,226)	11,842,510	(751,037)	503,074	(247,963)

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

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	666,100	-	666,100	6,250,514	812,191	7,062,705	(5,584,414)	(812,191)	(6,396,605)
Lesser of:									
Expected to be recognized within one year (10bi.)	9,616,951	-	9,616,951	2,606,627	70,315	2,676,942	7,010,324	(70,315)	6,940,009
10% of adjusted capital and surplus (10bii.)			22,097,798			21,430,533			
Adj. gross DTAs offset against existing DTLs (10c.)	2,213,350	2,533,650	4,747,000	1,414,350	2,533,650	3,948,000	799,000	-	799,000
Total	12,496,401	2,533,650	15,030,051	10,271,491	3,416,156	13,687,647	2,224,910	(882,506)	1,342,404

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	666,100	-	666,100	6,250,514	812,191	7,062,705	(5,584,414)	(812,191)	(6,396,605)
Lesser of:									
Expected to be recognized within three years (10eiia.)	10,928,447	-	10,928,447	4,709,490	70,315	4,779,805	6,218,957	(70,315)	6,148,642
15% of adjusted capital and surplus (10eiib.)			33,146,697			32,145,800			
Adj. gross DTAs offset against existing DTLs (10eiii.)	2,213,350	2,533,650	4,747,000	1,414,350	2,533,650	3,948,000	799,000	-	799,000
Total	13,807,897	2,533,650	16,341,547	12,374,354	3,416,156	15,790,510	1,433,543	(882,506)	551,037

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2011	December 31, 2010	Change
Total Adjusted Capital	238,277,751	232,752,082	5,525,669
Authorized Control Level	26,585,801	26,670,730	(84,929)

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

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	11,350,203	(1,067,152)	10,283,051	11,309,873	(1,570,226)	9,739,647	40,330	503,074	543,404
Admitted Assets			704,108,326			690,635,543			
Adjusted Statutory Surplus*			220,977,980			214,305,333			
Total Adjusted Capital from DTAs	11,350,203	(1,067,152)	10,283,051	11,309,873	(1,570,226)	9,739,647	40,330	503,074	543,404

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

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	1,311,496	-	1,311,496	2,102,863	-	2,102,863	(791,367)	-	(791,367)
Admitted Assets	1,311,496	-	1,311,496	2,102,863	-	2,102,863	(791,367)	-	(791,367)
Adjusted Statutory Surplus	1,311,496	-	1,311,496	2,102,863	-	2,102,863	(791,367)	-	(791,367)

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

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

	2011	2010
Federal	147,909	(410,659)
Foreign	-	-
Realized capital gains	254,091	988,659
Federal and foreign income taxes incurred	402,000	578,000

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

NOTES TO FINANCIAL STATEMENTS

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	(621,324)
Change in tax effect of unrealized (gains) losses	541,824
Total change in net deferred income tax	(79,500)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, and discounting of unpaid losses and LAE reserves.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $578,000 from the current year and none from the preceding year.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

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

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

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

D. At December 31, 2011, the Company reported a net $35,044,368 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

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

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

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

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

The Company is a party to an Amended and Restated Short Term Borrowing Agreement with Safeco Corporation and affiliates.

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

G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.

H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

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

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

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

The Company has no legal obligation for these plans except for the minimum required contributions described in note 14F. Accordingly, these plans' assets and obligations are not disclosed in this note. The costs of the LMGI plans are allocated by LMGI to LMIC, pursuant to an Employee Benefit Plan Cost-Sharing Agreement. Except for defined benefit pension plans costs and postretirement benefit plans prior service costs, a portion of the costs of the LMGI and LMIC sponsored plans in turn, are allocated to LMAC through a master service agreement. The costs of the LMGI and LMIC sponsored plans, as well as the plans sponsored by LMAC are allocated to PIC through a master service agreement. The cost of these plans are in turn allocated to the Company through the PIC Amended and Restated Reinsurance Agreement, as described in Note 26.

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

1. The Company has 20,000 shares authorized, issued and outstanding as of December 31, 2011. All shares have a stated par value of $125.

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

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

5. The maximum amount of dividends that can be paid by Illinois-domiciled insurance companies to shareholders without prior approval of the Insurance Director is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout that may be made without prior approval in 2012 is $23,958,925.

6. As of December 31, 2011, the Company has restricted surplus of $1,311,496 from recording the increase in admitted deferred tax assets as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes,* and pre-tax restricted surplus of $420,449 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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

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

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $428,002 after applicable deferred taxes of $641,898.

11. Surplus Notes

    Not applicable

12. Quasi-reorganization (dollar impact)

    Not applicable

13. Quasi-reorganization (effective date)

    Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 14 - Contingencies

A. Contingent Commitments

Refer to Note 10E.

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of $816,497 that is offset by future premium tax credits of $104,937. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2012. During 2011 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	$ 166,693
b.	Decreases current year: Premium tax offset applied	61,757
c.	Increases current year: Premium tax offset increase	-
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 104,936

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$666,028

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

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

Indicate whether claim count information is disclosed per claim or per claimant.
(f) Per Claim [X] (g) Per Claimant [ ]

E. Product Warranties

The Company does not write product warranty business.

F. All Other Contingencies

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

Note 15 - Leases

A. Lessee Leasing Arrangements

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

NOTES TO FINANCIAL STATEMENTS

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

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2012	$ 113,451	$ 805,935
2013	113,451	802,959
2014	9,454	745,252
2015	-	581,041
2016	-	528,542
2017 & thereafter	-	651,245
Total	$ 236,356	$ 4,114,974

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is $285,659.

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

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

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

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

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

At December 31, 2011 the total fair value of securities on loan was $9,177,401, with corresponding collateral value of $9,370,415 of which $9,370,415 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, certain members of the PIC Amended and Restated Reinsurance Pooling Agreement (refer to Note 26) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as third party administrators and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2011, the Company recorded net CEA administrative fees of $22,905.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

NOTES TO FINANCIAL STATEMENTS

Note 20 - Fair Value Measurements

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

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

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

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

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

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

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

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

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	$ 25,751,798	-	$ 25,751,798
Residential Mortgage-Backed Securities	-	106,270	-	106,270
Total Bonds	-	$ 25,858,068	-	$ 25,858,068
Preferred Stocks			-	
Industrial and Miscellaneous (Unaffiliated)	-	$ 4,932,000	-	$ 4,932,000
Total Preferred Stocks	-	$ 4,932,000	-	$ 4,932,000
Common Stocks			-	
Industrial and Miscellaneous	$ 827,906	-	-	$ 827,906
Total Common Stocks	$ 827,906	-	-	$ 827,906
Total assets at fair value	$ 827,906	$ 30,790,068	-	$ 31,617,974
Liabilities at fair value	-	-	-	-
Total liabilities at fair value	$ 0	$ 0	$ 0	$ 0

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

2. Rollforward of Level 3 Items

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

3. Policy on Transfers Into and Out of Level 3

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

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

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

NOTES TO FINANCIAL STATEMENTS

U.S. government and agency

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

Mortgage-Backed Securities

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

Asset-Backed Securities

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

Municipals

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

Corporate debt and other

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

Foreign government securities

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

Equity Securities

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

Other Investments

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

5. Derivative Fair Values

Not applicable

B. Other Fair Value Disclosures

Not applicable

NOTES TO FINANCIAL STATEMENTS

C. Reasons Not Practical to Estimate Fair Value

Not applicable

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of $15,947,799 and $17,213,564 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.2

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

Interrogatory 6.3

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

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

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

Description of State Transferable and Non-transferable Tax Credits	State	Carrying Value	Unused Amount
Historical Rehabilitation Credit	CT	$416,000	$416,000
Urban Industrial Site Reinvestment Tax Credit	CT	$280,000	$280,000
Total		$696,000	$696,000

(2) Method of estimating utilization of remaining transferable and non-transferable state tax credits or other projected recovery of the current carrying value; and

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

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

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

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

Description of State Transferable and Non-transferable Tax Credits	State		Transferable	Non-Transferable
Historical Rehabilitation Credit	CT	Admitted	$416,000	-
		Non Admitted	-	-
Urban Industrial Site Reinvestment Tax Credit	CT	Admitted	-	$280,000
		Non Admitted	-	-
Total			$416,000	$280,000

NOTES TO FINANCIAL STATEMENTS

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through acquisition of collateral assets at the termination of a securities lending agreement in 2008.

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

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

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other Than Temporary Impairments Recognized
$ 106,123	$ 107,366	$ 102,370	$ 43,782

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

Note 22 - Events Subsequent

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

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

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	$ 100,782,441	$ 15,117,366	$ 514,031,895	$77,104,784	$(413,249,454)	$(61,987,418)
All Other	-	-	-	-	-	-
Total	$ 100,782,441	$ 15,117,366	$ 514,031,895	$77,104,784	$(413,249,454)	$(61,987,418)

Direct Unearned Premium Reserve: $ 514,031,895

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	$ -	$ 5,576,961	$ -	$ 5,576,961
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	$ -	$ 5,576,961	$ -	$ 5,576,961

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

NOTES TO FINANCIAL STATEMENTS

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	$ 9,496,332	-
	2. Adjustments – Prior Year(s)	(7,588,311)	-
	3. Adjustments – Current Year	(133,920)	-
	4. Total	$ 1,774,101	-
b.	Consideration Paid or Received:		
	1. Initial	$ 7,814,448	-
	2. Adjustments – Prior Year(s)	297,859	-
	3. Adjustments – Current Year	-	-
	4. Total	$ 8,112,306	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	$ 9,609,724	-
	3. Adjustments – Current Year	145,836	-
	4. Total	$ 9,755,561	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	$ (1,974,657)	-
	2. Adjustments – Prior Year(s)	(1,723,554)	-
	3. Adjustments – Current Year	(11,916)	-
	4. Current Year Special Surplus	420,449	-
	5. Cumulative Total Transferred to Unassigned Funds	$ (4,130,576)	-
e.	All cedents and reinsurers included in the above transactions:		
	Peerless Insurance Company	$ 1,774,101	-
	Total	$ 1,774,101	-

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

G. Reinsurance Accounted for as a Deposit

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

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

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

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.

B. Accrued retrospective premiums are recorded as a component of written premiums.

C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.

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

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

a.	Total accrued retro premium	$ 102,603
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	10,251
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	$ 92,352

NOTES TO FINANCIAL STATEMENTS

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased $5,862,102 during 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $2,505,095, Other Liability $2,207,369, Fidelity/Surety $1,774,864, and Private Passenger Auto Liability / Medical $1,596,415 lines. This was partially offset by deteriorating loss trends in the Workers Compensation $2,233,662 line. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

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

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

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

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

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

(c) The Lead Company’s remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company’s pool participation percentage, as noted above.

NOTES TO FINANCIAL STATEMENTS

(d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.

(e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.

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

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

Affiliate:	Amount:
Peerless Insurance Company	$ 32,945,144

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $2,451,995 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $2,451,995 as of December 31, 2011.

B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

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

Note 31 - High Dollar Deductible Policies

Not applicable

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2011 liabilities subject to discount were carried at a value representing a discount of $2,656,796 net of all reinsurance.

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

Note 33 - Asbestos/Environmental Reserves

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based on historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Company's future operating results and financial condition.

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

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

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

Asbestos:

	2007	2008	2009	2010	2011
Direct Basis					
Beginning Reserves	3,429,616	3,235,471	3,347,647	3,132,003	2,818,403
Incurred losses and LAE	187,323	493,306	42,754	(259)	(567,502)
Calendar year payments	341,468	381,130	258,398	313,340	197,369
Ending Reserves	3,275,471	3,347,647	3,132,003	2,818,404	2,053,533
Assumed Reinsurance Basis					
Beginning Reserves	2,153,859	2,660,111	2,277,036	3,172,163	2,767,783
Incurred losses and LAE	612,907	(90,387)	1,125,588	(1,115)	490,722
Calendar year payments	206,353	292,688	230,462	403,265	189,104
Ending Reserves	2,560,413	2,277,036	3,172,162	2,767,783	3,069,401
Net of Ceded Reinsurance Basis					
Beginning Reserves	4,510,463	4,777,136	4,582,745	5,396,128	4,746,387
Incurred losses and LAE	661,739	240,844	1,270,860	2,539	(35,603)
Calendar year payments	456,107	435,236	457,477	652,280	562,362
Ending Reserves	4,716,095	4,582,744	5,396,128	4,746,387	4,148,422

NOTES TO FINANCIAL STATEMENTS

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	309,074
Assumed Reinsurance Basis	15,584
Net of Ceded Reinsurance Basis	160,025
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	602,965
Assumed Reinsurance Basis	26,135
Net of Ceded Reinsurance Basis	407,128

Environmental:	2007	2008	2009	2010	2011
Direct Basis					
Beginning Reserves	3,911,177	3,718,671	3,176,937	2,706,223	2,422,369
Incurred losses and LAE	1,029,018	81,878	(137,903)	(14,474)	486,871
Calendar year payments	743,617	623,612	332,811	269,381	348,097
Ending Reserves	4,196,578	3,176,937	2,706,223	2,422,368	2,561,143
Assumed Reinsurance Basis					
Beginning Reserves	734,595	713,989	686,551	494,195	452,228
Incurred losses and LAE	10,730	40	(174,975)	9,096	(48,584)
Calendar year payments	18,732	27,478	17,380	51,064	56,357
Ending Reserves	726,593	686,551	494,196	452,227	347,287
Net of Ceded Reinsurance Basis					
Beginning Reserves	4,091,237	4,091,030	3,489,085	2,791,195	2,485,438
Incurred losses and LAE	1,135,359	(72,036)	(368,704)	1,555	(300)
Calendar year payments	630,992	529,909	329,186	307,312	(193,243)
Ending Reserves	4,595,604	3,489,085	2,791,195	2,485,438	2,678,381

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	186,564
Assumed Reinsurance Basis	667
Net of Ceded Reinsurance Basis	156,160
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	434,042
Assumed Reinsurance Basis	4,496
Net of Ceded Reinsurance Basis	396,876

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

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

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

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

1.3 State Regulating? Illinois

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

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009

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. 12/31/2009

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/31/2011

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

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

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. 0.00 %

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

1 Nationality	2 Type of Entity

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

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

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Kristen M. Bessette, FCAS, MAAA
175 Berkeley Street Boston, MA 02116
Sr. Vice President & Chief Actuary of Liberty Mutual Agency Corporation

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

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

12.2 If yes, provide explanation:

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

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

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

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

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

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

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules, and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code. Yes [X] No [ ]

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

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

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

GENERAL INTERROGATORIES

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

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

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

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

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

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

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

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

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

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

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

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

22.2 If answer is yes:

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

GENERAL INTERROGATORIES

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

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

INVESTMENT

24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes [X] No [ ]

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

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

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

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. $ 9,370,415

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

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

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

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

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes [X] No [ ]

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

25.21	Subject to repurchase agreements	$ 0
25.22	Subject to reverse repurchase agreements	$ 0
25.23	Subject to dollar repurchase agreements	$ 0
25.24	Subject to reverse dollar repurchase agreements	$ 0
25.25	Pledged as collateral	$ 0
25.26	Placed under option agreements	$ 0
25.27	Letter stock or securities restricted as to sale	$ 0
25.28	On deposit with state or other regulatory body	$ 15,947,799
25.29	Other	$ 0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

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

GENERAL INTERROGATORIES

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

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

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

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

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

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

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

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

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

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

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

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

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

29.2 If yes, complete the following schedule:

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

GENERAL INTERROGATORIES

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	445,002,423	469,512,606	24,510,183
30.2 Preferred stocks	7,932,000	8,040,000	108,000
30.3 Totals	452,934,423	477,552,606	24,618,183

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

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ ] No [X]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [ ]

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

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

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 0

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

1 Name	2 Amount Paid
	$ 0
	$ 0
	$ 0

34.1 Amount of payments for legal expenses, if any? $ 42,151

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	$ 0
	$ 0
	$ 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 10,241

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

1 Name	2 Amount Paid
	$ 0
	$ 0
	$ 0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

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

All years prior to most current three years:

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

1.7 Group policies:

Most current three years:

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

All years prior to most current three years:

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

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 209,424,811	$ 206,283,600
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 1,052,069	$ 1,007,905
2.5	Reserve Denominator	$ 334,391,558	$ 327,765,419
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:
In 2011, the Company was a member of an intercompany reinsurance pooling arrangement where it ceded its business to Peerless Insurance Company.

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
See Note 21C

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

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

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

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

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

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

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

8.2 If yes, give full information

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

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

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

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] 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 [ ]

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10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [ ] N/A [ ]

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]
11.2 If yes, give full information

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
12.11 Unpaid losses $ 6,852,131
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 637,401

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $ 85,240

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

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
12.41 From 0.00 %
12.42 To 9.00 %

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

12.6 If yes, state the amount thereof at December 31 of current year:
12.61 Letters of Credit $ 15,884,230
12.62 Collateral and other funds $ 3,562,136

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 9,346,900

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

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

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

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

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

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

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

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

15.2 If yes, give full information

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

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

18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0

18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

18.4 If yes, please provide the balance of the funds adminstered as of the reporting date. $ 0

FIVE – YEAR HISTORICAL DATA

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

	1 2011	2 2010	3 2009	4 2008	5 2007
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	751,536,148	763,654,878	751,376,426	862,673,548	876,330,835
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	453,412,559	465,150,411	440,311,799	557,433,320	554,246,613
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	228,664,642	197,581,388	182,013,410	176,931,418	149,232,862
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	14,977,819	14,610,945	11,134,559	22,547,059	19,502,583
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)			2	534	55
6. Total (Line 35)	1,448,591,168	1,440,997,622	1,384,836,196	1,619,585,879	1,599,312,948
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	83,927,473	86,014,953	94,139,613	111,286,267	120,854,667
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	41,375,985	41,352,727	34,457,840	67,518,357	70,200,612
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	72,385,171	68,878,179	62,664,669	65,695,415	72,249,318
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	14,977,819	14,610,945	11,134,559	22,547,059	19,502,583
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)			2	534	55
12. Total (Line 35)	212,666,448	210,856,804	202,396,683	267,047,632	282,807,235
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(12,941,139)	(2,964,360)	8,799,997	7,364,833	18,159,841
14. Net investment gain (loss) (Line 11)	18,762,393	18,814,649	25,865,804	17,880,191	21,592,667
15. Total other income (Line 15)	596,487	(1,631,556)	(353,953)	449,240	965,743
16. Dividends to policyholders (Line 17)	420,566	(70,485)	896,500	332,276	237,229
17. Federal and foreign income taxes incurred (Line 19)	147,909	(410,659)	5,991,008	6,593,658	9,768,199
18. Net income (Line 20)	5,849,266	14,699,877	27,424,340	18,768,330	30,712,823
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	705,419,822	692,738,406	633,885,199	640,773,622	671,062,138
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	8,014,355	7,179,559	7,923,862	24,882,764	34,066,401
20.2 Deferred and not yet due (Line 15.2)	60,308,968	57,741,741	56,263,307	41,843,600	36,959,106
20.3 Accrued retrospective premiums (Line 15.3)	92,352	183,217	326,593	116,759	101,866
21. Total liabilities excluding protected cell business (Page 3, Line 26)	465,830,575	457,883,461	450,139,697	481,173,923	485,564,153
22. Losses (Page 3, Line 1)	180,287,428	178,610,914	188,005,964	193,863,759	191,021,964
23. Loss adjustment expenses (Page 3, Line 3)	39,864,766	39,863,536	44,760,911	45,191,918	45,480,149
24. Unearned premiums (Page 3, Line 9)	100,782,441	97,063,154	92,022,682	101,009,240	110,383,940
25. Capital paid up (Page 3, Lines 30 & 31)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
26. Surplus as regards policyholders (Page 3, Line 37)	239,589,247	234,854,945	183,745,502	159,599,699	185,497,985
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	12,233,757	19,763,291	(20,889,744)	22,098,653	32,556,078
Risk-Based Capital Analysis					
28. Total adjusted capital	239,589,247	234,854,945	183,745,502	159,599,699	185,497,985
29. Authorized control level risk-based capital	26,587,923	26,674,933	19,094,167	23,168,931	26,074,935
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	82.7	81.8	90.2	69.2	69.1
31. Stocks (Lines 2.1 & 2.2)	10.7	10.9	2.1	9.6	27.5
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)	3.8	4.2	6.4	19.9	2.1
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			XXX	XXX	XXX
37. Other invested assets (Line 8)	0.8	0.9	1.3	1.3	1.3
38. Receivables for securities (Line 9)	0.2	0.4		0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	1.8	1.8	XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	46,687,831	46,025,313		32,768,072	31,780,000
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47	46,687,831	46,025,313		32,768,072	31,780,000
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	19.5	19.6		20.5	17.1

FIVE – YEAR HISTORICAL DATA
(Continued)

		1 2011	2 2010	3 2009	4 2008	5 2007
	Capital and Surplus Accounts (Page 4)					
50.	Net unrealized capital gains (losses) (Line 24)	(343,727)	2,125,732	(4,939,192)	(19,578,574)	4,384,423
51.	Dividends to stockholders (Line 35)		(10,000,000)		(15,000,000)	(40,000,000)
52.	Change in surplus as regards policyholders for the year (Line 38)	4,734,302	51,109,443	24,145,803	(25,898,287)	(3,184,659)
	Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	400,156,702	432,458,381	440,898,900	484,388,769	543,279,706
54.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	251,462,329	226,360,473	244,425,496	296,105,902	297,464,317
55.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	137,270,274	102,183,491	82,553,467	95,912,280	69,626,069
56.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,775,394	2,891,224	1,525,289	1,140,564	(156,621)
57.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	157,711	428,220	6,260,808	1,056,374	694,089
58.	Total (Line 35)	792,822,410	764,321,789	775,663,960	878,603,889	910,907,560
	Net Losses Paid (Page 9, Part 2, Col. 4)					
59.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	50,804,139	63,758,676	49,614,578	63,855,245	73,143,766
60.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	23,479,029	21,190,751	23,764,752	38,399,822	38,934,741
61.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	49,674,257	36,708,932	31,038,310	43,747,715	33,576,458
62.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,775,394	2,891,224	1,525,289	1,140,564	(156,621)
63.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	157,711	428,220	6,178,596	1,056,374	694,089
64.	Total (Line 35)	127,890,530	124,977,803	112,121,525	148,199,720	146,192,433
	Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65.	Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66.	Losses incurred (Line 2)	61.9	56.0	50.7	55.5	53.1
67.	Loss expenses incurred (Line 3)	12.1	11.8	11.9	11.5	9.7
68.	Other underwriting expenses incurred (Line 4)	32.2	33.6	33.2	30.3	30.7
69.	Net underwriting gain (loss) (Line 8)	(6.2)	(1.4)	4.2	2.7	6.5
	Other Percentages					
70.	Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	31.5	33.6	34.6	31.2	30.0
71.	Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	73.9	67.8	62.6	67.0	62.9
72.	Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	88.8	89.8	110.2	167.3	152.5
	One Year Loss Development (000 omitted)					
73.	Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(5,637)	(2,413)	(15,425)	(7,788)	(7,346)
74.	Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(2.4)	(1.3)	(9.7)	(4.2)	(3.9)
	Two Year Loss Development (000 omitted)					
75.	Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(5,054)	(12,316)	(22,228)	(11,175)	(15,406)
76.	Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(2.8)	(7.7)	(12.0)	(5.9)	(8.9)

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	4,943	587	684	37	264	57	66	5,210	X X X
2. 2002	182,336	17,925	164,411	100,636	10,058	7,624	716	12,921	653	5,919	109,754	X X X
3. 2003	199,065	16,626	182,439	97,498	8,534	6,852	500	14,602	693	6,093	109,225	X X X
4. 2004	214,226	11,820	202,406	100,020	4,064	6,297	225	14,318	305	7,543	116,041	X X X
5. 2005	223,175	9,039	214,136	102,295	4,147	6,584	241	15,025	236	7,209	119,280	X X X
6. 2006	222,879	9,954	212,925	102,849	2,331	6,483	280	15,224	340	6,293	121,605	X X X
7. 2007	227,486	11,110	216,376	103,481	2,279	6,283	236	15,127	214	6,776	122,162	X X X
8. 2008	227,039	8,441	218,598	113,151	3,447	5,802	249	16,766	176	5,956	131,847	X X X
9. 2009	213,012	13,322	199,690	90,305	5,913	3,721	282	14,713	127	5,317	102,417	X X X
10. 2010	210,541	4,257	206,284	82,943	568	2,315	22	15,586	30	5,353	100,224	X X X
11. 2011	213,296	3,871	209,425	72,246	257	943	9	12,258	24	4,055	85,157	X X X
12. Totals	X X X	X X X	X X X	970,367	42,185	53,588	2,797	146,804	2,855	60,580	1,122,922	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	24,339	8,505	12,038	1,763	820	188	2,342	279	1,973		573	30,777	X X X
2. 2002	4,359	680	565	236	50	4	168	15	190		4	4,397	X X X
3. 2003	1,619	242	796	111	35		321	12	154		88	2,560	X X X
4. 2004	2,018	498	1,124	137	53		321	16	205		372	3,070	X X X
5. 2005	2,493	276	1,297	191	76		625	23	262		445	4,263	X X X
6. 2006	3,858	512	1,316	194	121		871	41	386		1,201	5,805	X X X
7. 2007	6,509	307	2,378	478	210		1,165	93	604		440	9,988	X X X
8. 2008	9,059	198	4,587	911	370	3	2,352	109	1,111		1,445	16,258	X X X
9. 2009	14,242	300	8,045	844	443	13	3,506	139	1,691		1,509	26,631	X X X
10. 2010	20,934	192	12,329	810	488	4	5,473	202	2,934		2,498	40,950	X X X
11. 2011	33,571	168	30,749	385	400		6,550	37	4,858	82	4,196	75,456	X X X
12. Totals	123,001	11,878	75,224	6,060	3,066	212	23,694	966	14,368	82	12,771	220,155	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	26,109	4,668
2. 2002	126,513	12,362	114,151	69.385	68.965	69.430			2.000	4,008	389
3. 2003	121,877	10,092	111,785	61.225	60.700	61.273			2.000	2,062	498
4. 2004	124,356	5,245	119,111	58.049	44.374	58.848			2.000	2,507	563
5. 2005	128,657	5,114	123,543	57.648	56.577	57.694			2.000	3,323	940
6. 2006	131,108	3,698	127,410	58.825	37.151	59.838			2.000	4,468	1,337
7. 2007	135,757	3,607	132,150	59.677	32.466	61.074			2.000	8,102	1,886
8. 2008	153,198	5,093	148,105	67.477	60.336	67.752			2.000	12,537	3,721
9. 2009	136,666	7,618	129,048	64.159	57.184	64.624			2.000	21,143	5,488
10. 2010	143,002	1,828	141,174	67.921	42.941	68.437			2.000	32,261	8,689
11. 2011	161,575	962	160,613	75.752	24.851	76.692			2.000	63,767	11,689
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	180,287	39,868

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										DEVELOPMENT	
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011	11 One Year	12 Two Year
1. Prior	104,690	111,874	113,032	116,525	117,931	119,205	116,732	122,106	124,726	124,811	85	2,705
2. 2002	105,281	104,744	103,798	101,603	101,236	100,417	99,743	100,355	100,335	101,824	1,489	1,469
3. 2003	X X X	103,695	101,794	99,258	98,745	99,427	98,662	98,301	97,905	97,818	(87)	(483)
4. 2004	X X X	X X X	116,616	113,787	112,306	107,420	106,766	105,534	105,249	105,009	(240)	(525)
5. 2005	X X X	X X X	X X X	121,692	117,062	111,275	110,566	109,219	108,926	108,595	(331)	(624)
6. 2006	X X X	X X X	X X X	X X X	119,764	117,321	114,257	111,703	112,069	112,261	192	558
7. 2007	X X X	X X X	X X X	X X X	X X X	128,371	124,966	117,152	117,091	116,770	(321)	(382)
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	138,945	132,625	132,107	130,561	(1,546)	(2,064)
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	118,612	114,874	112,904	(1,970)	(5,708)
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	125,713	122,806	(2,907)	X X X
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	143,663	X X X	X X X
										12. Totals	(5,636)	(5,054)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011		
1. Prior	000	31,072	50,405	62,898	71,370	77,326	82,379	85,608	89,425	94,428	X X X	X X X
2. 2002	47,979	70,234	80,830	88,233	92,018	94,209	95,595	96,343	97,142	97,486	X X X	X X X
3. 2003	X X X	48,415	69,720	79,934	86,597	91,096	93,060	94,242	94,881	95,316	X X X	X X X
4. 2004	X X X	X X X	50,233	75,440	87,196	94,179	98,304	100,342	101,321	102,029	X X X	X X X
5. 2005	X X X	X X X	X X X	51,427	76,359	88,298	96,057	100,917	103,269	104,492	X X X	X X X
6. 2006	X X X	X X X	X X X	X X X	52,374	77,812	88,889	97,833	103,358	106,720	X X X	X X X
7. 2007	X X X	X X X	X X X	X X X	X X X	54,425	80,840	92,976	101,772	107,250	X X X	X X X
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	63,104	93,313	106,470	115,256	X X X	X X X
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	52,709	76,396	87,830	X X X	X X X
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	57,893	84,668	X X X	X X X
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	72,923	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 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011
1. Prior	39,868	31,900	24,429	20,985	19,010	16,185	15,614	16,889	17,230	13,814
2. 2002	31,972	16,253	9,252	5,345	3,921	2,658	1,761	1,629	970	615
3. 2003	X X X	28,996	14,440	8,258	5,718	4,162	3,050	2,072	1,314	1,091
4. 2004	X X X	X X X	36,406	18,118	11,963	6,450	4,743	2,566	1,883	1,406
5. 2005	X X X	X X X	X X X	40,668	20,224	10,226	6,340	3,611	2,492	1,811
6. 2006	X X X	X X X	X X X	X X X	36,681	18,467	11,258	5,422	3,079	2,075
7. 2007	X X X	X X X	X X X	X X X	X X X	37,924	19,783	9,321	5,071	3,109
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	41,236	18,143	10,824	6,076
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	36,147	18,303	10,701
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	35,694	16,911
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	36,937

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	22,328,041	22,789,627		13,100,468	12,781,240	10,466,192	272,210	
2. Alaska	AK	L	11,256,941	11,209,097		4,863,497	4,694,311	3,457,633	137,238	
3. Arizona	AZ	L	846,345	830,093		307,512	(63,180)	329,388	10,318	
4. Arkansas	AR	L	22,045,022	20,860,466		11,600,052	10,972,241	7,047,363	268,760	
5. California	CA	L	72,368,070	71,903,787		38,280,447	27,372,979	49,706,858	882,268	
6. Colorado	CO	L				89,971	(1,218,273)	47,166		
7. Connecticut	CT	L	72,963,475	67,454,440		42,121,796	31,613,408	38,224,656	889,526	
8. Delaware	DE	N					(370)			
9. District of Columbia	DC	N								
10. Florida	FL	L	180,888,563	161,595,885		88,212,185	99,519,119	81,255,119	2,205,283	
11. Georgia	GA	L	11,967,360	10,314,953		4,912,602	5,258,321	3,963,013	145,899	
12. Hawaii	HI	N								
13. Idaho	ID	L	59,947,321	56,476,213		25,824,289	23,349,735	19,018,883	730,841	
14. Illinois	IL	L	102,288,110	93,049,487		57,941,445	54,831,161	44,022,645	1,247,034	
15. Indiana	IN	L	12,585,861	12,104,934		5,994,708	3,098,794	5,191,156	153,439	
16. Iowa	IA	L	211,621	223,591		90,785	(60,535)	57,738	2,580	
17. Kansas	KS	L	469,924	463,712		344,423	(434,562)	222,824	5,729	
18. Kentucky	KY	L	51,867,789	48,459,991		24,019,005	19,300,008	20,563,741	632,341	
19. Louisiana	LA	L	353,552	362,554		151,003	(903,343)	20,720	4,310	
20. Maine	ME	N					(278,683)			
21. Maryland	MD	L	6,738,874	6,879,132		5,307,973	3,745,999	4,430,778	82,156	
22. Massachusetts	MA	N					(423,051)			
23. Michigan	MI	L	30,165,745	27,864,691		19,647,592	21,988,721	40,424,047	367,762	
24. Minnesota	MN	L	19,318,287	15,428,104		13,260,282	15,594,497	7,016,795	235,517	
25. Mississippi	MS	L	34,492,708	32,878,127		17,370,308	17,676,378	12,860,479	420,514	
26. Missouri	MO	L	91,760,962	87,808,922		50,150,008	42,213,583	31,188,509	1,118,694	
27. Montana	MT	L	54,598,882	51,248,821		30,386,030	29,001,510	20,313,866	665,636	
28. Nebraska	NE	L	6,851,033	6,625,541		4,289,998	3,923,432	2,548,685	83,524	
29. Nevada	NV	L	10,007,941	8,991,533		5,523,581	4,613,065	3,127,326	122,011	
30. New Hampshire	NH	N					(402,035)			
31. New Jersey	NJ	N								
32. New Mexico	NM	L					(390,908)			
33. New York	NY	N					(1,581,845)			
34. North Carolina	NC	N					(361,622)			
35. North Dakota	ND	N					(48,882)			
36. Ohio	OH	L	43,797,897	36,587,449		21,760,904	22,130,466	15,210,075	533,957	
37. Oklahoma	OK	L	630,738	633,929		306,081	(358,189)	204,588	7,690	
38. Oregon	OR	L	3,951,039	3,860,003		102,313	(141,035)	534,509	48,169	
39. Pennsylvania	PA	L	12,186,353	7,073,130		5,607,577	6,923,353	3,245,415	148,569	
40. Rhode Island	RI	N					(253,709)			
41. South Carolina	SC	N					(202,926)			
42. South Dakota	SD	N					(67,258)			
43. Tennessee	TN	L	53,973,208	51,570,132		40,394,669	37,569,157	17,618,756	658,009	
44. Texas	TX	L	16,677,428	17,215,251		9,284,521	6,477,902	3,872,833	203,321	
45. Utah	UT	L	9,670,220	7,360,338		3,144,246	3,360,107	3,064,763	117,893	
46. Vermont	VT	N					(295,807)			
47. Virginia	VA	L	8,093,934	6,936,148		5,979,964	9,697,416	6,428,490	98,676	
48. Washington	WA	L	182,929,819	184,554,682		99,118,012	90,038,643	102,716,040	2,230,169	
49. West Virginia	WV	N					(20,544)			
50. Wisconsin	WI	L	8,823,472	8,438,063		5,454,545	5,077,350	5,317,841	107,570	
51. Wyoming	WY	L	18,868,190	17,904,597		9,989,089	10,630,347	6,970,350	230,029	
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	1,235,924,725	1,157,957,423		664,931,881	615,946,486	570,689,240	15,067,642	

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

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

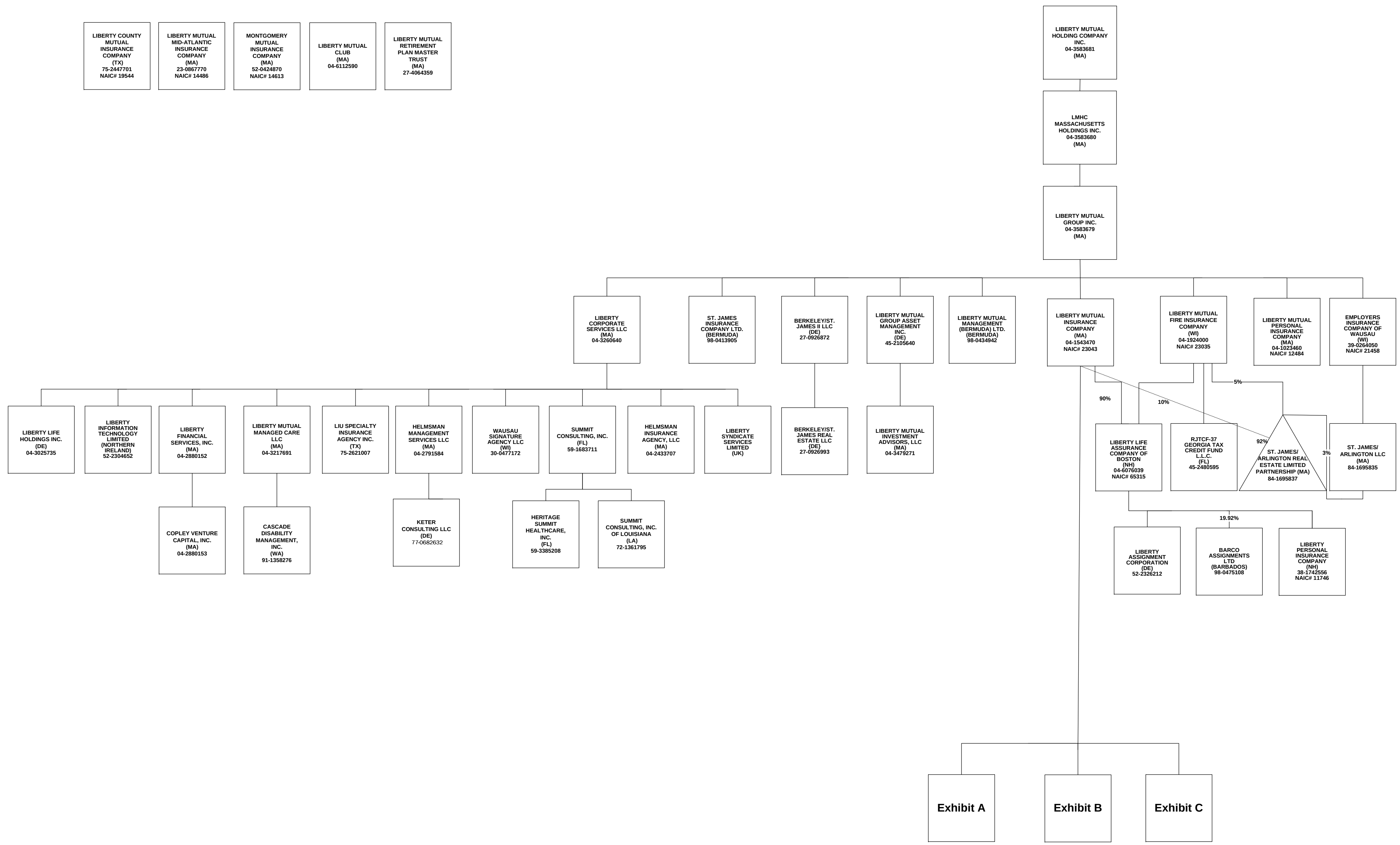
Explanation of basis of allocation of premiums by states, etc.

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

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

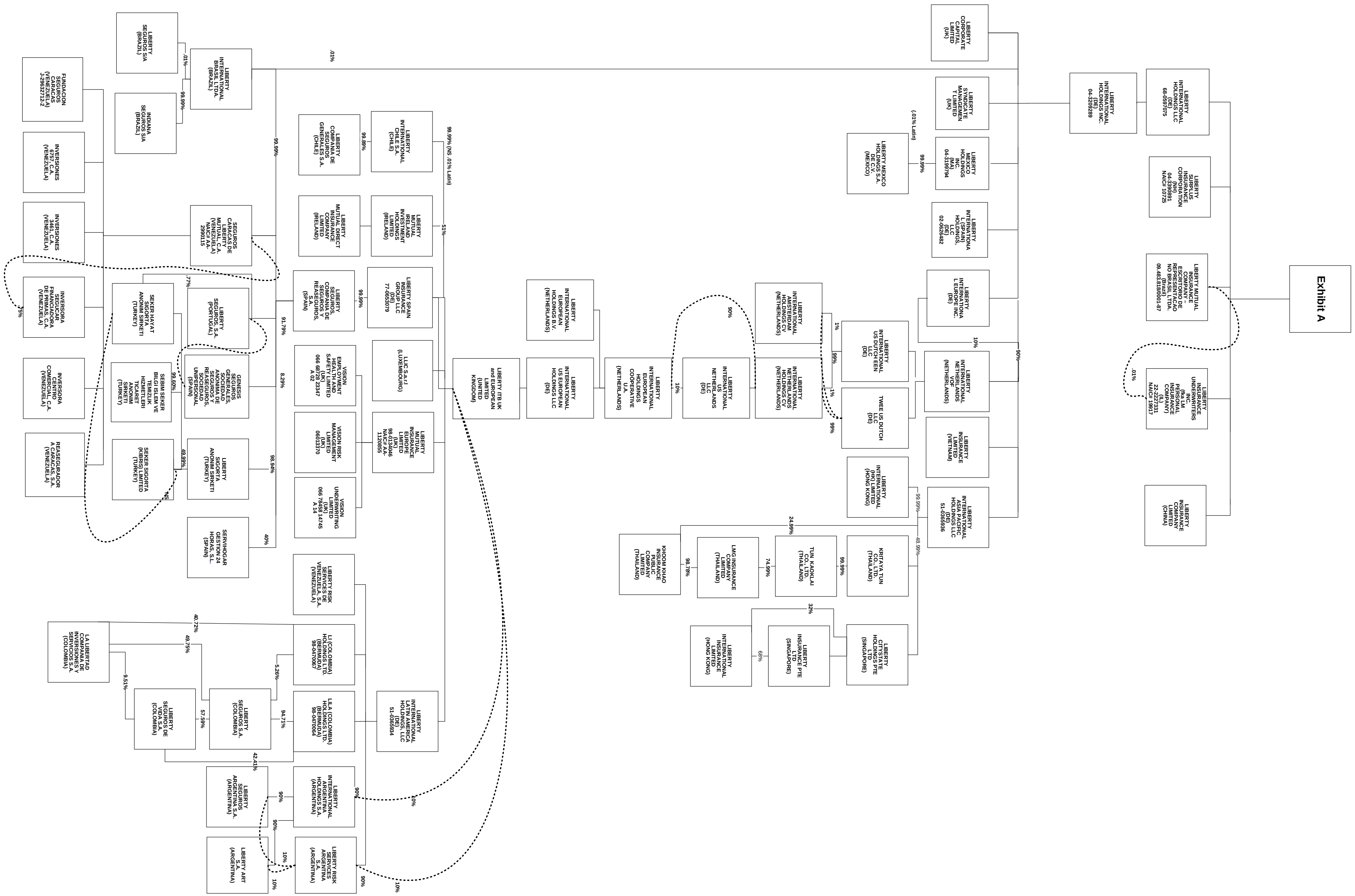
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



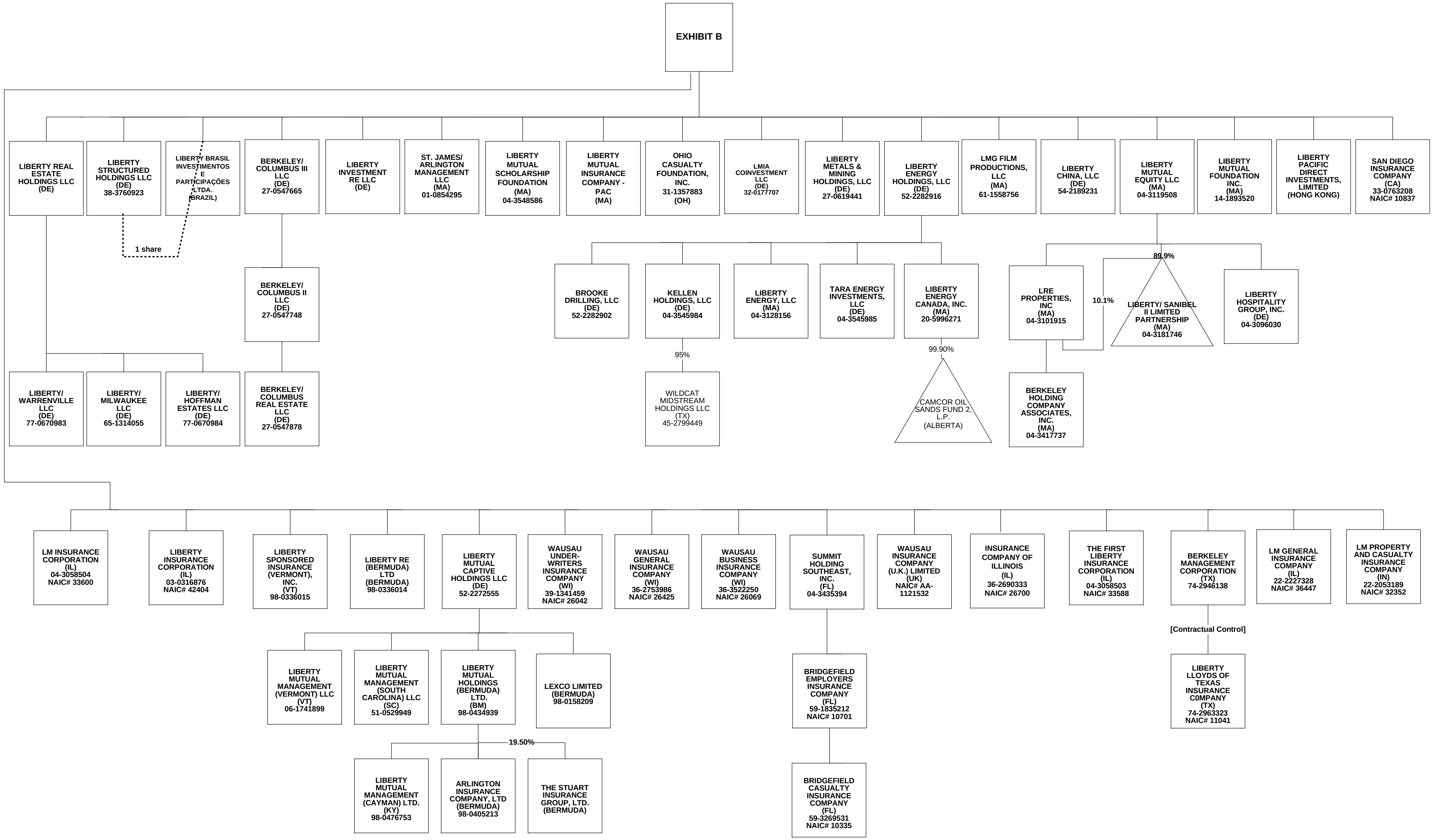
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

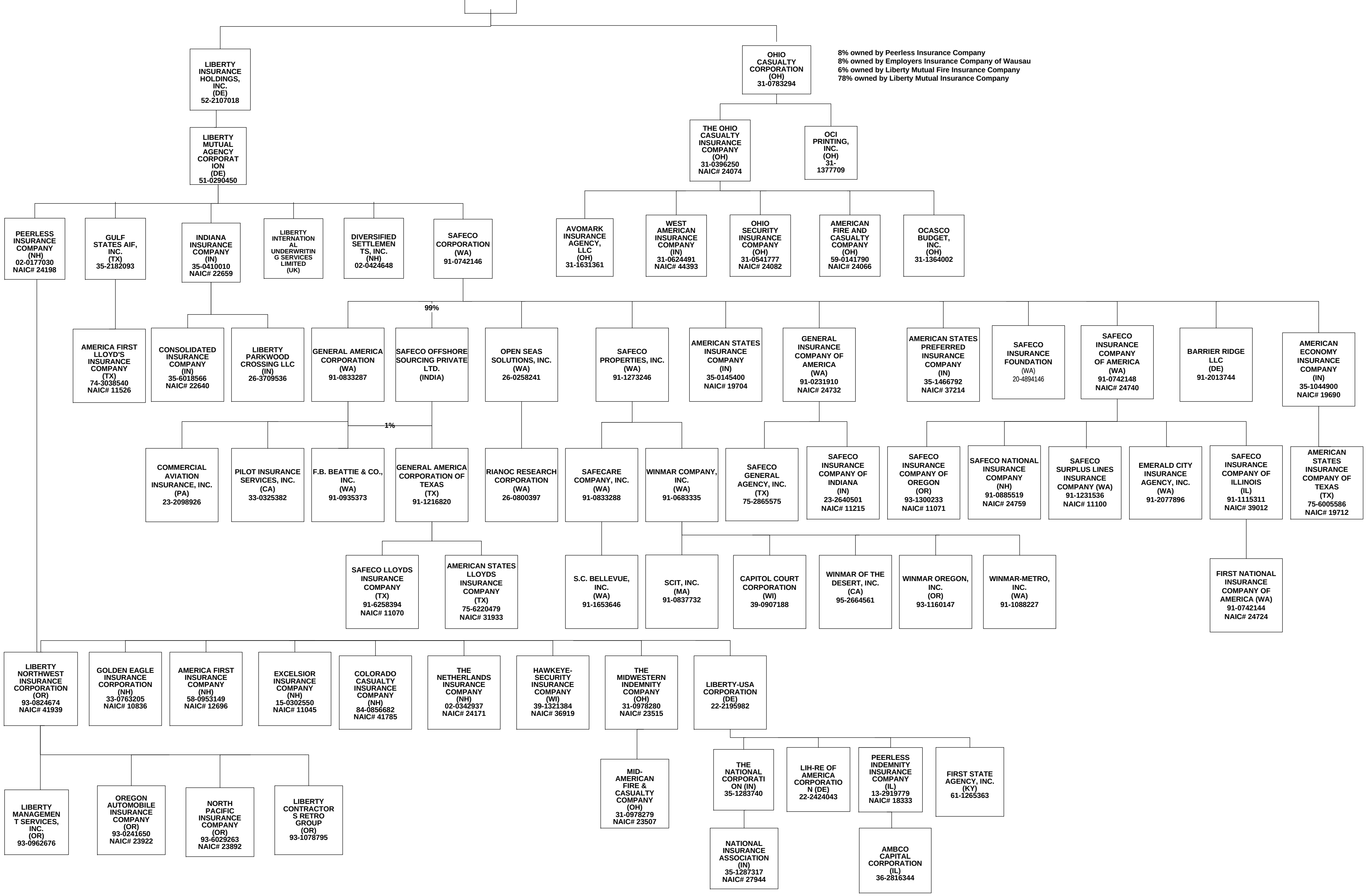
PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART

Exhibit C



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Year	2 Prior Year
2504. Accrued return retrospective premiums		243,484
2505. Private passenger auto escrow		21,404
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)		264,888

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT