ANNUAL STATEMENT

OF THE

SAFECO INSURANCE COMPANY OF AMERICA

of SEATTLE

in the state of WASHINGTON

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2011

PROPERTY AND CASUALTY

2011

24740201120100100

ANNUAL STATEMENT

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

Safeco Insurance Company of America

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 24740 **Employer's ID Number** 91-0742148

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

Country of Domicile United States of America

Incorporated/Organized September 2, 1953 **Commenced Business** October 1, 1953

Statutory Home Office 1001 Fourth Avenue, Safeco Plaza (Street and Number), Seattle, WA 98154 (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	Dexter Robert Legg #
Christopher Charles Mansfield	James Paul McKenney #		

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)	2,278,960,830		2,278,960,830	2,318,009,624
2. Stocks (Schedule D):				
2.1 Preferred stocks	11,412,020		11,412,020	27,090,756
2.2 Common stocks	530,641,538		530,641,538	457,221,343
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	77,698,691		77,698,691	76,702,697
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 ($ 34,161,870, Schedule E - Part 1), cash equivalents ($ 1,745,079, Schedule E - Part 2), and short-term investments ($ 106,494,845, Schedule DA)	142,401,794		142,401,794	163,744,280
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	4,300,988	1,008,000	3,292,988	2,241,396
9. Receivables for securities	5,786,723		5,786,723	1,787
10. Securities lending reinvested collateral assets (Schedule DL)	42,675,800		42,675,800	32,767,990
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	3,093,878,384	1,008,000	3,092,870,384	3,077,779,873
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	26,688,776		26,688,776	28,237,369
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	68,778,656	7,869,559	60,909,097	54,564,644
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 952,107 earned but unbilled premiums)	458,443,369	95,212	458,348,157	438,837,234
15.3 Accrued retrospective premiums	779,781	77,904	701,877	1,392,450
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	98,742,956		98,742,956	84,021,997
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	6,764,052		6,764,052	7,215,497
18.2 Net deferred tax asset	158,010,000	64,841,258	93,168,742	111,699,983
19. Guaranty funds receivable or on deposit	1,827,541		1,827,541	2,568,318
20. Electronic data processing equipment and software	14,355,752	14,355,752		1,886,246
21. Furniture and equipment, including health care delivery assets ($ 0)	46,556,397	46,556,397		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	1,135,294		1,135,294	16,459,621
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	14,836,414	1,837,185	12,999,229	13,320,898
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	3,990,797,372	136,641,267	3,854,156,105	3,837,984,130
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	3,990,797,372	136,641,267	3,854,156,105	3,837,984,130

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	8,977,523		8,977,523	8,836,189
2502. Equities and deposits in pools and associations	3,981,664		3,981,664	4,020,850
2503. Other assets	1,877,227	1,837,185	40,042	463,859
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	14,836,414	1,837,185	12,999,229	13,320,898

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	1,370,184,457	1,357,442,949
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	102,272,611	91,080,912
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	302,972,219	302,962,873
4. Commissions payable, contingent commissions and other similar charges	42,659,363	40,999,937
5. Other expenses (excluding taxes, licenses and fees)	23,885,649	11,999,519
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	11,277,419	13,711,488
7.1 Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money $ 0 and interest thereon $ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 909,278,124 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)	765,946,552	737,679,970
10. Advance premium	5,228,422	4,999,758
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	209,734	142,479
12. Ceded reinsurance premiums payable (net of ceding commissions)	128,672,422	125,007,844
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	1,529,085	456,871
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	54,123,244	49,753,890
19. Payable to parent, subsidiaries and affiliates	86,314,012	147,504,732
20. Derivatives		
21. Payable for securities	2,193,511	28,665,806
22. Payable for securities lending	42,675,800	32,767,990
23. Liability for amounts held under uninsured plans		
24. Capital notes $ 0 and interest thereon $ 0		
25. Aggregate write-ins for liabilities	43,205,970	47,901,283
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	2,983,350,470	2,993,078,301
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	2,983,350,470	2,993,078,301
29. Aggregate write-ins for special surplus funds	20,576,030	24,314,698
30. Common capital stock	5,000,000	5,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	580,930,179	580,930,179
35. Unassigned funds (surplus)	264,299,426	234,660,952
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)	870,805,635	844,905,829
38. Totals (Page 2, Line 28, Col. 3)	3,854,156,105	3,837,984,130

DETAILS OF WRITE-IN LINES		
2501. Other liabilities	28,904,032	29,751,538
2502. Retroactive reinsurance reserves	13,483,168	14,500,958
2503. Amounts held under uninsured plans	818,770	1,635,638
2598. Summary of remaining write-ins for Line 25 from overflow page		2,013,149
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	43,205,970	47,901,283
2901. SSAP10R incremental change	17,380,621	21,027,092
2902. Special surplus from retroactive reinsurance	3,195,409	3,287,606
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	20,576,030	24,314,698
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)	1,591,628,563	1,567,755,359
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	984,709,531	878,428,917
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	192,280,713	185,075,525
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	513,153,655	526,865,808
5.	Aggregate write-ins for underwriting deductions	(162,686)	(85,760)
6.	Total underwriting deductions (Lines 2 through 5)	1,689,981,213	1,590,284,490
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(98,352,650)	(22,529,131)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	118,286,727	132,469,091
10.	Net realized capital gains (losses) less capital gains tax of $ 2,777,284 (Exhibit of Capital Gains (Losses))	5,157,814	1,445,916
11.	Net investment gain (loss) (Lines 9 + 10)	123,444,541	133,915,007
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 56,372 amount charged off $ 3,613,904)	(3,557,532)	(6,587,518)
13.	Finance and service charges not included in premiums	13,438,066	13,833,992
14.	Aggregate write-ins for miscellaneous income	(5,481,545)	(20,410,058)
15.	Total other income (Lines 12 through 14)	4,398,989	(13,163,584)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	29,490,880	98,222,292
17.	Dividends to policyholders	3,196,299	(535,689)
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)	26,294,581	98,757,981
19.	Federal and foreign income taxes incurred	(2,938,284)	5,461,380
20.	Net income (Line 18 minus Line 19) (to Line 22)	29,232,865	93,296,601
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	844,905,829	1,147,111,899
22.	Net income (from Line 20)	29,232,865	93,296,601
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (4,293,157)	(634,875)	43,087,700
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	2,277,443	(17,956,336)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(2,540,336)	43,018,787
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles	1,218,004	
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		234,812,072
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		(753,000,000)
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	(3,653,295)	54,535,106
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	25,899,806	(302,206,070)
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	870,805,635	844,905,829

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	(162,686)	(85,760)
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)	(162,686)	(85,760)
1401.	Retroactive reinsurance gain/(loss)	(324,460)	(19,414,622)
1402.	Other income/(expense)	(5,157,085)	(995,436)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(5,481,545)	(20,410,058)
3701.	Other changes in surplus	(6,824)	54,187,673
3702.	SSAP10R incremental change	(3,646,471)	347,433
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(3,653,295)	54,535,106

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	1,595,730,566	1,607,817,285
2.	Net investment income	129,763,636	153,190,016
3.	Miscellaneous income	4,856,207	(24,948,174)
4.	Total (Lines 1 through 3)	1,730,350,409	1,736,059,127
5.	Benefit and loss related payments	971,127,930	953,912,016
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	693,095,520	784,351,287
8.	Dividends paid to policyholders	3,129,044	612,309
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(612,445)	1,129,765
10.	Total (Lines 5 through 9)	1,666,740,049	1,740,005,377
11.	Net cash from operations (Line 4 minus Line 10)	63,610,360	(3,946,250)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	436,763,592	1,683,371,487
	12.2 Stocks	55,650,790	88,915,008
	12.3 Mortgage loans	2,094,942	1,340,734
	12.4 Real estate		
	12.5 Other invested assets	169,281,320	74,567,870
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds	(5,784,937)	(159,954)
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	658,005,707	1,848,035,145
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	399,329,318	1,042,950,805
	13.2 Stocks	118,677,343	369,288,146
	13.3 Mortgage loans	3,090,472	47,809,340
	13.4 Real estate		
	13.5 Other invested assets	180,262,820	34,152,141
	13.6 Miscellaneous applications	26,472,294	(17,858,285)
	13.7 Total investments acquired (Lines 13.1 to 13.6)	727,832,247	1,476,342,147
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)	(69,826,540)	371,692,998
	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		234,812,072
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		753,000,000
	16.6 Other cash provided (applied)	(15,126,306)	(14,281,135)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(15,126,306)	(532,469,063)
	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)	(21,342,486)	(164,722,315)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	163,744,280	328,466,595
	19.2 End of year (Line 18 plus Line 19.1)	142,401,794	163,744,280

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

20.0001	12.1 Proceeds - Bonds		719,947,341
20.0002	12.2 Proceeds - Stocks		45,093,670
20.0003	16.5 Dividends to stockholders		624,505,597

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	30,677,677	15,160,128	16,186,225	29,651,580
2. Allied lines	25,467,247	12,587,940	13,834,789	24,220,398
3. Farmowners multiple peril	12,673,431	5,899,475	6,356,802	12,216,104
4. Homeowners multiple peril	253,887,738	121,745,539	135,035,146	240,598,131
5. Commercial multiple peril	283,549,624	144,285,343	142,215,606	285,619,361
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	25,669,705	12,369,312	12,386,078	25,652,939
10. Financial guaranty				
11.1 Medical professional liability—occurrence	111,792	54,923	44,254	122,461
11.2 Medical professional liability—claims-made	15,109	6,347	6,960	14,496
12. Earthquake	5,354,122	2,642,574	2,766,313	5,230,383
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	134,392,869	57,835,499	52,230,203	139,998,165
17.1 Other liability—occurrence	81,137,530	40,586,874	39,727,751	81,996,653
17.2 Other liability—claims-made	3,452,327	1,624,598	1,552,674	3,524,251
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	1,987,559	1,131,360	1,004,091	2,114,828
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	292,627,808	107,812,089	119,607,129	280,832,768
19.3,19.4 Commercial auto liability	124,123,804	62,112,792	59,990,292	126,246,304
21. Auto physical damage	227,246,085	88,854,448	96,602,883	219,497,650
22. Aircraft (all perils)				
23. Fidelity	979,140	813,534	799,191	993,483
24. Surety	112,852,288	66,243,607	66,061,417	113,034,478
26. Burglary and theft	42,643	22,673	21,278	44,038
27. Boiler and machinery	16,506	12,587	9,001	20,092
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	1,616,265,004	741,801,642	766,438,083	1,591,628,563

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	16,186,225				16,186,225
2. Allied lines	13,834,789				13,834,789
3. Farmowners multiple peril	6,356,802				6,356,802
4. Homeowners multiple peril	135,035,146				135,035,146
5. Commercial multiple peril	141,673,745	1,071	532,229	8,562	142,215,607
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	12,354,861	31,217			12,386,078
10. Financial guaranty					
11.1 Medical professional liability—occurrence	44,254				44,254
11.2 Medical professional liablity—claims-made	6,932	28			6,960
12. Earthquake	2,766,313				2,766,313
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	52,432,871		577,113	(779,781)	52,230,203
17.1 Other liability—occurrence	39,416,693	160,224	159,396	(8,562)	39,727,751
17.2 Other liability—claims-made	1,533,853	18,090	730		1,552,673
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	1,002,248		1,843		1,004,091
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	119,607,129				119,607,129
19.3,19.4 Commercial auto liability	59,533,457	456,835			59,990,292
21. Auto physical damage	96,527,086	75,797			96,602,883
22. Aircraft (all perils)					
23. Fidelity	282,609	516,582			799,191
24. Surety	45,425,169	20,636,248			66,061,417
26. Burglary and theft	21,278				21,278
27. Boiler and machinery	9,001				9,001
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	744,050,461	21,896,092	1,271,311	(779,781)	766,438,083
36. Accrued retrospective premiums based on experience					779,781
37. Earned but unbilled premiums					(1,271,312)
38. Balance (Sum of Lines 35 through 37)					765,946,552

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	124,376,207	30,677,677		124,376,207		30,677,677
2. Allied lines	98,274,176	25,467,247		98,274,176		25,467,247
3. Farmowners multiple peril		12,673,431				12,673,431
4. Homeowners multiple peril	668,770,223	253,887,738		668,770,223		253,887,738
5. Commercial multiple peril	22,546,593	283,549,624		22,546,593		283,549,624
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	34,651,335	25,669,705		34,651,335		25,669,705
10. Financial guaranty						
11.1 Medical professional liability--occurrence	36,821	111,792		36,821		111,792
11.2 Medical professional liability--claims-made		15,109				15,109
12. Earthquake	6,765,410	5,354,122		6,765,410		5,354,122
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	396,412	134,392,869		396,412		134,392,869
17.1 Other liability—occurrence	78,430,526	81,137,530		78,430,526		81,137,530
17.2 Other liability—claims-made	45	3,452,327		45		3,452,327
17.3 Excess workers' compensation						
18.1 Products liability—occurrence		1,987,559				1,987,559
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	369,677,930	292,627,808		369,677,930		292,627,808
19.3,19.4 Commercial auto liability	5,288,579	124,123,804		5,288,579		124,123,804
21. Auto physical damage	273,706,370	227,246,085		273,706,370		227,246,085
22. Aircraft (all perils)						
23. Fidelity		979,140				979,140
24. Surety	215,367,325	112,852,288		215,367,325		112,852,288
26. Burglary and theft	25,531	42,643		25,531		42,643
27. Boiler and machinery	944	16,506		944		16,506
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	1,898,314,427	1,616,265,004		1,898,314,427		1,616,265,004

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

	Losses Paid Less Salvage				5	6	7	8
	1	2	3	4				
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Recovered	Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	42,196,876	9,841,125	42,196,876	9,841,125	5,108,741	4,953,272	9,996,594	33.714
2. Allied lines	78,396,104	20,574,955	78,396,104	20,574,955	4,500,850	4,143,529	20,932,276	86.424
3. Farmowners multiple peril	(2)	8,093,884	(2)	8,093,884	2,570,535	3,527,612	7,136,807	58.421
4. Homeowners multiple peril	501,624,922	193,500,551	501,624,922	193,500,551	72,473,796	59,412,780	206,561,567	85.853
5. Commercial multiple peril	15,007,898	175,932,731	15,007,898	175,932,731	282,413,203	260,757,124	197,588,810	69.179
6. Mortgage guaranty								
8. Ocean marine		69		69	3,666	(126)	3,861	
9. Inland marine	14,281,325	10,460,752	14,281,325	10,460,752	1,547,703	2,164,133	9,844,322	38.375
10. Financial guaranty								
11.1 Medical professional liability—occurrence	88,295	13,421	88,295	13,421	409,290	359,353	63,358	51.737
11.2 Medical professional liability—claims-made		(2)		(2)	80,428	73,444	6,982	48.165
12. Earthquake		2,450		2,450	242	5,995	(3,303)	(0.063)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		59,618		59,618	7,056,270	6,885,715	230,173	
16. Workers' compensation	4,573,228	100,655,268	4,573,228	100,655,268	448,049,712	423,610,350	125,094,630	89.354
17.1 Other liability—occurrence	16,974,737	43,084,395	16,974,737	43,084,395	130,307,224	146,380,244	27,011,375	32.942
17.2 Other liability—claims-made		1,165,400		1,165,400	5,448,317	7,958,974	(1,345,257)	(38.171)
17.3 Excess workers' compensation								
18.1 Products liability—occurrence	6,370	719,965	6,370	719,965	4,881,345	3,228,298	2,373,012	112.208
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	189,607,786	160,998,580	189,607,786	160,998,580	203,824,189	211,869,598	152,953,171	54.464
19.3,19.4 Commercial auto liability	1,525,014	79,474,434	1,525,014	79,474,434	142,863,629	143,325,407	79,012,656	62.586
21. Auto physical damage	160,884,599	137,543,653	160,884,599	137,543,653	8,178,237	8,854,562	136,867,328	62.355
22. Aircraft (all perils)		(477)		(477)	70,401	11,979	57,945	
23. Fidelity	(150)	123,657	(150)	123,657	322,199	123,046	322,810	32.493
24. Surety	108,196,850	28,509,722	108,196,850	28,509,722	19,970,974	40,033,335	8,447,361	7.473
26. Burglary and theft		17,684		17,684	455	536	17,603	39.972
27. Boiler and machinery		(2,412)		(2,412)	(13,126)	7,897	(23,435)	(116.638)
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX	1,198,602		1,198,602	30,116,177	29,755,893	1,558,886	
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	1,133,363,852	971,968,025	1,133,363,852	971,968,025	1,370,184,457	1,357,442,950	984,709,532	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
Line of Business	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	13,728,050	3,270,028	13,728,050	3,270,028	7,853,193	1,838,713	7,853,193	5,108,741	423,982
2. Allied lines	8,687,364	4,079,565	8,687,364	4,079,565	2,176,626	421,285	2,176,626	4,500,850	270,538
3. Farmowners multiple peril		2,538,999		2,538,999		31,536		2,570,535	836,012
4. Homeowners multiple peril	115,078,458	47,728,764	115,078,458	47,728,764	54,675,582	24,745,032	54,675,582	72,473,796	11,178,868
5. Commercial multiple peril	11,976,424	172,420,762	11,976,424	172,420,762	12,243,782	109,992,441	12,243,782	282,413,203	115,822,908
6. Mortgage guaranty									
8. Ocean marine		4,309		4,309		(643)		3,666	9
9. Inland marine	1,592,437	1,640,746	1,592,437	1,640,746	1,025,129	(93,044)	1,025,129	1,547,702	252,289
10. Financial guaranty									
11.1 Medical professional liablity—occurrence	391,673	59,869	391,673	59,869	261,543	349,421	261,543	409,290	210,503
11.2 Medical professional liablity—claims-made						80,428		80,428	22,731
12. Earthquake	1,000	242	1,000	242				242	2,549
13. Group accident and health								(a)	(388)
14. Credit accident and health (group and individual)									
15. Other accident and health		1,550,438		1,550,438		5,505,833		(a) 7,056,271	939,845
16. Workers' compensation	49,377,469	282,289,283	49,377,469	282,289,283	14,608,869	165,760,429	14,608,869	448,049,712	53,197,789
17.1 Other liability—occurrence	42,101,035	50,725,180	42,101,035	50,725,180	49,267,119	79,582,044	49,267,119	130,307,224	36,871,886
17.2 Other liability—claims-made	100,000	2,231,587	100,000	2,231,587	105,374	3,216,730	105,374	5,448,317	3,555,628
17.3 Excess workers' compensation									53
18.1 Products liability—occurrence	47,200	3,580,635	47,200	3,580,635	190,739	1,300,710	190,739	4,881,345	1,778,075
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	195,215,532	174,851,873	195,215,532	174,851,873	50,811,692	28,972,316	50,811,692	203,824,189	39,684,712
19.3,19.4 Commercial auto liability	3,257,520	91,915,680	3,257,520	91,915,680	2,781,844	50,947,950	2,781,844	142,863,630	21,732,785
21. Auto physical damage	71,074	4,238,110	71,074	4,238,110	5,591,547	3,940,128	5,591,547	8,178,238	1,477,436
22. Aircraft (all perils)		70,094		70,094		307		70,401	1
23. Fidelity		67,803		67,803	36,045	254,397	36,045	322,200	116,459
24. Surety	12,581,831	(11,510,171)	12,581,831	(11,510,171)	84,884,442	31,481,145	84,884,442	19,970,974	13,762,405
26. Burglary and theft		47		47	500	408	500	455	1,994
27. Boiler and machinery		(11,016)		(11,016)		(2,109)		(13,125)	5,712
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	XXX				XXX				
32. Reinsurance-nonproportional assumed liability	XXX	12,801,752		12,801,752	XXX	17,314,424		30,116,176	827,437
33. Reinsurance-nonproportional assumed financial lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	454,207,067	844,544,579	454,207,067	844,544,579	286,514,026	525,639,881	286,514,026	1,370,184,460	302,972,218

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	68,990,003			68,990,003
1.2 Reinsurance assumed	74,669,287			74,669,287
1.3 Reinsurance ceded	68,990,003			68,990,003
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	74,669,287			74,669,287
2. Commission and brokerage:				
2.1 Direct, excluding contingent		285,442,004		285,442,004
2.2 Reinsurance assumed, excluding contingent		240,375,723		240,375,723
2.3 Reinsurance ceded, excluding contingent		285,442,004		285,442,004
2.4 Contingent—direct		5,829,314		5,829,314
2.5 Contingent—reinsurance assumed		22,508,441		22,508,441
2.6 Contingent—reinsurance ceded		5,829,314		5,829,314
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)		262,884,164		262,884,164
3. Allowances to manager and agents	11,789	86,597		98,386
4. Advertising	1,077,171	12,342,292	46,790	13,466,253
5. Boards, bureaus and associations	237,528	3,328,327	1,341	3,567,196
6. Surveys and underwriting reports	18,051	9,868,886	33,287	9,920,224
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	68,394,771	86,799,281	3,007,247	158,201,299
8.2 Payroll taxes	1,863,405	9,833,504	100,986	11,797,895
9. Employee relations and welfare	9,971,265	34,988,869	384,900	45,345,034
10. Insurance	5,195,662	1,400,073	55,384	6,651,119
11. Directors' fees	210	302	1	513
12. Travel and travel items	4,946,010	6,497,518	102,091	11,545,619
13. Rent and rent items	3,064,422	11,122,257	123,483	14,310,162
14. Equipment	2,461,177	5,999,518	66,997	8,527,692
15. Cost or depreciation of EDP equipment and software	604,171	5,600,170	143,023	6,347,364
16. Printing and stationery	1,073,261	1,363,813	12,849	2,449,923
17. Postage, telephone and telegraph, exchange and express	6,520,618	5,342,284	139,391	12,002,293
18. Legal and auditing	325,627	1,036,160	204,584	1,566,371
19. Totals (Lines 3 to 18)	105,765,138	195,609,851	4,422,354	305,797,343
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 495,487		35,738,468		35,738,468
20.2 Insurance department licenses and fees		4,492,774		4,492,774
20.3 Gross guaranty association assessments		288,632		288,632
20.4 All other (excluding federal and foreign income and real estate)		3,165,823		3,165,823
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		43,685,697		43,685,697
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	11,846,287	10,973,936	858,872	23,679,095
25. Total expenses incurred	192,280,712	513,153,648	5,281,226	(a) 710,715,586
26. Less unpaid expenses—current year	302,972,219	77,822,431		380,794,650
27. Add unpaid expenses—prior year	302,962,873	66,710,944		369,673,817
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)	192,271,366	502,042,161	5,281,226	699,594,753

DETAILS OF WRITE-IN LINES				
2401. Other expenses	11,846,287	10,973,936	858,872	23,679,095
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)	11,846,287	10,973,936	858,872	23,679,095

(a) Includes management fees of $ 15,894,613 to affiliates and $ 203,047 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 10,582,074	10,534,438
1.1	Bonds exempt from U.S. tax	(a) 39,540,329	38,643,791
1.2	Other bonds (unaffiliated)	(a) 64,713,554	64,205,937
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 1,839,691	1,582,048
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	2,884,542	3,041,573
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c) 5,155,593	5,161,840
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 208,512	206,073
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	192,253	192,253
10.	Total gross investment income	125,116,548	123,567,953
11.	Investment expenses		(g) 5,281,226
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)		5,281,226
17.	Net investment income (Line 10 minus Line 16)		118,286,727

	DETAILS OF WRITE-IN LINES		
0901.	Micellaneous Income/(Expense)	192,253	192,253
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)	192,253	192,253
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 $ 3,470,776 accrual of discount less $ 13,399,090 amortization of premium and less $ 1,391,693 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 $ 5,138 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	591,538		591,538	(325,457)	
1.2	Other bonds (unaffiliated)	9,506,459	(138,736)	9,367,723	(1,320,009)	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	382,183		382,183	(3,238,736)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	(892,924)	(1,502,992)	(2,395,916)	(7,370,758)	
2.21	Common stocks of affiliates				7,338,132	
3.	Mortgage loans	463		463		
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets		(10,894)	(10,894)	(11,204)	
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	9,587,719	(1,652,622)	7,935,097	(4,928,032)	

	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)	1,008,000	1,008,000	
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)	1,008,000	1,008,000	
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	7,869,559	6,582,763	(1,286,796)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	95,212	10,177	(85,035)
15.3 Accrued retrospective premiums	77,904	154,471	76,567
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	64,841,258	39,739,417	(25,101,841)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	14,355,752	23,627,864	9,272,112
21. Furniture and equipment, including health care delivery assets	46,556,397	57,275,281	10,718,884
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates		1,064	1,064
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	1,837,185	2,055,424	218,239
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	136,641,267	130,454,461	(6,186,806)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	136,641,267	130,454,461	(6,186,806)

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	1,837,185	2,055,424	218,239
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)	1,837,185	2,055,424	218,239

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. The accompanying financial statements of Safeco Insurance Company of America (the "Company") have been prepared on the basis of accounting practices prescribed or permitted by the Washington Insurance Department.

The state of Washington requires insurance companies domiciled in the state of Washington to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Washington Insurance Department.

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

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

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

C. Accounting Policies

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

In addition, the Company applies the following accounting policies, where applicable:

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

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

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

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

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

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

7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investment in Subsidiaries, 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.

NOTES TO FINANCIAL STATEMENTS

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.

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

During 2011, the Company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

(1) The maximum and minimum lending rates for mortgage loans during 2011 were 7.00% and 5.00%, respectively.
(2) During 2011, the Company did not reduce interest rates of any outstanding mortgage loans.
(3) The maximum loan to value of any loan written during 2011 was 75%.
(4) As of year end, SICOA held no loans with interest more than 180 days past due.
    a) No loans had interest due on mortgages with interest more than 180 days past due.
(5) There were $4,463 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
(6) There were no impaired mortgage loans.
(7) There was no recorded investment in impaired loans without a related allowance for credit losses.
(8) There was no recorded investment in impaired loans during 2011.
(9) There was no interest income recognized for impaired loans during 2011.
(10) There was no interest income recognized on a cash basis for impaired loans during 2011.
    a) The balance in the allowance for credit losses at the beginning of 2011 was $0 and at the beginning of 2010 was $0.
    b) There were $0 additions to the allowance charged to operations in 2011, and $62,480 in 2010.
    c) There were $0 direct write-downs charged against the allowance in 2011, and $62,480 in 2010.
    d) There were no recoveries of amounts previously charged off.
    e) The balance in the allowance for credit losses was $0 in 2011 and $0 in 2010.
(11) The Company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

(1) There was no investments in restructured mortgage loans for which an impairment was recognized in 2011.
(2) There was no realized capital loss.
(3) There were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in trouble debt restructuring.
(4) The Company accrues interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. Interest income on non performing loans is generally recognized on a cash basis.

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. 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

NOTES TO FINANCIAL STATEMENTS

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
30605AAX1	1,734,190	792,898	941,292	792,898	778,145	3/31/2010
59023XAB2	730,659	639,116	91,544	639,116	640,061	3/31/2009
59023XAB2	484,519	420,536	63,982	420,536	334,769	12/31/2009
59023XAB2	225,695	175,372	50,323	175,372	155,940	12/31/2009
59023XAB2	320,497	312,882	7,615	312,882	244,796	3/31/2010
59023XAB2	130,685	127,138	3,547	127,138	114,029	3/31/2010
59023XAB2	217,957	215,944	2,012	215,944	149,695	9/30/2011
59023XAB2	199,191	182,693	16,497	182,693	144,801	12/31/2011
59023XAB2	88,522	85,101	3,421	85,101	67,450	12/31/2011
61749BAB9	762,539	724,311	38,228	724,311	464,920	12/31/2009
61749BAB9	637,091	631,463	5,628	631,463	515,200	3/31/2010
61749BAB9	514,264	511,773	2,491	511,773	475,530	12/31/2010
07324SCZ3	359,749	241,039	118,710	241,039	241,038	12/31/2010
07324SCZ3	213,218	96,413	116,805	96,413	96,339	12/31/2011

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

	1	2
	Less Than 12 Months	12 Months or Longer
Gross Unrealized Loss	(12,559)	(4,583,575)
Fair Value of Securities with Unrealized Losses	3,323,838	34,060,440

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

E. Repurchase Agreements and Securities Lending

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

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

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	$ 42,675,800
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	42,675,800
Securities Received	-
Total Collateral Received	$ 42,675,800

4. Securities Lending Transactions Administered by an Affiliated Agent

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

NOTES TO FINANCIAL STATEMENTS

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	$ -	$ -
30 Days or Less	10,573,614	10,573,648
31 to 60 Days	20,872,054	20,872,418
61 to 90 Days	11,233,938	11,234,619
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	42,679,606	42,680,685
Securities Received	-	-
Total Collateral Reinvested	$ 42,679,606	$ 42,680,685

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 have real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies

The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of $10,894 during the year.

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

Note 8 - Derivative Instruments

The Company maintains an active Derivative Use Policy as approved by the New York State Insurance Department. Pursuant to the policy, the Company may enter into derivative transactions. The Company may also acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and 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:

NOTES TO FINANCIAL STATEMENTS

	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	165,622,068	10,389,932	176,012,000	152,148,021	23,617,429	175,765,450	13,474,047	(13,227,497)	246,550
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	165,622,068	10,389,932	176,012,000	152,148,021	23,617,429	175,765,450	13,474,047	(13,227,497)	246,550
Deferred Tax Liabilities	(13,721,850)	(4,280,150)	(18,002,000)	(21,420,475)	(2,905,575)	(24,326,050)	7,698,625	(1,374,575)	6,324,050
Net DTA (DTL)	151,900,218	6,109,782	158,010,000	130,727,546	20,711,854	151,439,400	21,172,672	(14,602,072)	6,570,600
Deferred Tax Assets Nonadmitted	(58,731,833)	(6,109,425)	(64,841,258)	(39,739,417)	-	(39,739,417)	(18,992,416)	(6,109,425)	(25,101,841)
Net Admitted DTA (DTL)	93,168,385	357	93,168,742	90,988,129	20,711,854	111,699,983	2,180,256	(20,711,497)	(18,531,241)

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.)	4,791,918	357	4,792,275	60,938,703	8,919,837	69,858,540	(56,146,785)	(8,919,480)	(65,066,265)
Lesser of:									
Expected to be recognized within one year (10bi.)	74,773,297	-	74,773,297	8,636,718	12,177,633	20,814,351	66,136,579	(12,177,633)	53,958,946
10% of adjusted capital and surplus (10bii.)			70,995,846			66,155,112			4,840,734
Adj. gross DTAs offset against existing DTLs (10c.)	13,721,850	4,280,150	18,002,000	21,420,475	2,905,575	24,326,050	(7,698,625)	1,374,575	(6,324,050)
Total	89,509,614	4,280,507	93,790,121	90,995,896	24,003,045	114,998,941	(1,486,282)	(19,722,538)	(21,208,820)

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.)	4,791,918	357	4,792,275	60,938,703	8,919,837	69,858,540	(56,146,785)	(8,919,480)	(65,066,265)
Lesser of:									
Expected to be recognized within three years (10eiia.)	88,376,467	-	88,376,467	29,663,810	12,177,633	41,841,443	58,712,657	(12,177,633)	46,535,024
15% of adjusted capital and surplus (10eiib.)			106,493,769			99,232,668			7,261,101
Adj. gross DTAs offset against existing DTLs (10eiii.)	13,721,850	4,280,150	18,002,000	21,420,475	2,905,575	24,326,050	(7,698,625)	1,374,575	(6,324,050)
Total	106,890,235	4,280,507	111,170,742	112,022,988	24,003,045	136,026,033	(5,132,753)	(19,722,538)	(24,855,291)

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2011	December 31, 2010	Change
Total Adjusted Capital	853,425,014	823,878,737	29,546,277
Authorized Control Level	170,605,211	170,328,451	276,760

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
Impact of Tax Planning Strategies	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	0%	0%	0%	0%	11%	11%	0%	-11%	-11%

NOTES TO FINANCIAL STATEMENTS

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	75,787,764	357	75,788,121	69,961,037	20,711,854	90,672,891	5,826,727	(20,711,497)	(14,884,770)
Admitted Assets			3,836,775,484			3,816,957,038			19,818,446
Adjusted Statutory Surplus*			709,958,459			661,551,120			48,407,339
Total Adjusted Capital from DTAs			75,788,121			90,672,891			(14,884,770)

*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	17,380,621	-	17,380,621	21,027,092	-	21,027,092	(3,646,471)	-	(3,646,471)
Admitted Assets	17,380,621	-	17,380,621	21,027,092	-	21,027,092	(3,646,471)	-	(3,646,471)
Adjusted Statutory Surplus	17,380,621	-	17,380,621	21,027,092	-	21,027,092	(3,646,471)	-	(3,646,471)

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

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

	2011	2010
Federal	(2,938,284)	5,461,380
Foreign	-	-
Realized capital gains	2,777,284	778,570
Federal and foreign income taxes incurred	(161,000)	6,239,950

The Company's DTAs and DTLs result primarily from limits on unearned premium reserve deductions, discounting of unpaid loss and LAE reserves, accrued benefits, depreciation, partnership investments, investment impairments, and statutory non-admitted assets.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	2,277,443
Change in tax effect of unrealized (gains) losses	4,293,157
Total change in net deferred income tax	6,570,600

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt income, limits on unearned premium reserve deductions, discounting of unpaid loss and LAE reserves, allowance for doubtful accounts, depreciation, accrual of market discount on owned securities, and investment impairments.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $159,000 from the current year and none from the preceding year.

The Company has no remaining 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.

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

NOTES TO FINANCIAL STATEMENTS

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 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.
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
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 Corporation ("Safeco"), an insurance holding company incorporated in Washington. Safeco 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.

NOTES TO FINANCIAL STATEMENTS

C. As of December 31, 2011, the Company contributed capital in the amount of $5,000,000.

D. At December 31, 2011, the Company reported a net $85,178,718 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

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

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

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

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

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

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

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

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

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

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

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

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

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

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

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

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

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 $250.

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

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

NOTES TO FINANCIAL STATEMENTS

5. The maximum amount of dividends that can be paid to shareholders by Washington-domiciled insurance companies without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, subject to the availability of accumulated undistributed earnings, or (b) net income. The maximum dividend payout that may be made without prior approval in 2012 is $87,080,564.

6. As of December 31, 2011, the Company has restricted surplus of $17,380,621 from recording the increase in admitted DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes* and pre-tax restricted surplus of $3,195,409 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 DTA's in SSAP 10R.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $40,911,439 after applicable deferred taxes of $2,478,182.

11. Surplus Notes

    Not applicable

12. Quasi-reorganization (dollar impact)

    Not applicable

13. Quasi-reorganization (effective date)

    Not applicable

Note 14 - Contingencies

A. Contingent Commitments

   1. The Company has made no commitments or contingent commitments on behalf of affiliates.

   2. The Company has made no guarantees on behalf of affiliates.

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 $6,205,377 that is offset by future premium tax credits of $797,518. 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	$ 1,266,868
b.	Decreases current year: Premium tax offset applied	469,350
c.	Increases current year: Premium tax offset increase	-
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 797,518

C. Gain Contingencies

   Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$ 722,967

NOTES TO FINANCIAL STATEMENTS

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, *Leases*. The Company has a purchase option for all property, plant and equipment at the end of each respective lease.

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

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2012	$ 862,227	$ 6,125,105
2013	862,227	6,102,489
2014	71,852	5,663,916
2015	-	4,415,913
2016	-	4,016,918
2017 & thereafter	-	4,949,459
Total	$ 1,796,306	$ 31,273,800

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 $2,171,007.

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

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

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

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

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

A. Transfers of Receivables Reported as Sales

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

NOTES TO FINANCIAL STATEMENTS

B. Transfers and Servicing of Financial Assets

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

At December 31, 2011 the total fair value of securities on loan was $41,782,810, with corresponding collateral value of $42,675,800 of which $42,675,800 represents cash collateral.

C. Wash Sales

The Company did not have any wash sales 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 $174,075.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not Applicable

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

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

Note 20 - Fair Value Measurements

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	$ 78,554,803	$ 8,407,233	$ 86,962,036
Residential Mortgage-Backed Securities	-	7,772,575	-	7,772,575
Total Bonds	-	$ 86,327,378	$ 8,407,233	$ 94,734,611
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	$ 10,102,020	-	$ 10,102,020
Total Preferred Stocks	-	$ 10,102,020	-	$ 10,102,020
Common Stocks				
Industrial and Miscellaneous	$ 176,213,536	-	$ 858,074	$ 177,071,610
Total Common Stocks	$ 176,213,536	-	$ 858,074	$ 177,071,610
Total assets at fair value	$ 176,213,536	$ 96,429,398	$ 9,265,307	$ 281,908,241
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 following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

1	2	3	4	5	6	7	8	9	10	11
	Balance at 12/31/2010	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at 12/31/2011
Bonds	$7,633,607	$3,166,336	$(1,173,026)	$ -	$156,302	$212,221	$ -	$(1,723,134)	$134,927	$8,407,233
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	783,357	482,264	-	-	(23,581)	-	-	(384,075)	109	858,074
Total	$8,416,964	$3,648,600	$(1,173,026)	$ -	$132,721	$212,221	$ -	$(2,107,209)	$135,036	$9,265,307

3. Policy on Transfers Into and Out of Level 3

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

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

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

U.S. Government and Agency

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

Mortgage-Backed Securities

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

NOTES TO FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

C. Other Disclosures

1) Assets in the amount of $111,766,626 and $116,091,986 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 inter-company 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 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 Tax Credits	State	Carrying Value	Unused Amount
Historical Rehabilitation Credit	CT	$256,000	$256,000
Urban Industrial Site Reinvestment Tax Credit	CT	$128,000	$128,000
Total		$384,000	$384,000

(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 Tax Credits	State		Transferable	Non-Transferable
Historical Rehabilitation Credit	CT	Admitted	$256,000	-
		Non Admitted	-	-
Urban Industrial Site Reinvestment Tax Credit	CT	Admitted	-	$128,000
		Non Admitted	-	-
Total			$256,000	$128,000

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
$637,748	$644,218	$618,814	$285,288

NOTES TO FINANCIAL STATEMENTS

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 annual statement was available to be issued.

Effective January 13, 2012, with the approval of the appropriate state insurance departments, the Company re-domesticated from Washington to New Hampshire.

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	$ 765,946,552	$ 114,891,983	$ 909,278,124	$ 136,391,719	$(143,331,572)	$(21,499,736)
All Other	-	-	-	-	-	-
Total	$ 765,946,552	$ 114,891,983	$ 909,278,124	$ 136,391,719	$(143,331,572)	$(21,499,736)

Direct Unearned Premium Reserve: $ 909,278,124

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	$ 50,506,991	$ 42,384,900	$ (50,507,129)	$ 42,384,762
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	$ 50,506,991	$ 42,384,900	$ (50,507,129)	$ 42,384,762

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	$ 72,172,125	-
	2. Adjustments – Prior Year(s)	(57,671,167)	-
	3. Adjustments – Current Year	(1,017,791)	-
	4. Total	$ 13,483,168	-
b.	Consideration Paid or Received:		
	1. Initial	$ 59,389,802	-
	2. Adjustments – Prior Year(s)	2,263,726	-
	3. Adjustments – Current Year	-	-
	4. Total	$ 61,653,528	-

NOTES TO FINANCIAL STATEMENTS

c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	$ 73,033,905	-
	3. Adjustments – Current Year	1,108,355	-
	4. Total	$ 74,142,260	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	$ (15,007,395)	-
	2. Adjustments – Prior Year(s)	(13,099,013)	-
	3. Adjustments – Current Year	(90,564)	-
	4. Current Year Special Surplus	3,195,409	-
	5. Cumulative Total Transferred to Unassigned Funds	$ (31,392,381)	-
e.	All cedents and reinsurers included in the above transactions:		
	Peerless Insurance Company	$ 13,483,168	-
	Total	$ 13,483,168	-

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.

I. Effective January 1, 2009, the Peerless Insurance Company (PIC) Amended and Restated Reinsurance Pooling Agreement was amended to add the Company as a party to the agreement. Pursuant to the terms of agreement and upon the Company's entry into the intercompany pool, all of the Company's ceded and assumed external reinsurance, respectively, was assigned to PIC, the lead company in the pool. As of January 1, 2009, the top four individual assumed and ceded balances assigned and the aggregate assumed and ceded balances assigned to PIC were:

Assumed Balances

FEIN	NAIC #	Reinsured	#	Premium	Total Paid Loss & Case Reserve
42-1091525	35386	Fidelity and Guaranty Insurance Company	1	182,882	2,731
		Aggregate of all other reinsureds including Pools and Associations	23	8,806,254	25,315,713
		Aggregate assumed balances assigned (excluding affiliated pooling)	24	8,989,136	25,318,444

Ceded Balances

FEIN	NAIC #	Reinsurer	#	Premium	Net Recoverable/ Payable
06-0384680	11452	Hartford Steam Boiler Insp. And Ins. Co	1	17,451,304	8,806,134
13-1675535	25364	Swiss Reins. America Corp	1	112,751,005	38,504,043
58-1529575	42978	American Security Ins. Co.	1	116,533,152	5,096,712
13-4924125	10227	Munich Reins. America, Inc	1	10,314,885	39,689,773
		Aggregate of all other reinsureds	203	223,272,654	533,789,338
		Aggregate ceded balances assigned (excluding affiliated pooling)	207	480,323,000	625,886,000

The net results of the assignment were settled during 2009.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

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

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

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

D. Medical Loss Ratio Rebates

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

NOTES TO FINANCIAL STATEMENTS

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

a.	Total accrued retro premium	$779,781
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	77,904
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	$701,877

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 $44,551,978 during 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $19,038,721, Other Liability $16,776,009, Fidelity/Surety $13,488,967, and Private Passenger Auto Liability/Medical $12,132,757 lines. This was partially offset by deteriorating loss trends in the Workers Compensation $16,975,834 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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Affiliate:	Amount:
Peerless Insurance Company	$ 18,761,813

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $18,635,164 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 $18,635,164 as of December 31, 2011.

B. The Company has not purchased annuities from any life insurers and the Company has not obtained a release from the claimant, to the extent that the aggregate value of those annuities equals or exceeds 1% of policyholders' surplus.

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 $20,191,646 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.

NOTES TO FINANCIAL STATEMENTS

On June 30, 2010, PIC, the lead company in the PIC Amended and Restated Pooling Agreement, entered into an aggregate stop-loss reinsurance agreement with an affiliate, LMIC. Pursuant to the agreement, LMIC will indemnify PIC, on an incurred basis, against adverse development in its legacy run-off liability exposures, which includes any failure to fully realize reinsurance recoverables, whether due to coverage disputes or inability to pay. The agreement provides that, if at any time commencing on July 1, 2010, PIC’s total legacy run-off liability exposures develop adversely from the amounts established as of June 30, 2010, LMIC will pay to PIC an amount equal to such adverse development, up to an aggregate amount of $500,000,000.

The agreement will terminate upon the earlier of the time that there are no liabilities for PIC’s legacy run-off exposures remaining or the second anniversary of the date that the aggregate net payments made by LMIC under the agreement equal $500,000,000 if the parties agree that no reinsurance refunds are likely to become due. The agreement may only be amended or assigned with the written consent of both parties.

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

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	$ 26,065,083	$ 24,589,577	$ 25,442,117	$ 23,803,220	$21,419,865
Incurred losses and LAE	1,423,653	3,749,128	324,927	(1,970)	(4,313,013)
Calendar year payments	2,595,155	2,896,588	1,963,824	2,381,385	1,500,001
Ending Reserves	$ 24,893,581	$ 25,442,117	$ 23,803,220	$ 21,419,865	$15,606,851
Assumed Reinsurance Basis					
Beginning Reserves	$ 16,369,332	$ 20,216,847	$ 17,305,476	$ 24,108,437	$21,035,149
Incurred losses and LAE	4,658,094	(686,944)	8,554,471	(8,477)	3,729,489
Calendar year payments	1,568,280	2,224,427	1,751,509	3,064,811	1,437,189
Ending Reserves	$ 19,459,146	$ 17,305,476	$ 24,108,438	$ 21,035,149	$23,327,449
Net of Ceded Reinsurance Basis					
Beginning Reserves	$ 34,279,518	$ 36,306,237	$ 34,828,860	$ 41,010,571	$36,072,543
Incurred losses and LAE	5,029,217	1,830,418	9,658,536	19,300	(270,583)
Calendar year payments	3,466,415	3,307,795	3,476,825	4,957,328	4,273,950
Ending Reserves	$ 35,842,320	$ 34,828,860	$ 41,010,571	$ 36,072,543	$31,528,010

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	$2,348,959
Assumed Reinsurance Basis	118,437
Net of Ceded Reinsurance Basis	$1,216,193
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	$4,582,536
Assumed Reinsurance Basis	198,630
Net of Ceded Reinsurance Basis	$3,094,173

Environmental:	2007	2008	2009	2010	2011
Direct Basis					
Beginning Reserves	$ 29,724,948	$ 28,261,901	$ 24,144,722	$ 20,567,297	$18,410,004
Incurred losses and LAE	7,820,539	622,270	(1,048,064)	(109,999)	3,700,217
Calendar year payments	5,651,491	4,739,448	2,529,361	2,047,294	2,645,536
Ending Reserves	$ 31,893,996	$ 24,144,723	20,567,297	$ 18,410,004	$19,464,685
Assumed Reinsurance Basis					
Beginning Reserves	$ 5,582,923	$ 5,426,315	$ 5,217,784	$ 3,755,885	$ 3,436,933
Incurred losses and LAE	81,546	305	(1,329,808)	69,133	(369,240)
Calendar year payments	142,365	208,836	132,091	388,085	428,313
Ending Reserves	$ 5,522,104	$ 5,217,784	$ 3,755,885	$ 3,436,933	$ 2,639,380
Net of Ceded Reinsurance Basis					
Beginning Reserves	$ 31,093,405	$ 31,091,829	$ 26,517,043	$ 21,213,082	$18,889,326
Incurred losses and LAE	8,628,730	(547,474)	(2,802,147)	11,819	(2,280)
Calendar year payments	4,795,541	4,027,312	2,501,814	2,335,575	(1,468,649)
Ending Reserves	$ 34,926,594	$ 26,517,043	$ 21,213,082	$ 18,889,326	$20,355,695

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	$ 1,417,888
Assumed Reinsurance Basis	5,066
Net of Ceded Reinsurance Basis	$ 1,186,815
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	$ 34,170
Assumed Reinsurance Basis	3,016,257
Net of Ceded Reinsurance Basis	$1,417,888

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 Peerless "Pool", which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool's amounts and the Ohio Casualty Companies' Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

NOTES TO FINANCIAL STATEMENTS

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? Washington

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [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). 06/21/2011

3.4 By what department or departments?
Washington State Office of the Insurance Commissioner

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

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
71006486	The PrivateBank and Trust	Failure to pay and expiring	500,000
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. $ 42,675,800

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	$ 111,766,626
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	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
N/A	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

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

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	2,385,455,675	2,493,372,965	107,917,290
30.2 Preferred stocks	11,412,020	11,459,180	47,160
30.3 Totals	2,396,867,695	2,504,832,145	107,964,450

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? $ 320,345

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? $ 77,828

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	$ 1,591,628,563	$ 1,567,755,359
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 7,995,727	$ 7,660,076
2.5	Reserve Denominator	$ 2,541,375,839	$ 2,491,017,179
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21 Participating policies $ 10,920,656

3.22 Non-participating policies $ 1,887,393,772

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 [ ]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
12.11 Unpaid losses $ 52,076,195
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 4,844,248

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? $ 647,824

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 9.00 %
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 $ 120,720,150
12.62 Collateral and other funds $ 27,072,231

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 71,036,600

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)	1,091,679,111	1,113,323,230	830,980,985	2,242,988,983	2,440,949,274
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	852,256,508	822,196,921	641,215,111	1,511,408,587	1,683,941,321
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,241,445,059	1,135,170,172	814,387,274	1,486,835,741	1,478,338,249
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	329,198,753	423,294,371	480,208,732	473,211,643	427,531,094
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)			16	10,672	1,575
6. Total (Line 35)	3,514,579,431	3,493,984,694	2,766,792,118	5,714,455,626	6,030,761,513
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)	637,848,798	653,713,650	750,274,595	734,489,362	797,640,802
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	314,457,479	314,280,721	283,963,841	445,621,177	463,324,041
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	550,127,299	523,474,161	506,785,770	433,589,745	476,845,500
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	113,831,428	111,043,186	97,356,750	148,810,566	128,717,049
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)			16	3,522	363
12. Total (Line 35)	1,616,265,004	1,602,511,718	1,638,380,972	1,762,514,372	1,866,527,755
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(98,352,650)	(22,529,131)	66,785,318	48,607,927	119,854,947
14. Net investment gain (loss) (Line 11)	123,444,541	133,915,007	124,731,040	144,513,610	189,293,143
15. Total other income (Line 15)	4,398,989	(13,163,584)	(6,506,279)	2,964,953	5,888,524
16. Dividends to policyholders (Line 17)	3,196,299	(535,689)	6,813,398	2,193,020	1,565,709
17. Federal and foreign income taxes incurred (Line 19)	(2,938,284)	5,461,380	73,806,207	30,076,708	65,084,793
18. Net income (Line 20)	29,232,865	93,296,601	104,390,474	163,816,762	248,386,112
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	3,854,156,105	3,837,984,130	4,327,404,574	3,952,233,208	4,067,248,117
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	60,909,097	54,564,644	60,221,355	280,278,446	380,951,206
20.2 Deferred and not yet due (Line 15.2)	458,348,157	438,837,234	427,601,133	276,167,757	243,930,098
20.3 Accrued retrospective premiums (Line 15.3)	701,877	1,392,450	2,482,113	770,606	672,317
21. Total liabilities excluding protected cell business (Page 3, Line 26)	2,983,350,470	2,993,078,301	3,180,292,675	3,182,407,771	3,228,637,423
22. Losses (Page 3, Line 1)	1,370,184,457	1,357,442,949	1,428,845,322	1,279,500,807	1,260,744,966
23. Loss adjustment expenses (Page 3, Line 3)	302,972,219	302,962,873	340,182,924	298,266,655	300,168,984
24. Unearned premiums (Page 3, Line 9)	765,946,552	737,679,970	699,372,386	666,660,985	728,534,002
25. Capital paid up (Page 3, Lines 30 & 31)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	870,805,635	844,905,829	1,147,111,899	769,825,437	838,610,694
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	63,610,360	(3,946,250)	51,033,401	216,440,421	207,841,398
Risk-Based Capital Analysis					
28. Total adjusted capital	870,805,635	844,905,829	1,147,111,899	769,825,437	838,610,694
29. Authorized control level risk-based capital	170,613,774	170,218,613	146,163,549	168,373,602	169,567,368
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)	73.7	75.3	82.6	80.2	81.2
31. Stocks (Lines 2.1 & 2.2)	17.5	15.7	5.1	9.5	16.2
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.5	2.5	0.9		
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	4.6	5.3	9.3	9.1	1.7
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			XXX	XXX	XXX
37. Other invested assets (Line 8)	0.1	0.1	2.2	1.2	0.8
38. Receivables for securities (Line 9)	0.2			0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	1.4	1.1	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)	353,569,928	341,231,797	101,837,244	95,383,472	36,971,000
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			1,008,000	1,068,000	
48. Total of above Lines 42 to 47	353,569,928	341,231,797	102,845,244	96,451,472	36,971,000
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)	40.6	40.4	9.0	12.5	4.4

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)	(634,875)	43,087,700	21,223,709	(126,609,775)	(27,037,006)
51.	Dividends to stockholders (Line 35)		(753,000,000)		(158,000,000)	(465,000,000)
52.	Change in surplus as regards policyholders for the year (Line 38)	25,899,806	(302,206,070)	377,286,460	(68,785,255)	(316,790,729)
	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)	598,886,891	723,163,099	1,976,962,218	1,331,349,779	1,499,134,455
54.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	474,199,523	422,989,420	465,028,005	805,155,673	828,633,791
55.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	894,157,164	618,328,685	884,772,230	881,795,580	679,718,355
56.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	136,889,697	91,286,704	36,835,851	30,385,250	(5,669,475)
57.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,198,602	3,254,469	174,043,403	21,127,486	13,881,778
58.	Total (Line 35)	2,105,331,877	1,859,022,377	3,537,641,707	3,069,813,768	3,015,698,904
	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)	386,111,461	484,565,937	240,535,052	421,444,618	482,748,854
60.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	178,440,619	161,049,699	175,526,221	253,438,828	256,969,292
61.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	377,524,346	278,987,888	198,064,665	288,732,055	221,604,622
62.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	28,692,997	21,973,298	7,098,766	7,530,585	(1,033,695)
63.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,198,602	3,254,469	37,035,119	6,972,070	4,580,987
64.	Total (Line 35)	971,968,025	949,831,291	658,259,823	978,118,156	964,870,060
	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	33.7	32.7	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)	185.6	189.7	142.8	229.0	222.6
	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)	(42,825)	(18,457)	(117,240)	(51,398)	(48,484)
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)	(5.1)	(1.6)	(15.2)	(6.1)	(4.2)
	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)	(38,429)	(93,716)	(168,945)	(73,754)	(101,682)
76.	Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(3.4)	(12.2)	(20.1)	(6.4)	(8.5)

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	37,568	4,462	5,196	279	2,008	430	505	39,601	X X X
2. 2002	1,385,757	136,231	1,249,526	764,836	76,442	57,939	5,442	98,197	4,964	44,988	834,124	X X X
3. 2003	1,512,891	126,356	1,386,535	740,987	64,862	52,077	3,798	110,976	5,268	46,309	830,112	X X X
4. 2004	1,628,118	89,829	1,538,289	760,153	30,884	47,858	1,708	108,818	2,316	57,323	881,921	X X X
5. 2005	1,696,131	68,698	1,627,433	777,444	31,516	50,041	1,833	114,187	1,793	54,791	906,530	X X X
6. 2006	1,693,884	75,650	1,618,234	781,652	17,718	49,267	2,131	115,704	2,586	47,825	924,188	X X X
7. 2007	1,728,894	84,436	1,644,458	786,456	17,318	47,754	1,794	114,967	1,628	51,497	928,437	X X X
8. 2008	1,725,497	64,150	1,661,347	859,944	26,196	44,094	1,894	127,424	1,334	45,267	1,002,038	X X X
9. 2009	1,618,893	101,245	1,517,648	686,317	44,941	28,277	2,144	111,816	966	40,410	778,359	X X X
10. 2010	1,600,111	32,356	1,567,755	630,364	4,315	17,593	165	118,453	225	40,685	761,705	X X X
11. 2011	1,621,047	29,419	1,591,628	549,068	1,953	7,165	65	93,160	181	30,816	647,194	X X X
12. Totals	X X X	X X X	X X X	7,374,789	320,607	407,261	21,253	1,115,710	21,691	460,416	8,534,209	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 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	Number of Claims Outstanding Direct and Assumed
1. Prior	184,977	64,636	91,486	13,402	6,235	1,429	17,797	2,123	14,994	3	4,358	233,896	X X X
2. 2002	33,128	5,169	4,296	1,794	377	32	1,279	111	1,447		29	33,421	X X X
3. 2003	12,303	1,843	6,047	842	264	2	2,443	92	1,174		667	19,452	X X X
4. 2004	15,336	3,782	8,541	1,039	406	2	2,436	120	1,560		2,824	23,336	X X X
5. 2005	18,943	2,096	9,855	1,451	575	2	4,747	174	1,988		3,382	32,385	X X X
6. 2006	29,323	3,892	9,999	1,472	918	2	6,620	315	2,934		9,124	44,113	X X X
7. 2007	49,467	2,333	18,075	3,634	1,593	3	8,853	706	4,587		3,342	75,899	X X X
8. 2008	68,850	1,506	34,860	6,926	2,809	20	17,874	829	8,440		10,980	123,552	X X X
9. 2009	108,239	2,279	61,145	6,413	3,370	98	26,644	1,057	12,849		11,465	202,400	X X X
10. 2010	159,101	1,456	93,698	6,159	3,712	29	41,594	1,532	22,296		18,987	311,225	X X X
11. 2011	255,143	1,277	233,695	2,925	3,042	3	49,777	283	36,918	624	31,891	573,463	X X X
12. Totals	934,810	90,269	571,697	46,057	23,301	1,622	180,064	7,342	109,187	627	97,049	1,673,142	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	198,425	35,471
2. 2002	961,499	93,954	867,545	69.384	68.967	69.430			15.200	30,461	2,960
3. 2003	926,271	76,707	849,564	61.225	60.707	61.272			15.200	15,665	3,787
4. 2004	945,108	39,851	905,257	58.049	44.363	58.848			15.200	19,056	4,280
5. 2005	977,780	38,865	938,915	57.648	56.574	57.693			15.200	25,251	7,134
6. 2006	996,417	28,116	968,301	58.824	37.166	59.837			15.200	33,958	10,155
7. 2007	1,031,752	27,416	1,004,336	59.677	32.470	61.074			15.200	61,575	14,324
8. 2008	1,164,295	38,705	1,125,590	67.476	60.335	67.752			15.200	95,278	28,274
9. 2009	1,038,657	57,898	980,759	64.158	57.186	64.624			15.200	160,692	41,708
10. 2010	1,086,811	13,881	1,072,930	67.921	42.901	68.437			15.200	245,184	66,041
11. 2011	1,227,968	7,311	1,220,657	75.752	24.851	76.692			15.200	484,636	88,827
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,370,181	302,961

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	795,647	850,244	859,042	885,590	896,277	905,957	887,165	928,005	947,920	948,562	642	20,557
2. 2002	800,135	796,053	788,861	772,184	769,396	763,167	758,049	762,701	762,543	773,865	11,322	11,164
3. 2003	X X X	788,080	773,636	754,363	750,462	755,645	749,833	747,091	744,077	743,417	(660)	(3,674)
4. 2004	X X X	X X X	886,284	864,781	853,524	816,388	811,421	802,062	799,892	798,066	(1,826)	(3,996)
5. 2005	X X X	X X X	X X X	924,860	889,672	845,688	840,303	830,063	827,834	825,323	(2,511)	(4,740)
6. 2006	X X X	X X X	X X X	X X X	910,207	891,641	868,355	848,943	851,723	853,185	1,462	4,242
7. 2007	X X X	X X X	X X X	X X X	X X X	975,617	949,738	890,358	889,894	887,451	(2,443)	(2,907)
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	1,055,982	1,007,953	1,004,012	992,261	(11,751)	(15,692)
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	901,453	873,039	858,071	(14,968)	(43,382)
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	955,420	933,328	(22,092)	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	1,091,841	X X X	X X X
									12. Totals		(42,825)	(38,428)

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	236,151	383,081	478,027	542,411	587,674	626,078	650,620	679,630	717,652	X X X	X X X
2. 2002	364,643	533,779	614,308	670,573	699,338	715,990	726,522	732,204	738,281	740,891	X X X	X X X
3. 2003	X X X	367,956	529,873	607,502	658,141	692,331	707,257	716,243	721,095	724,403	X X X	X X X
4. 2004	X X X	X X X	381,774	573,344	662,693	715,764	747,111	762,603	770,036	775,418	X X X	X X X
5. 2005	X X X	X X X	X X X	390,844	580,332	671,064	730,033	766,972	784,841	794,136	X X X	X X X
6. 2006	X X X	X X X	X X X	X X X	398,044	591,372	675,557	743,528	785,523	811,070	X X X	X X X
7. 2007	X X X	X X X	X X X	X X X	X X X	413,627	614,381	706,617	773,464	815,099	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	479,592	709,180	809,174	875,949	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	400,588	580,611	667,509	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	439,985	643,478	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	554,215	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	302,994	242,442	185,664	159,485	144,479	123,003	118,669	128,358	130,947	104,987
2. 2002	242,990	123,526	70,314	40,620	29,799	20,200	13,386	12,383	7,373	4,671
3. 2003	X X X	220,367	109,743	62,759	43,460	31,630	23,179	15,749	9,989	8,291
4. 2004	X X X	X X X	276,686	137,694	90,922	49,021	36,049	19,502	14,312	10,689
5. 2005	X X X	X X X	X X X	309,077	153,706	77,719	48,186	27,444	18,936	13,767
6. 2006	X X X	X X X	X X X	X X X	278,778	140,347	85,564	41,207	23,401	15,768
7. 2007	X X X	X X X	X X X	X X X	X X X	288,219	150,349	70,843	38,537	23,629
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	313,395	137,887	82,260	46,180
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	274,719	139,106	81,329
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	271,272	128,521
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	280,722

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
States, Etc.	Active Status	2 Direct Premiums Written	3 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	21,405,152	21,152,122		26,473,374	31,466,155	10,574,333	260,959	
2. Alaska AK	L	18,609,850	16,728,525		4,394,979	2,802,472	(3,023,573)	226,880	
3. Arizona AZ	L	75,995,706	64,150,777		39,529,590	33,066,383	14,639,413	926,493	
4. Arkansas AR	L	14,888,462	14,088,176		10,021,005	9,765,896	3,374,544	181,511	
5. California CA	L	562,971,806	549,445,212		270,484,899	334,882,268	304,610,937	6,863,410	
6. Colorado CO	L	122,386,628	109,002,678		64,782,034	65,623,196	34,349,813	1,492,063	
7. Connecticut CT	L	37,949,007	38,906,240		33,978,223	37,084,789	22,165,002	462,651	
8. Delaware DE	L	1,003,694	1,009,716		15,466	(255,576)	176,404	12,236	
9. District of Columbia DC	L	2,777,926	3,446,975		2,254	(410,230)	852,514	33,867	
10. Florida FL	L	14,298,505	17,556,170		28,293,708	18,148,443	158,217	174,319	
11. Georgia GA	L	25,148,397	26,252,680		13,864,881	13,517,575	10,541,487	306,594	
12. Hawaii HI	L	2,990,168	2,348,659		256,920	(604,622)	416,764	36,454	
13. Idaho ID	L	7,629,268	7,354,610		2,095,341	759,039	3,977,058	93,011	
14. Illinois IL	L	6,587,036	9,989,199		1,779,260	4,280,657	8,552,616	80,305	
15. Indiana IN	L	12,841,637	12,658,375		4,342,832	4,361,953	3,094,783	156,557	
16. Iowa IA	L	13,159,704	11,768,499		9,618,619	9,143,866	4,801,630	160,435	
17. Kansas KS	L	69,988,762	65,670,561		76,434,108	81,404,186	22,669,425	853,260	
18. Kentucky KY	L	28,137,774	25,451,001		12,896,411	15,465,097	8,465,910	343,039	
19. Louisiana LA	L	38,823,834	39,284,051		15,312,256	17,405,491	9,825,654	473,317	
20. Maine ME	L	362,111	650,606		371	(203,688)	91,903	4,415	
21. Maryland MD	L	33,658,188	34,144,840		24,348,305	20,830,279	12,937,302	410,340	
22. Massachusetts MA	L	13,821,879	14,163,624		(397,441)	16,285	4,131,000	168,508	
23. Michigan MI	L	23,318,063	22,101,374		12,507,494	7,966,790	14,870,727	284,280	
24. Minnesota MN	L	13,683,287	14,370,490		7,763,056	6,733,641	7,234,689	166,818	
25. Mississippi MS	L	44,047,928	43,208,135		29,531,103	31,191,676	10,387,192	537,006	
26. Missouri MO	L	59,134,053	56,932,496		56,408,392	55,338,434	17,978,833	720,926	
27. Montana MT	L	35,783,586	34,499,431		27,452,533	18,571,507	16,263,559	436,252	
28. Nebraska NE	L	5,295,766	5,051,400		3,351,592	3,109,261	1,192,901	64,563	
29. Nevada NV	L	14,816,411	15,248,265		20,999,096	17,458,336	2,885,452	180,633	
30. New Hampshire NH	L	12,879,913	11,109,611		4,830,565	5,405,615	3,035,891	157,024	
31. New Jersey NJ	L	6,794,833	8,810,255		(716,927)	(2,318,483)	2,075,979	82,839	5,715
32. New Mexico NM	L	48,726,528	47,911,463		22,241,422	21,258,871	17,516,298	594,044	
33. New York NY	L	19,054,965	26,656,961		869,108	(8,288,705)	(8,615,500)	232,307	
34. North Carolina NC	L	11,362,283	11,696,359		6,727,503	7,252,435	4,015,077	138,522	
35. North Dakota ND	L	7,832,784	7,739,680		3,500,236	3,755,789	1,608,113	95,493	
36. Ohio OH	L	5,166,835	6,040,323		1,643,279	401,164	3,684,904	62,991	
37. Oklahoma OK	L	69,344,034	57,300,335		36,834,510	39,595,175	15,700,433	845,400	
38. Oregon OR	L	7,380,875	7,465,213		3,784,388	(2,009,387)	7,906,736	89,983	
39. Pennsylvania PA	L	16,136,769	16,689,791		3,320,334	(415,517)	10,598,949	196,730	
40. Rhode Island RI	L	379,240	856,249		288	719,520	1,217,894	4,623	
41. South Carolina SC	L	21,368,131	21,142,550		12,278,376	14,395,181	6,967,827	260,507	
42. South Dakota SD	L	11,028,008	10,740,624		10,337,701	12,199,012	4,693,851	134,447	
43. Tennessee TN	L	31,352,609	30,903,799		62,652,826	71,294,630	19,208,511	382,232	
44. Texas TX	L	44,069,670	51,366,945	3,810,758	61,165,583	53,695,953	27,579,302	537,271	
45. Utah UT	L	8,775,942	8,622,650		2,285,722	3,028,774	3,726,362	106,991	
46. Vermont VT	L	3,902,799	3,433,160		2,618,509	3,066,954	943,039	47,581	
47. Virginia VA	L	8,688,487	9,451,321		1,293,601	241,454	3,358,769	105,925	
48. Washington WA	L	189,838,691	183,149,124		71,779,437	54,250,514	53,084,838	2,314,398	
49. West Virginia WV	L	30,126,235	28,499,064		17,346,471	13,724,447	8,604,507	367,281	
50. Wisconsin WI	L	8,507,653	8,263,740		5,580,779	3,870,726	2,496,890	103,720	
51. Wyoming WY	L	12,997,450	12,199,929		6,449,490	6,312,068	2,979,272	158,457	
52. American Samoa AS	N								
53. Guam GU	L	549,286	665,734			(73,700)	91,675	6,697	
54. Puerto Rico PR	N	57,852	34,552						
55. U.S. Virgin Islands VI	N	560	(271)					7	
56. Northern Mariana Islands MP	N								
57. Canada CN	N	20,051	3,786			(6,559)			
58. Aggregate Other Alien OT	X X X	457,367	980,264			(14,950)	44,991		
59. Totals	(a) 52	1,898,314,438	1,848,368,098	3,810,758	1,133,363,862	1,140,260,540	740,721,097	23,136,572	5,715

DETAILS OF WRITE-INS									
5801. Other Alien	X X X	457,367	980,264			(14,950)	44,991		
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	457,367	980,264			(14,950)	44,991		

(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.

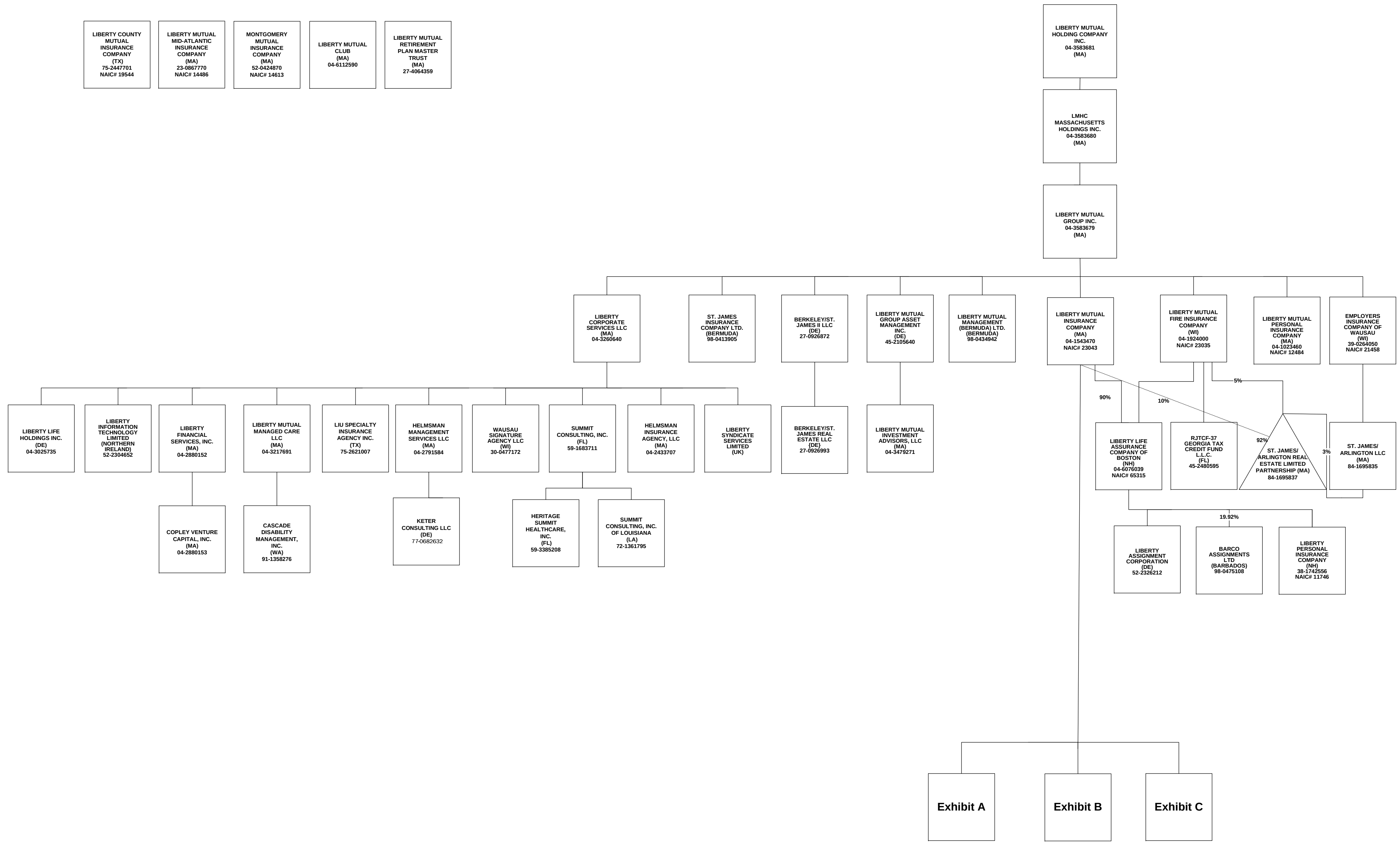
Explanation of basis of allocation of premiums by states, etc.

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

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

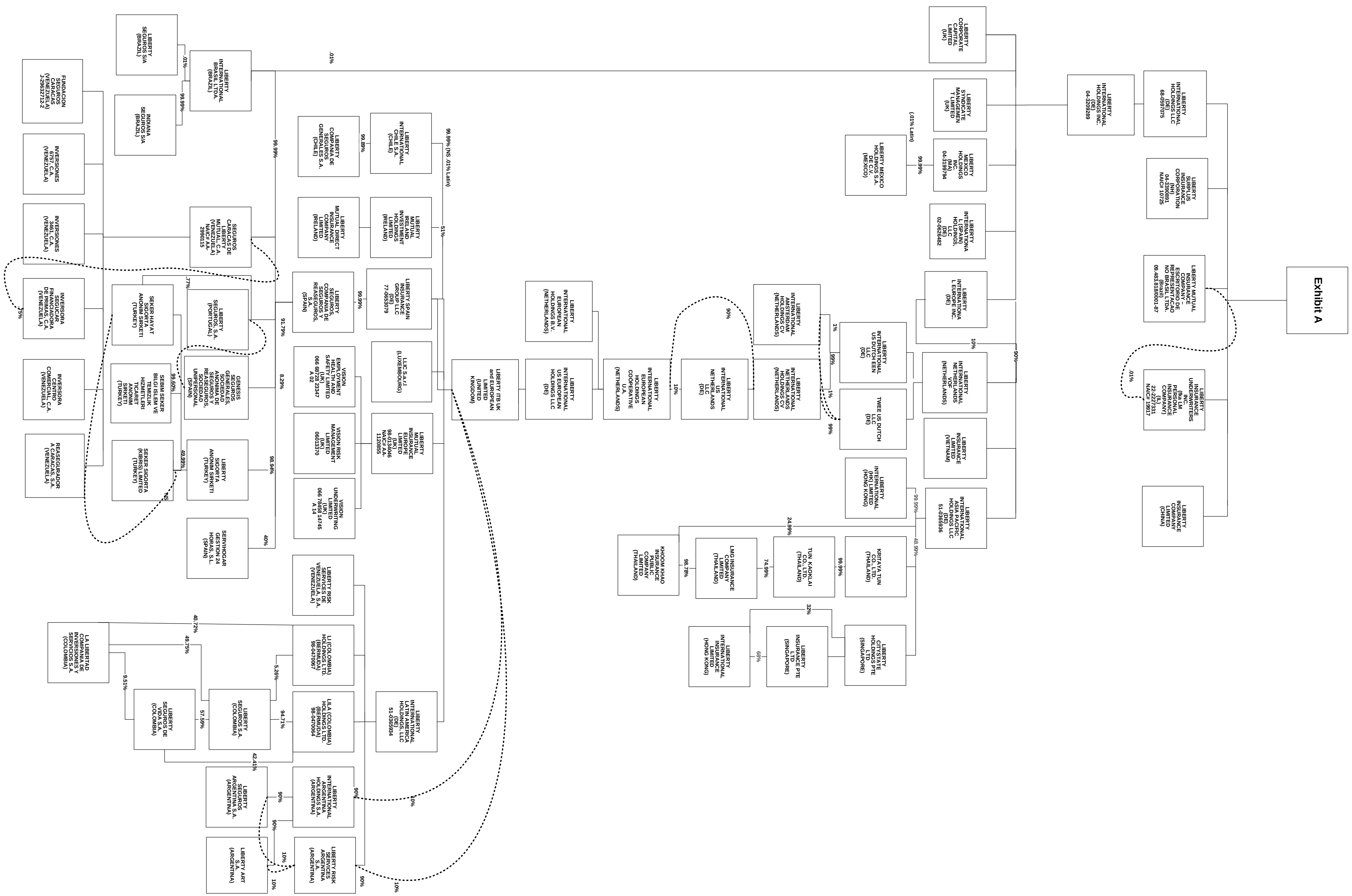
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



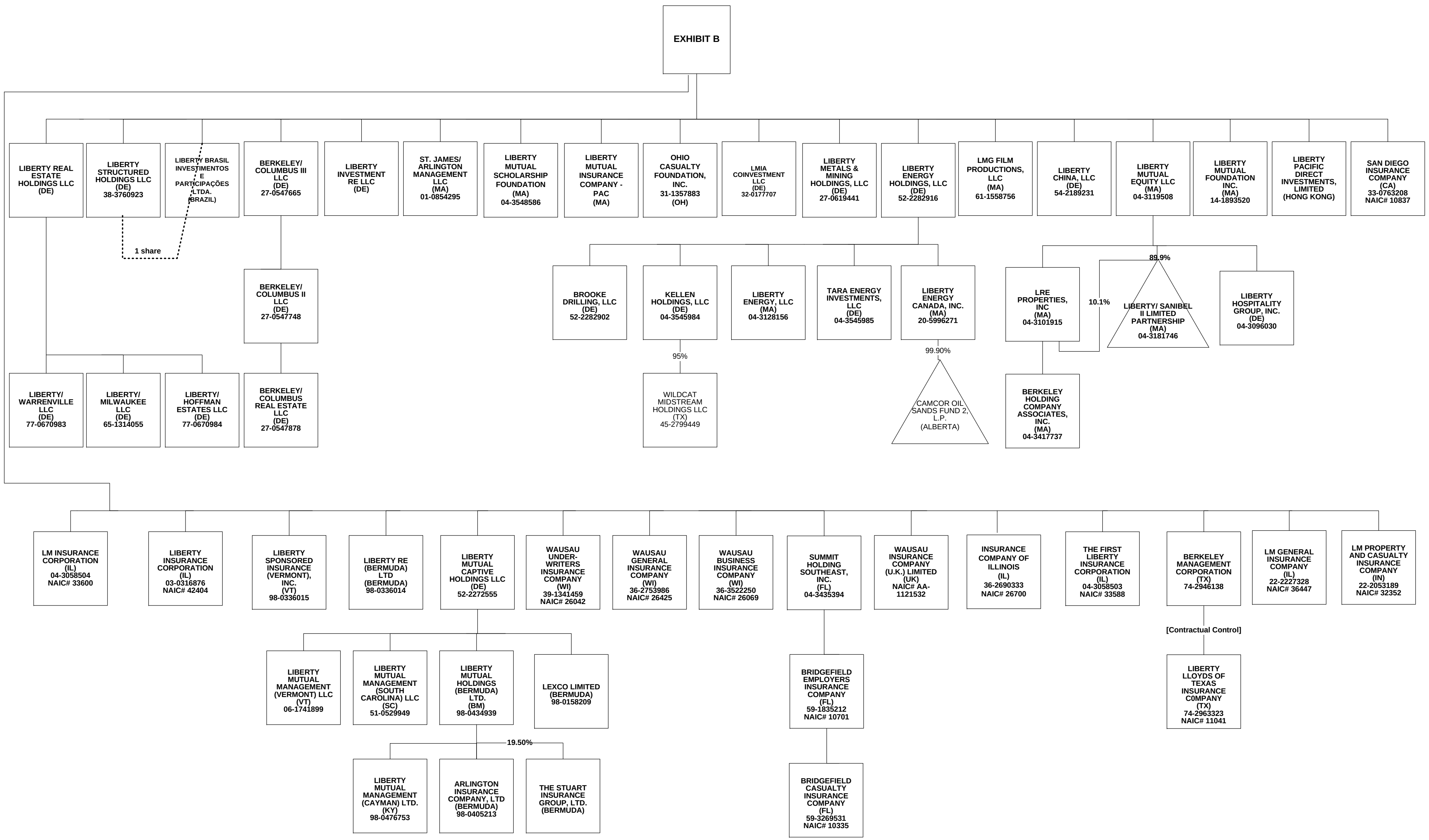
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



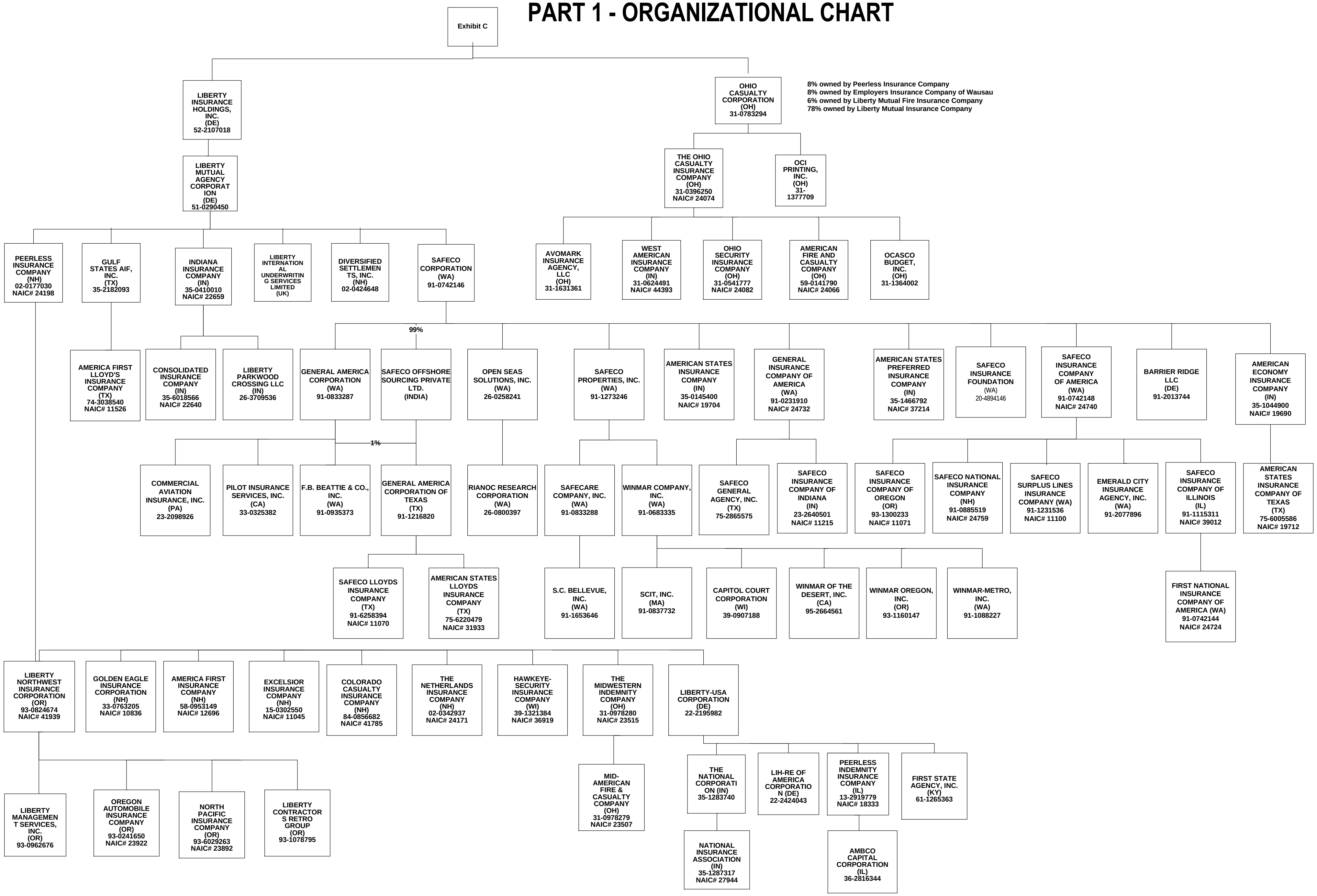
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Year	2 Prior Year
2504. Accrued return retrospective premiums		1,850,476
2505. Private passenger auto escrow		162,673
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)		2,013,149

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT