ANNUAL STATEMENT

OF THE

SAFECO INSURANCE COMPANY OF AMERICA

of KEENE

in the state of NEW HAMPSHIRE

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2012

PROPERTY AND CASUALTY

2012

24740201220100100

ANNUAL STATEMENT

For the Year Ended December 31, 2012
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 New Hampshire **, State of Domicile or Port of Entry** New Hampshire

Country of Domicile United States of America

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

Statutory Home Office 62 Maple Avenue (Street and Number), Keene, NH, US 03431 (City or Town, State, Country and Zip Code)

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

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

Primary Location of Books and Records 175 Berkeley Street (Street and Number) Boston, MA, US 02116 (City or Town, State, Country 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

Timothy Michael Sweeney

	Name	Title
1.	Timothy Michael Sweeney #	President and Chief Executive Officer
2.	Dexter Robert Legg	Vice President and Secretary
3.	Laurance Henry Soyer Yahia #	Vice President and Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Margaret Dillon #	Vice President and Chief Financial Officer	John Derek Doyle #	Vice President and Comptroller
Anthony Alexander Fontanes	Vice President and Chief Investment Officer	Elizabeth Julia Morahan #	Vice President and General Counsel
Christopher Locke Peirce #	Executive Vice President		

DIRECTORS OR TRUSTEES

Margaret Dillon #	John Derek Doyle	Paul Ivanovskis #	Dexter Robert Legg
Stephen Joseph McAnena #	Elizabeth Julia Morahan #	Timothy Michael Sweeney #	

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)
Timothy Michael Sweeney #	Dexter Robert Legg	Laurance Henry Soyer Yahia #
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Vice President and Secretary	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
22nd day of January , 2013, 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)	2,416,576,479		2,416,576,479	2,278,960,830
2. Stocks (Schedule D):				
2.1 Preferred stocks	12,495,000		12,495,000	11,412,020
2.2 Common stocks	527,087,191		527,087,191	530,641,538
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	86,229,327		86,229,327	77,698,691
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 ($ 60,675,759, Schedule E - Part 1), cash equivalents ($ 17,031,575, Schedule E - Part 2), and short-term investments ($ 120,461,466, Schedule DA)	198,168,800		198,168,800	142,401,794
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)	6,415,206		6,415,206	3,292,988
9. Receivables for securities	5,959,141		5,959,141	5,786,723
10. Securities lending reinvested collateral assets (Schedule DL)				42,675,800
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	3,252,931,144		3,252,931,144	3,092,870,384
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	26,269,660		26,269,660	26,688,776
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	56,236,554	7,921,832	48,314,722	60,909,097
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 3,885,317 earned but unbilled premiums)	487,917,678	388,533	487,529,145	458,348,157
15.3 Accrued retrospective premiums	11,512	1,151	10,361	701,877
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	85,534,595		85,534,595	98,742,956
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
18.2 Net deferred tax asset	139,306,000	46,668,066	92,637,934	93,168,742
19. Guaranty funds receivable or on deposit	1,437,476		1,437,476	1,827,541
20. Electronic data processing equipment and software	6,029,338	6,029,338		
21. Furniture and equipment, including health care delivery assets ($ 0)	38,375,168	38,375,168		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	21,765,991		21,765,991	1,135,294
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	15,354,954	1,979,505	13,375,449	12,999,229
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	4,131,170,070	101,363,593	4,029,806,477	3,854,156,105
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	4,131,170,070	101,363,593	4,029,806,477	3,854,156,105

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	9,209,427		9,209,427	8,977,523
2502. Equities and deposits in pools and associations	4,115,827		4,115,827	3,981,664
2503. Other assets	2,029,700	1,979,505	50,195	40,042
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	15,354,954	1,979,505	13,375,449	12,999,229

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	1,343,907,667	1,370,184,457
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	91,099,811	102,272,611
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	307,344,680	302,972,219
4.	Commissions payable, contingent commissions and other similar charges	49,130,793	42,659,363
5.	Other expenses (excluding taxes, licenses and fees)	25,167,454	23,885,649
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	10,677,296	11,277,419
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	26,448,201	
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 $ 1,014,428,082 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)	797,279,595	765,946,552
10.	Advance premium	5,958,171	5,228,422
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	213,435	209,734
12.	Ceded reinsurance premiums payable (net of ceding commissions)	143,682,921	128,672,422
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	2,016,345	1,529,085
15.	Remittances and items not allocated		
16.	Provision for reinsurance (including $ 0 certified) (Schedule F, Part 8)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	52,458,832	54,123,244
19.	Payable to parent, subsidiaries and affiliates	182,686,925	86,314,012
20.	Derivatives	2,874,943	
21.	Payable for securities	9,880,514	2,193,511
22.	Payable for securities lending		42,675,800
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	33,928,698	43,205,970
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	3,084,756,281	2,983,350,470
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	3,084,756,281	2,983,350,470
29.	Aggregate write-ins for special surplus funds	2,667,182	20,576,030
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)	356,452,835	264,299,426
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)	945,050,196	870,805,635
38.	Totals (Page 2, Line 28, Col. 3)	4,029,806,477	3,854,156,105

	DETAILS OF WRITE-IN LINES		
2501.	Other liabilities	20,587,305	28,904,032
2502.	Retroactive reinsurance reserves	12,571,649	13,483,168
2503.	Amounts held under uninsured plans	769,744	818,770
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	33,928,698	43,205,970
2901.	Special surplus from retroactive reinsurance	2,667,182	3,195,409
2902.	SSAP10R incremental change		17,380,621
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	2,667,182	20,576,030
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)	1,631,937,139	1,591,628,563
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	885,602,433	984,709,531
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	202,264,867	192,280,713
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	533,847,280	513,153,655
5.	Aggregate write-ins for underwriting deductions		(162,686)
6.	Total underwriting deductions (Lines 2 through 5)	1,621,714,580	1,689,981,213
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	10,222,559	(98,352,650)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	211,969,238	118,286,727
10.	Net realized capital gains (losses) less capital gains tax of $ 3,766,605 (Exhibit of Capital Gains (Losses))	6,995,124	5,157,814
11.	Net investment gain (loss) (Lines 9 + 10)	218,964,362	123,444,541
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 24,908 amount charged off $ 4,334,316)	(4,309,408)	(3,557,532)
13.	Finance and service charges not included in premiums	13,957,341	13,438,066
14.	Aggregate write-ins for miscellaneous income	(2,647,798)	(5,481,545)
15.	Total other income (Lines 12 through 14)	7,000,135	4,398,989
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	236,187,056	29,490,880
17.	Dividends to policyholders	3,913,623	3,196,299
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)	232,273,433	26,294,581
19.	Federal and foreign income taxes incurred	38,771,395	(2,938,284)
20.	Net income (Line 18 minus Line 19) (to Line 22)	193,502,038	29,232,865
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	870,805,635	844,905,829
22.	Net income (from Line 20)	193,502,038	29,232,865
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 11,268,169	(51,180,878)	(634,875)
25.	Change in net unrealized foreign exchange capital gain (loss)	(1,012,608)	
26.	Change in net deferred income tax	(7,435,831)	2,277,443
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	52,658,296	(2,540,336)
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		
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders	(95,000,000)	
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	(17,286,456)	(3,653,295)
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	74,244,561	25,899,806
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	945,050,196	870,805,635

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow		(162,686)
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)
1401.	Retroactive reinsurance gain/(loss)	5,364,918	(324,460)
1402.	Other income/(expense)	(8,012,716)	(5,157,085)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(2,647,798)	(5,481,545)
3701.	Other changes in surplus	94,165	(6,824)
3702.	SSAP10R incremental change	(17,380,621)	(3,646,471)
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(17,286,456)	(3,653,295)

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	1,661,459,794	1,595,730,566
2.	Net investment income	222,810,597	129,763,636
3.	Miscellaneous income	7,304,205	4,856,207
4.	Total (Lines 1 through 3)	1,891,574,596	1,730,350,409
5.	Benefit and loss related payments	911,508,075	971,127,930
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	724,586,572	693,095,520
8.	Dividends paid to policyholders	3,909,921	3,129,044
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	9,325,747	(612,445)
10.	Total (Lines 5 through 9)	1,649,330,315	1,666,740,049
11.	Net cash from operations (Line 4 minus Line 10)	242,244,281	63,610,360
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	731,956,321	436,763,592
	12.2 Stocks	54,375,924	55,650,790
	12.3 Mortgage loans	6,343,043	2,094,942
	12.4 Real estate		
	12.5 Other invested assets	268,733,165	169,281,320
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds	(1,860,826)	(5,784,937)
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,059,547,627	658,005,707
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	861,014,680	399,329,318
	13.2 Stocks	96,414,990	118,677,343
	13.3 Mortgage loans	14,873,679	3,090,472
	13.4 Real estate		
	13.5 Other invested assets	231,110,921	180,262,820
	13.6 Miscellaneous applications	(7,687,004)	26,472,294
	13.7 Total investments acquired (Lines 13.1 to 13.6)	1,195,727,266	727,832,247
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)	(136,179,639)	(69,826,540)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders	95,000,000	
	16.6 Other cash provided (applied)	44,702,364	(15,126,306)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(50,297,636)	(15,126,306)
	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)	55,767,006	(21,342,486)
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	142,401,794	163,744,280
	19.2 End of year (Line 18 plus Line 19.1)	198,168,800	142,401,794

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

20.0001	12.1 Proceeds - Bonds	77,412,373	
20.0002	12.2 Proceeds - Stocks		
20.0003	13.1 Cost of Investment Acquired - Bonds	77,412,373	
20.0004	16.5 Dividends to stockholders		

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	32,657,072	16,186,225	17,149,969	31,693,328
2. Allied lines	28,846,762	13,834,789	15,745,724	26,935,827
3. Farmowners multiple peril	13,433,447	6,356,802	6,807,392	12,982,857
4. Homeowners multiple peril	286,668,607	135,035,146	153,376,271	268,327,482
5. Commercial multiple peril	281,285,415	142,215,606	137,446,074	286,054,947
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	26,709,018	12,386,078	12,673,357	26,421,739
10. Financial guaranty				
11.1 Medical professional liability—occurrence	111,521	44,254	39,008	116,767
11.2 Medical professional liability—claims-made	9,968	6,960	2,679	14,249
12. Earthquake	5,416,509	2,766,313	2,751,587	5,431,235
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	120,982,522	52,230,203	41,985,842	131,226,883
17.1 Other liability—occurrence	81,001,813	39,727,751	39,195,644	81,533,920
17.2 Other liability—claims-made	3,453,502	1,552,674	1,467,282	3,538,894
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	2,126,075	1,004,091	1,071,095	2,059,071
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	307,172,358	119,607,129	135,450,902	291,328,585
19.3,19.4 Commercial auto liability	116,769,025	59,990,292	55,858,682	120,900,635
21. Auto physical damage	243,627,958	96,602,883	109,070,697	231,160,144
22. Aircraft (all perils)				
23. Fidelity	935,270	799,191	762,375	972,086
24. Surety	108,208,138	66,061,417	63,178,675	111,090,880
26. Burglary and theft	44,207	21,278	21,698	43,787
27. Boiler and machinery	109,398	9,001	14,576	103,823
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	1,659,568,585	766,438,083	794,069,529	1,631,937,139

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	17,149,961	8			17,149,969
2. Allied lines	15,745,711	13			15,745,724
3. Farmowners multiple peril	6,807,002	390			6,807,392
4. Homeowners multiple peril	153,376,271				153,376,271
5. Commercial multiple peril	138,350,090	4,316	(908,332)		137,446,074
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	12,672,821	536			12,673,357
10. Financial guaranty					
11.1 Medical professional liability—occurrence	39,008				39,008
11.2 Medical professional liablity—claims-made	2,679				2,679
12. Earthquake	2,751,586	1			2,751,587
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	44,350,194	453	(2,353,293)	(11,512)	41,985,842
17.1 Other liability—occurrence	38,883,007	185,827	126,810		39,195,644
17.2 Other liability—claims-made	1,546,703	6,557	(85,979)		1,467,281
17.3 Excess workers' compensation					
18.1 Products liability—occurrence	1,048,773	82	22,241		1,071,096
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	135,450,902				135,450,902
19.3,19.4 Commercial auto liability	55,850,860	7,821			55,858,681
21. Auto physical damage	109,069,468	1,230			109,070,698
22. Aircraft (all perils)					
23. Fidelity	285,148	477,227			762,375
24. Surety	44,793,198	18,385,477			63,178,675
26. Burglary and theft	21,698				21,698
27. Boiler and machinery	14,576				14,576
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	778,209,656	19,069,938	(3,198,553)	(11,512)	794,069,529
36. Accrued retrospective premiums based on experience					11,512
37. Earned but unbilled premiums					3,198,553
38. Balance (Sum of Lines 35 through 37)					797,279,594

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	136,755,512	32,657,072		136,755,512		32,657,072
2. Allied lines	115,835,630	28,846,762		115,835,630		28,846,762
3. Farmowners multiple peril		13,433,447				13,433,447
4. Homeowners multiple peril	821,452,993	286,668,607		821,452,993		286,668,607
5. Commercial multiple peril	19,154,602	281,285,415		19,154,602		281,285,415
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	37,894,331	26,709,018		37,894,331		26,709,018
10. Financial guaranty						
11.1 Medical professional liability--occurrence	17,216	111,521		17,216		111,521
11.2 Medical professional liability--claims-made		9,968				9,968
12. Earthquake	9,259,790	5,416,509		9,259,790		5,416,509
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	625,851	120,982,522		625,851		120,982,522
17.1 Other liability—occurrence	93,211,641	81,001,813		93,211,641		81,001,813
17.2 Other liability—claims-made	48	3,453,502		48		3,453,502
17.3 Excess workers' compensation						
18.1 Products liability—occurrence		2,126,075				2,126,075
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	391,437,579	307,172,358		391,437,579		307,172,358
19.3,19.4 Commercial auto liability	5,183,829	116,769,025		5,183,829		116,769,025
21. Auto physical damage	306,238,582	243,627,958		306,238,582		243,627,958
22. Aircraft (all perils)						
23. Fidelity		935,270				935,270
24. Surety	113,124,699	108,208,138		113,124,699		108,208,138
26. Burglary and theft	19,430	44,207		19,430		44,207
27. Boiler and machinery	1,617	109,398		1,617		109,398
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	2,050,213,350	1,659,568,585		2,050,213,350		1,659,568,585

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	46,613,599	11,603,810	46,613,599	11,603,810	5,140,455	5,108,741	11,635,524	36.713
2. Allied lines	64,792,486	17,520,313	64,792,486	17,520,313	3,639,152	4,500,850	16,658,615	61.846
3. Farmowners multiple peril		6,971,570		6,971,570	2,392,867	2,570,535	6,793,902	52.330
4. Homeowners multiple peril	429,738,096	164,201,478	429,738,096	164,201,478	67,544,323	72,473,796	159,272,005	59.357
5. Commercial multiple peril	12,046,081	159,662,229	12,046,081	159,662,229	273,426,135	282,413,203	150,675,161	52.674
6. Mortgage guaranty								
8. Ocean marine		60		60	(1)	3,666	(3,607)	
9. Inland marine	16,407,143	8,790,282	16,407,143	8,790,282	1,427,943	1,547,703	8,670,522	32.816
10. Financial guaranty								
11.1 Medical professional liability—occurrence	80,695	12,266	80,695	12,266	452,692	409,290	55,668	47.674
11.2 Medical professional liability—claims-made		(2)		(2)	85,525	80,428	5,095	35.757
12. Earthquake					(31,515)	242	(31,757)	(0.585)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		113,702		113,702	6,851,401	7,056,270	(91,167)	
16. Workers' compensation	7,492,886	93,777,679	7,492,886	93,777,679	463,592,248	448,049,712	109,320,215	83.306
17.1 Other liability—occurrence	27,271,426	22,718,826	27,271,426	22,718,826	138,017,999	130,307,224	30,429,601	37.321
17.2 Other liability—claims-made		1,179,622		1,179,622	5,006,695	5,448,317	738,000	20.854
17.3 Excess workers' compensation								
18.1 Products liability—occurrence		1,810,507		1,810,507	5,031,253	4,881,345	1,960,415	95.209
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	196,302,006	164,964,421	196,302,006	164,964,421	195,835,597	203,824,189	156,975,829	53.883
19.3,19.4 Commercial auto liability	1,814,533	75,016,678	1,814,533	75,016,678	152,127,427	142,863,629	84,280,476	69.711
21. Auto physical damage	170,593,219	139,909,582	170,593,219	139,909,582	7,359,033	8,178,237	139,090,378	60.171
22. Aircraft (all perils)		51,700		51,700	53,117	70,401	34,416	
23. Fidelity	(155)	208,381	(155)	208,381	275,642	322,199	161,824	16.647
24. Surety	170,881,363	42,290,305	170,881,363	42,290,305	11,399,514	19,970,974	33,718,845	30.352
26. Burglary and theft		1,105		1,105	405	455	1,055	2.409
27. Boiler and machinery		(974)		(974)	3,560	(13,126)	15,712	15.133
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX	1,075,684		1,075,684	4,276,196	30,116,177	(24,764,297)	
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	1,144,033,378	911,879,224	1,144,033,378	911,879,224	1,343,907,663	1,370,184,457	885,602,430	54.267

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	15,456,490	3,975,208	15,456,490	3,975,208	4,782,122	1,165,247	4,782,122	5,140,455	523,044
2. Allied lines	6,730,887	2,663,394	6,730,887	2,663,394	1,124,845	975,759	1,124,845	3,639,153	751,572
3. Farmowners multiple peril		2,203,124		2,203,124		189,743		2,392,867	846,298
4. Homeowners multiple peril	114,356,468	44,817,788	114,356,468	44,817,788	48,866,457	22,726,535	48,866,457	67,544,323	12,724,665
5. Commercial multiple peril	14,357,641	169,952,866	14,357,641	169,952,866	13,499,225	103,473,269	13,499,225	273,426,135	113,882,634
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	1,787,253	1,614,070	1,787,253	1,614,070	574,442	(186,127)	574,442	1,427,943	323,849
10. Financial guaranty									
11.1 Medical professional liablity—occurrence	327,357	65,162	327,357	65,162	227,848	387,531	227,848	452,693	233,281
11.2 Medical professional liablity—claims-made		7,600		7,600		77,925		85,525	18,853
12. Earthquake		119		119	(527)	(31,634)	(527)	(31,515)	2,329
13. Group accident and health								(a)	(388)
14. Credit accident and health (group and individual)									
15. Other accident and health		1,417,304		1,417,304		5,434,097		(a) 6,851,401	811,272
16. Workers' compensation	47,846,275	278,522,957	47,846,275	278,522,957	12,503,651	185,069,290	12,503,651	463,592,247	54,146,069
17.1 Other liability—occurrence	46,801,515	50,839,385	46,801,515	50,839,385	41,559,550	87,178,613	41,559,550	138,017,998	32,359,531
17.2 Other liability—claims-made	100,000	2,921,311	100,000	2,921,311	89,180	2,085,384	89,180	5,006,695	2,612,074
17.3 Excess workers' compensation									53
18.1 Products liability—occurrence	47,200	3,955,024	47,200	3,955,024	120,213	1,076,229	120,213	5,031,253	1,453,552
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	195,503,944	170,626,484	195,503,944	170,626,484	43,216,265	25,209,113	43,216,265	195,835,597	46,075,964
19.3,19.4 Commercial auto liability	3,427,874	93,434,621	3,427,874	93,434,621	3,260,455	58,692,807	3,260,455	152,127,428	21,370,210
21. Auto physical damage	43,036	3,826,673	43,036	3,826,673	3,899,567	3,532,360	3,899,567	7,359,033	3,699,008
22. Aircraft (all perils)		52,762		52,762		355		53,117	2,254
23. Fidelity		(1,104)		(1,104)	28,183	276,746	28,183	275,642	126,489
24. Surety	(24,298,329)	(13,448,164)	(24,298,329)	(13,448,164)	20,983,555	24,847,678	20,983,555	11,399,514	15,363,058
26. Burglary and theft		128		128	195	277	195	405	2,082
27. Boiler and machinery		195		195		3,365		3,560	6,700
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X				X X X	4,276,196		4,276,196	10,226
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	422,487,611	817,446,907	422,487,611	817,446,907	194,735,226	526,460,758	194,735,226	1,343,907,665	307,344,679

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	86,686,402			86,686,402
1.2 Reinsurance assumed	78,183,104			78,183,104
1.3 Reinsurance ceded	86,686,402			86,686,402
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	78,183,104			78,183,104
2. Commission and brokerage:				
2.1 Direct, excluding contingent		300,358,015		300,358,015
2.2 Reinsurance assumed, excluding contingent		247,549,010		247,549,010
2.3 Reinsurance ceded, excluding contingent		300,358,015		300,358,015
2.4 Contingent—direct		3,878,805		3,878,805
2.5 Contingent—reinsurance assumed		30,132,608		30,132,608
2.6 Contingent—reinsurance ceded		3,878,805		3,878,805
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)		277,681,618		277,681,618
3. Allowances to manager and agents	11,860	63,288		75,148
4. Advertising	838,947	9,186,557	5,594	10,031,098
5. Boards, bureaus and associations	639,500	3,087,028	282	3,726,810
6. Surveys and underwriting reports	21,114	10,697,797	97,573	10,816,484
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	75,303,956	90,017,818	3,541,916	168,863,690
8.2 Payroll taxes	1,738,934	8,971,791	22,935	10,733,660
9. Employee relations and welfare	12,830,353	43,687,550	172,443	56,690,346
10. Insurance	3,305,913	1,224,909	81,650	4,612,472
11. Directors' fees	226	1,193	1	1,420
12. Travel and travel items	5,399,100	7,149,252	133,262	12,681,614
13. Rent and rent items	2,852,864	9,614,994	42,381	12,510,239
14. Equipment	2,574,733	6,507,899	60,691	9,143,323
15. Cost or depreciation of EDP equipment and software	461,770	5,938,419	120,582	6,520,771
16. Printing and stationery	1,128,340	1,439,821	10,064	2,578,225
17. Postage, telephone and telegraph, exchange and express	6,698,118	5,217,537	115,139	12,030,794
18. Legal and auditing	294,872	924,089	310,882	1,529,843
19. Totals (Lines 3 to 18)	114,100,600	203,729,942	4,715,395	322,545,937
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 336,206		35,056,174		35,056,174
20.2 Insurance department licenses and fees		5,149,835		5,149,835
20.3 Gross guaranty association assessments		185,071		185,071
20.4 All other (excluding federal and foreign income and real estate)		3,881,784		3,881,784
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		44,272,864		44,272,864
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	9,981,164	8,162,865	1,026,142	19,170,171
25. Total expenses incurred	202,264,868	533,847,289	5,741,537	(a) 741,853,694
26. Less unpaid expenses—current year	307,344,680	84,975,544		392,320,224
27. Add unpaid expenses—prior year	302,972,219	77,822,431		380,794,650
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)	197,892,407	526,694,176	5,741,537	730,328,120

DETAILS OF WRITE-IN LINES				
2401. Other expenses	9,981,164	8,162,865	1,026,142	19,170,171
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)	9,981,164	8,162,865	1,026,142	19,170,171

(a) Includes management fees of $ 17,357,293 to affiliates and $ 191,768 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 9,496,053	9,683,389
1.1	Bonds exempt from U.S. tax	(a) 35,083,815	32,728,044
1.2	Other bonds (unaffiliated)	(a) 66,187,083	67,945,726
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 924,464	924,464
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	5,248,068	5,178,040
2.21	Common stocks of affiliates	95,000,000	95,000,000
3.	Mortgage loans	(c) 5,591,464	5,629,619
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 403,057	397,210
7.	Derivative instruments	(f) 67,599	95,994
8.	Other invested assets		
9.	Aggregate write-ins for investment income	128,288	128,288
10.	Total gross investment income	218,129,891	217,710,774
11.	Investment expenses		(g) 5,741,537
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)		5,741,537
17.	Net investment income (Line 10 minus Line 16)		211,969,237

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	128,288	128,288
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)	128,288	128,288
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 $ 2,662,661 accrual of discount less $ 13,032,334 amortization of premium and less $ 3,406,936 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 $ 20,999 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 $ 19,326 accrual of discount less $ 0 amortization of premium and less $ 84,523 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	4,026,585		4,026,585	381,145	
1.2	Other bonds (unaffiliated)	12,324,282	(453,668)	11,870,614	3,661,227	(1,012,608)
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)				2,392,980	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	3,086,748	(6,586,381)	(3,499,633)	29,716,306	
2.21	Common stocks of affiliates				(73,120,086)	
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments	(1,635,836)		(1,635,836)	(2,874,943)	
8.	Other invested assets				(69,338)	
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	17,801,779	(7,040,049)	10,761,730	(39,912,709)	(1,012,608)

	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	7,921,832	7,869,559	(52,273)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	388,533	95,212	(293,321)
15.3 Accrued retrospective premiums	1,151	77,904	76,753
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	46,668,066	64,841,258	18,173,192
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	6,029,338	14,355,752	8,326,414
21. Furniture and equipment, including health care delivery assets	38,375,168	46,556,397	8,181,229
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	1,979,505	1,837,185	(142,320)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	101,363,593	136,641,267	35,277,674
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	101,363,593	136,641,267	35,277,674

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	1,979,505	1,837,185	(142,320)
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)	1,979,505	1,837,185	(142,320)

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

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 2012.

13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

Effective January 1, 2012, the Company adopted SSAP No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* (“SSAP No. 101”). There was no cumulative effect adjustment resulting from the adoption of SSAP No. 101.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

1. The maximum and minimum lending rates for commercial mortgage loans during 2012 were 6.63% and 4.13% respectively.

2. During 2012, the Company did not reduce interest rates of outstanding mortgage loans.

3. The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 75%

		Current Year	Prior Year
4.	As of year end, the Company held mortgages with interest more than 180 days past due with a recorded investment excluding accrued interest	$ -	$ -
	a. Total interest due on mortgages with interest more than 180 days past due	$ -	$ -
5.	Taxes, assessments and any amounts advanced and not included in the mortgage loan total	$2,476	$4,463
6.	Current year impaired loans with a related allowance for credit losses	$ -	$ -
	a. Related allowance for credit losses	$ -	$ -
7.	Impaired Mortgage loans without an allowance for credit losses	$15,518	$15,733
8.	Average recorded investment in impaired loans	$ -	$ -
9.	Amount of interest income recognized within that period that the loans were impaired	$820	$ -
10.	Amount of interest income recognized on a cash basis during the time within that period the loans were impaired	$828	$ -
11.	Allowance for credit losses:		
	a. Balance at beginning of period	$ -	$ -
	b. Additions charged to operations	$ -	$ -
	c. Direct write-downs charged against the allowances	$ -	$ -
	d. Recoveries of amounts previously charged off	$ -	$ -
	e. Balance at end of period	$ -	$ -

12. The Company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

		Current Year	Prior Year
1.	The total recorded investment in restructured loans, as of year end	$15,518	$15,733
2.	The realized capital losses related to these loans	$ -	$ -
3.	Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings	$ -	$ -

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.

NOTES TO FINANCIAL STATEMENTS

2. All Loan Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2012 as of December 31, 2012: None

3. Each Loan Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2012:

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
59023XAB2	161,505	151,861	9,644	151,861	136,305	3/31/2012
59023XAB2	75,231	70,739	4,492	70,739	63,493	3/31/2012
59023XAB2	62,174	54,251	7,923	54,251	33,737	6/30/2012
59023XAB2	133,474	116,465	17,009	116,465	72,427	6/30/2012
59023XAB2	45,138	39,609	5,529	39,609	28,199	9/30/2012
59023XAB2	96,902	85,032	11,870	85,032	60,537	9/30/2012
59023XAB2	82,889	81,702	1,186	81,702	62,278	12/31/2012
59023XAB2	38,611	38,058	553	38,058	29,010	12/31/2012
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
61749BAB9	293,162	275,202	17,960	275,202	258,519	9/30/2012
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
021469AL5	917,270	837,068	80,202	837,068	801,151	6/30/2012
021469AL5	777,823	777,219	603	777,219	752,804	12/31/2012
41162DAF6	4,013,993	3,950,426	63,566	3,950,426	3,640,488	9/30/2012
12328MAL5	146,606	6	146,600	6	-	9/30/2012

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, 2012:

a. The aggregate amount of unrealized losses:
   1. Less than 12 Months $ (29,464)
   2. 12 Months or Longer $ (1,235,569)

b. The aggregate related fair value of securities with unrealized losses:
   1. Less than 12 Months $ 90,302
   2. 12 Months or Longer $ 17,750,711

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

The Company did not have any open securities lending positions as of December 31, 2012.

F. Real Estate

The Company does not have real estate.

NOTES TO FINANCIAL STATEMENTS

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

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

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

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

The Company does not own any investments in joint ventures, partnerships, and limited liability companies, as such no impairments were recognized.

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, 2012.

Note 8 - Derivative Instruments

The Company has a Derivative Use Policy, which was approved in 2011 by the state of New York 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 immaterial to the underlying investment portfolio.

Beginning in July 2012, the Company, as part of its risk management program, diversification, and economic hedging strategies, entered into total return swap agreements with notional amounts totaling $77,200,000. As of December 31, 2012, the losses on these contracts totaled $4,510,778. Of this total, one position with notional amounts totaling $25,300,000 matured in December 2012 with realized losses of $1,635,836. The remaining losses $2,874,943 are attributable to the unrealized loss on the open positions. The remaining contracts expire at various points during 2013, with the last contract expiring in September 2013.

Note 9 - Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

1.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
(a) Gross Deferred Tax Assets	$ 157,613,400	$ 9,700,600	$ 167,314,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	157,613,400	9,700,600	167,314,000
(d) Deferred Tax Assets Nonadmitted	46,668,066	-	46,668,066
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	110,945,334	9,700,600	120,645,934
(f) Deferred Tax Liabilities	14,281,963	13,726,037	28,008,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 96,663,371	$ (4,025,437)	$ 92,637,934

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross Deferred Tax Assets	$ 165,622,068	$ 10,389,932	$ 176,012,000
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	165,622,068	10,389,932	176,012,000
(d) Deferred Tax Assets Nonadmitted	58,731,833	6,109,425	64,841,258
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	106,890,235	4,280,507	111,170,742
(f) Deferred Tax Liabilities	13,721,850	4,280,150	18,002,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 93,168,385	$ 357	$ 93,168,742

NOTES TO FINANCIAL STATEMENTS

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	$ (8,008,668)	$ (689,332)	$ (8,698,000)
(b) Statutory Valuation Allowance Adjustments	-	-	-
(c) Adjusted Gross Deferred Tax Assets (1a – 1b)	(8,008,668)	(689,332)	(8,698,000)
(d) Deferred Tax Assets Nonadmitted	(12,063,767)	(6,109,425)	(18,173,192)
(e) Subtotal Net Admitted Deferred Tax Asset (1c – 1d)	4,055,099	5,420,093	9,475,192
(f) Deferred Tax Liabilities	560,113	9,445,887	10,006,000
(g) Net Admitted Deferred Tax Asset (Net Deferred Tax Liability) (1e – 1f)	$ 3,494,986	$ (4,025,794)	$ (530,808)

2.

	12/31/2012		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 43,388,000	$ -	$ 43,388,000
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	47,673,282	1,576,652	49,249,934
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	47,673,282	1,576,652	49,249,934
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			136,745,146
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	14,281,963	13,726,037	28,008,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 105,343,245	$ 15,302,689	$ 120,645,934

	12/31/2011		
	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 4,791,918	$ 357	$ 4,792,275
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	88,376,467	-	88,376,467
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	88,376,467	-	88,376,467
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			106,493,769
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	13,721,850	4,280,150	18,002,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101 (2(a) + 2(b) + 2(c))	$ 106,890,235	$ 4,280,507	$ 111,170,742

NOTES TO FINANCIAL STATEMENTS

	Change		
	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
Admission Calculation Components SSAP No. 101			
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	$ 38,596,082	$ (357)	$ 38,595,725
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From 2(a) above) After Application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	(40,703,185)	1,576,652	(39,126,533)
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	(40,703,185)	1,576,652	(39,126,533)
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.			30,251,377
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities	560,113	9,445,887	10,006,000
(d) Deferred Tax Assets Admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ (1,546,990)	$ 11,022,182	$ 9,475,192

3.

	2012	2011
(a) Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount.	493.11%	455.79%
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above.	852,412,262	777,636,893

4.

	12/31/2012			12/31/2011			Change		
	(1) Ordinary Percent	(2) Capital Percent	(3) (Col 1+2) Total Percent	(4) Ordinary Percent	(5) Capital Percent	(6) (Col 4+5) Total Percent	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital Percent	(9) (Col 7+8) Total Percent
Impact of Tax-Planning Strategies									
(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 Adjusted Gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%

(c) Does the Company's tax-planning strategies include the use of reinsurance: Yes ___ No _X_

B. The Company does not have any DTLs described in SSAP No. 101 Income Taxes, a Replacement of SSAP No. 10R and SSAP No. 10, paragraph 23.

C. Current income taxes incurred consist of the following major components:

	(1) 12/31/2012	(2) 12/31/2011	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	$ 38,771,395	$ (2,938,284)	$ 21,709,679
(b) Foreign	-	-	-
(c) Subtotal	38,771,395	(2,938,284)	41,709,679
(d) Federal income tax on net capital gains	3,766,605	2,777,284	989,321
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income tax incurred	$ 42,538,000	$ (161,000)	$ 42,699,000
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of unpaid losses	$ 45,698,000	$ 47,799,000	$ (2,101,000)
(2) Unearned premium reserve	56,126,000	53,986,000	2,140,000
(3) Policyholder reserves	-	-	-
(4) Investments	17,179,000	16,940,000	239,000
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed Assets	-	-	-
(8) Compensation and benefits accrual	9,174,000	9,592,000	(418,000)
(9) Pension accrual	1,670,000	2,641,000	(971,000)

NOTES TO FINANCIAL STATEMENTS

(10) Receivables – nonadmitted	19,144,000	25,130,000	(5,986,000)
(11) Net operating loss carry-forward	934,000	-	934,000
(12) Tax credit carry-forward	259,000	-	259,000
(13) Other (including items <5% of total ordinary tax assets)	7,429,400	9,534,068	(2,104,668)
(99) Subtotal	157,613,400	165,622,068	(8,008,668)
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	46,668,066	58,731,833	(12,063,767)
(d) Admitted ordinary deferred tax assets (2a99 – 2b – 2c)	110,945,334	106,890,235	4,055,099
(e) Capital			
(1) Investments	9,700,600	10,389,932	(689,332)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	9,700,600	10,389,932	(689,332)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	6,109,425	(6,109,425)
(h) Admitted capital deferred tax assets (2e99 – 2f – 2g)	9,700,600	4,280,507	5,420,093
(i) Admitted deferred tax assets (2d + 2h)	120,645,934	111,170,742	9,475,192
3. Deferred Tax Liabilities:			
(a) Ordinary			
(1) Investments	2,802,000	1,805,000	997,000
(2) Fixed assets	8,310,000	7,020,000	1,290,000
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total capital tax liabilities)	3,169,963	4,896,850	(1,726,887)
(99) Subtotal	14,281,963	13,721,850	560,113
(b) Capital:			
(1) Investments	12,635,037	3,189,150	9,445,887
(2) Real estate	1,091,000	1,091,000	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	13,726,037	4,280,150	9,445,887
(c) Deferred tax liabilities (3a99 + 3b99)	28,008,000	18,002,000	10,006,000
4. Net deferred tax assets/liabilities (2i – 3c)	$ 92,637,934	$ 93,168,742	$ (530,808)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of intercompany dividends, tax exempt interest, unearned premium reserves, and allowance for doubtful accounts.

E. The Company has net operating loss carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	$ 2,669,000	2031

The Company has general business credit carry-forwards which expire as follows:

Year Generated	Amount	Expiration
2011	$ 259,000	2031

The Company has no alternative minimum tax credit carry-forwards.

The amount of Federal income taxes incurred and available for recoupment in the event of future losses are $43,388,000 from the current year and none from the preceding year.

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

NOTES TO FINANCIAL STATEMENTS

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

AMBCO Capital Corporation
America First Insurance Company
America First Lloyd's Insurance Company
American Economy Insurance Company
American Fire and Casualty Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Barrier Ridge LLC
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Court Corporation
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, LLC
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.
Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Sponsored Insurance (Vermont), Inc.
Liberty Surplus Insurance Corporation
LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.
LM General Insurance Company
LM Insurance Corporation
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.
Mid-American Fire & Casualty Company
North Pacific Insurance Company
Ocasco Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Security Insurance Company
Open Seas Solutions, Inc.
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
Pilot Insurance Services, Inc.
Rianoc Research Corporation
S.C. Bellevue, Inc.
SAFECARE Company, Inc.
Safeco Corporation
Safeco General Agency, Inc.
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Properties, Inc.
Safeco Surplus Lines Insurance Company
San Diego Insurance Company
SCIT, Inc.
St. James Insurance Company Ltd.
Summit Consulting, LLC
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.

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.\

G. The Company does not expect the Federal and Foreign income tax loss contingencies, as determined in accordance with SSAP No. 5R, Liabilities, Contingencies and Impairments of Assets, with the modifications provided in SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10, to significantly increase within twelve months of the reporting date.

NOTES TO FINANCIAL STATEMENTS

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by 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., a Massachusetts company.

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

C. As of December 31, 2012, the Company received dividends in the amount of $95,000,000.

D. At December 31, 2012, the Company reported a net $160,920,934 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 and a cash management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAM"), and an investment management agreement with Liberty Mutual Investment Advisors LLC ("LMIA"). Under these agreements, LMGAM and LMIA provide services to the Company.

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

The Company is party to revolving credit agreements under which the Company may lend funds to the following affiliated companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	**Credit Line**
American Economy Insurance Company	$50,000,000
American States Insurance Company	$50,000,000
General Insurance Company of America	$50,000,000
Liberty Mutual Insurance Company	$100,000,000
The Ohio Casualty Insurance Company	$100,000,000
Peerless Insurance Company	$100,000,000

There were no outstanding loans as of December 31, 2012.

The Company is party to revolving credit agreements under which the Company may borrow funds from the following affiliated companies for the purpose of accommodating fluctuations in daily cash flow and to promote efficient management of investments:

Company	**Credit Line**
American Economy Insurance Company	$50,000,000
American States Insurance Company	$50,000,000
General Insurance Company of America	$50,000,000
Liberty Mutual Insurance Company	$100,000,000
The Ohio Casualty Insurance Company	$100,000,000
Peerless Insurance Company	$100,000,000

There were no outstanding borrowings as of December 31, 2012.

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 entities.

J. The Company does not own investments in subsidiary, controlled or affiliated entities, therefore no impairments were recognized.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

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

Note 12 - Retirement Plans, Deferred Compensation, 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, 2012. All shares have a stated par value of $250.

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

4. The Company paid dividends to its parent in 2012 of:

	Ordinary	Extraordinary	Total Dividends
March	$ -	$ -	$ -
June	-	-	-
September	-	-	-
December	87,080,563	7,919,437	95,000,000
Total	$ 87,080,563	$ 7,919,437	$ 95,000,000

5. The maximum amount of dividends which can be paid to shareholders by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner 10% of surplus. The maximum dividend payout which may be made without prior approval in 2013 is $94,505,020.

6. As of December 31, 2012, the Company has pre-tax restricted surplus of $2,667,182 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 2012.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $11,626,368 after applicable deferred taxes of $8,789,987.

11. Surplus Notes

    Not applicable

12. Quasi-reorganization (dollar impact)

    Not applicable

13. Quasi-reorganization (effective date)

    Not applicable

Note 14 - Contingencies

A. Contingent Commitments

Refer to Note 10E.

NOTES TO FINANCIAL STATEMENTS

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 $5,277,970 that is offset by future premium tax credits of $694,620. 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 2013. During 2012 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	$ 797,518
b.	Decreases current year: Premium tax offset applied	102,898
c.	Increases current year: Premium tax offset increase	-
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 694,620

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	$ 2,854,460

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 15 - Leases

A. Lessee Leasing Arrangements

1. The Company leases office space, plant and equipment under various non-cancelable operating lease arrangements.

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

Year Ending December 31,	Operating Leases
2013	$ 6,561,094
2014	6,288,229
2015	4,934,532
2016	4,358,148
2017	3,171,642
2018 & thereafter	1,722,913
Total	$ 27,036,558

   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 $2,060,390.

2. The Company is not involved in any material sale-leaseback transactions.

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

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

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

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

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

The Company does not have any open security lending positions as of December 31, 2012.

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 2012, the Company recorded net CEA administrative fees of $166,421.

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.

The following table summarizes the Company's assets and liabilities that are measured at fair value at December 31, 2012:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	$ -	$ 13,310,767	$ 4,547,966	$ 17,858,733
Residential Mortgage-Backed Securities	-	7,428,739	-	7,428,739
Total Bonds	$ -	$ 20,739,506	$ 4,547,966	$ 25,287,472
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	$ -	$ -	$ -	$ -
Total Preferred Stocks	$ -	$ -	$ -	$ -
Common Stocks				
Industrial and Miscellaneous	$ 245,866,801	$ -	$ 770,548	$ 246,637,349
Total Common Stocks	$ 245,866,801	$ -	$ 770,548	$ 246,637,349
Total assets at fair value	$ 245,866,801	$ 20,739,506	$ 5,318,514	$ 271,924,821
Liabilities at fair value				
Derivative Liabilities	$ -	$2,874,943	$ -	$2,874,943
Total liabilities at fair value	$ -	$2,874,943	$ -	$2,874,943

The Company did not have significant transfers between Levels 1 and 2 during the period ended December 31, 2012.

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 12/31/2011	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 12/31/2012
Bonds	$8,405,538	-	$(2,288,208)	-	$139,189	-	-	$(1,788,233)	$79,680	$4,547,966
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	858,074	-	-	-	(87,526)	-	-	-	-	770,548
Total	$9,263,612	-	$(2,288,208)	$ -	$51,663	$ -	$ -	$(1,788,233)	$79,680	$5,318,514

NOTES TO FINANCIAL STATEMENTS

3. Policy on Transfers Into and Out of Level 3

The Company holds NAIC designated 3-6 securities at the lower of cost or market as defined by SSAP No. 26. Market fluctuations cause securities to change from being held at cost to fair value or vice versa. These changes result in a transfer in or out of Level 3. In addition, the Company also transfers securities in or out of level 3 as a result of re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

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

U.S. Government and Agency

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

Mortgage-Backed Securities

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

Asset-Backed Securities

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

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

Type of Financial Instrument	Aggregate Fair Value	Liabilities	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Derivative Liabilities	$ 2,874,943	$ 2,874,943	$ -	$ 2,874,943	$ -	$ -
Total	$ 2,874,943	$ 2,874,943	$ -	$ 2,874,943	$ -	$ -

B. Other Fair Value Disclosures

Not applicable

C. Aggregate Fair Value of All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Cash, Cash Equivalents, and Short Term	$198,168,800	$198,168,800	$198,168,800	$ -	$ -	$ -
Bonds	2,575,494,531	2,416,576,479	7,326,265	2,524,301,966	43,866,300	-
Preferred Stock	13,036,126	12,495,000	-	13,036,126	-	-
Common Stock	246,637,348	246,637,348	245,866,801	-	770,547	-
Securities Lending	-	-	-	-	-	-
Mortgage Loans	96,082,089	86,229,327	-	-	96,082,089	-
Surplus Notes	-	-	-	-	-	-
Total	$3,129,418,894	$2,960,106,954	$451,361,866	$2,537,338,092	$ 140,718,936	$ -

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of $17,513,750 and $111,766,626 as of December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.1

The Company cedes 100% of its business to Peerless Insurance Company, the lead company in the Peerless Pool. Peerless Insurance Company purchases external catastrophe reinsurance coverage.

Interrogatory 6.2

The Company cedes 100% of its business to Peerless Insurance Company, the lead company in the Peerless Pool. Peerless Insurance Company purchases external catastrophe reinsurance coverage.

Interrogatory 6.3

The Company cedes 100% of its business to Peerless Insurance Company, the lead company in the Peerless Pool. Peerless Insurance Company purchases external catastrophe reinsurance coverage.

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.

NOTES TO FINANCIAL STATEMENTS

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credit

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

Description of State Transferable and Non-transferable Tax Credits	State	Carrying Value	Unused Amount
Historical Rehabilitation Credit	CT	144,000	144,000
Film Credit	CT	110,000	110,000
Total		254,000	254,000

(2) Method of estimating utilization of remaining transferable and non-transferable state tax credits

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) State Tax Credits Admitted and Nonadmitted

	Total Admitted	Total Nonadmitted
Transferable	-	-
Non-transferable	254,000	-

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has 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 is through Investments in residential mortgage-backed securities.

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
$3,093,383	$2,958,697	$3,044,371	$361,454

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 20, 2013, the date the annual statement was available to be issued.

There were no events subsequent to December 31, 2012 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2012.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	797,279,596	119,591,939	1,014,428,082	152,164,212	(217,148,486)	(32,572,273)
b. All Other	-	-	-	-	-	-
c. TOTAL	797,279,596	119,591,939	1,014,428,082	152,164,212	(217,148,486)	(32,572,273)
d. Direct Unearned Premium Reserve $ 1,014,428,082						

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, 2012 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	$59,923,287	$48,642,722	$59,917,024	$48,648,985
b. Sliding Scale Adjustments	-	-	-	-
c. Other Profit Commission Arrangements	-	-	-	-
d. TOTAL	$59,923,287	$48,642,722	$59,917,024	$48,648,985

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.

	Reported Company	
	As:	
	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves	$72,172,125	$ -
2. Adjustments – Prior Year (s)	(58,688,957)	-
3. Adjustments – Current Year	(911,519)	-
4. Current Total	$12,571,649	$ -
b. Consideration Paid or Received:		
1. Initial Consideration	$59,389,802	$ -
2. Adjustments – Prior Year (s)	2,263,726	-
3. Adjustments – Current Year	-	-
4. Current Total	$61,653,528	$ -
c. Paid Losses Reimbursed or Recovered:		
1. Prior Year (s)	$74,142,260	$ -
2. Current Year	1,429,000	-
3. Current Total	$75,571,260	$ -
d. Special Surplus from the Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	$(15,007,395)	$ -
2. Adjustments – Prior Year (s)	(13,007,395)	-
3. Adjustments – Current Year	(517,481)	-
4. Current Year Restricted Surplus	2,667,182	-
5. Cumulative Total Transferred to Unassigned Funds	$(31,381,635)	$ -
e. All cedents and reinsurers involved in all transactions included in summary totals above:		
Company	Assumed Amount	Ceded Amount
Peerless Insurance Company	$12,571,649	$ -
Total	$12,571,649	$ -

f. There are no Paid Loss/LAE amounts recoverable or amounts recoverable from unauthorized reinsurers.

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, 2012.

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. Certified Reinsurers Downgraded or Status Subject to Revocation

1. Reporting Entity Ceding to Certified Reinsurer Downgraded or Status Subject to Revocation

The Company has not entered into any reinsurance contracts with Certified Reinsurers.

2. Reporting Entity's Certified Reinsurer Rating Downgraded or Status Subject to Revocation

The Company is not a Certified Reinsurer.

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.

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	$11,512
b.	Unsecured amount	-
c.	Less: Nonadmitted amount (10%)	1,151
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	-
e.	Admitted amount (a) - (c) - (d)	$10,361

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributable to insured events on prior years has decreased through the fourth quarter of 2012. This decrease was primarily the result of an updated reserve analysis and improving loss trends in the Nonproportional Assumed Liability, Commercial Multiple Peril, Other Liability Occurrence, Fidelity/Surety, Homeowners and Farmowners lines. This increase was partially offset by deteriorating loss trends in the Workers' Compensation, Commercial Auto and Truck Liability lines. 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

NOTES TO FINANCIAL STATEMENTS

	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines
	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.0%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines

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

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

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

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

(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, 2012:

Affiliate:	Amount:
Peerless Insurance Company	$ 32,013,570

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2013, the Peerless Amended and Restated Reinsurance Pooling Agreement (the PIC Pool) was terminated and concurrently the participants in the PIC Pool became participants in the Liberty Mutual Second Amended and Restated Inter-Company Reinsurance Agreement (The Liberty Pool).

Effective January 1, 2013, Liberty County Mutual Insurance Company cancelled its 100% Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company, the lead company in the Liberty Pool and became a participant in the Liberty Pool.

NOTES TO FINANCIAL STATEMENTS

Effective January 1, 2013, Liberty Northwest Insurance Corporation, North Pacific Insurance Company, Oregon Automobile Insurance Company and Liberty Mutual Mid-Atlantic Insurance Company cancelled its 100% Quota Share Reinsurance Agreements with Peerless Insurance Company, the Lead Company in the PIC Pool, and became participants in the Liberty Pool.

Effective January 1, 2013, the Liberty Pool structure is as follows:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	50.0%	All Lines
Affiliated Pool Companies:	Peerless Insurance Company ("PIC")	24198	20.0%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.0%	All Lines
	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	8.0%	All Lines
	The Ohio Casualty Insurance Company ("OCIC")	24074	8.0%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	6.0%	All Lines
	American Economy Insurance Company ("AEIC")	19690	0.0%	All Lines
	America First Insurance Company ("AFIC")	12696	0.0%	All Lines
	America Fire and Casualty Company ("AFCIC")	24066	0.0%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.0%	All Lines
	American States Insurance Company ("ASIC")	19704	0.0%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.0%	All Lines
	American States Lloyd's Insurance Company ("ASLCO")	31933	0.0%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.0%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.0%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.0%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.0%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.0%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.0%	All Lines
	General Insurance Company of America ("GICA")	24732	0.0%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	0.0%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.0%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.0%	All Lines
	Indiana Insurance Company ("IIC")	22659	0.0%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	0.0%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.0%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.0%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.0%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.0%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.0%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.0%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.0%	All Lines
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.0%	All Lines
	Liberty Personal Insurance Company (LPIC")	11746	0.0%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.0%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.0%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.0%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.0%	All Lines
	National Insurance Association ("NIA")	27944	0.0%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	0.0%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.0%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.0%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.0%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	0.0%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	0.0%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.0%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.0%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.0%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.0%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.0%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.0%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.0%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.0%	All Lines
	West American Insurance Company ("WAIC")	44393	0.0%	All Lines
			100.00%	

NOTES TO FINANCIAL STATEMENTS

100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.0%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.0%	All Lines
	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.0%	All Lines

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $17,431,100 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 $17,431,100 as of December 31, 2012.

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	12/31/2012
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 Stastical Plan tables as approved by their respective states at an annual discount rate of 4.0%.

A. The amount of tabular discount for case and IBNR reserves is as follows:

Schedule P Lines of Business	Tabular Discount Included in Schedule P, Part 1*	
	1 Case	2 IBNR
1. Homeowners/Farmowners	-	-
2. Private Passenger Auto Liability/Medical	-	-
3. Commercial Auto/Truck Liability/Medical	-	-
4. Workers' Compensation	11,015,092	7,654,555
5. Commercial Multiple Peril	-	-
6. Medical Professional Liability – occurrence	-	-
7. Medical Professional Liability – claims-made	-	-
8. Special Liability	-	-
9. Other Liability - occurrence	-	-
10. Other Liability – claims-made	-	-
11. Special Property	-	-
12. Auto Physical Damage	-	-
13. Fidelity, Surety	-	-
14. Other (including Credit, Accident & Health)	-	-
15. International	-	-
16. Reinsurance Nonproportional Assumed Property	-	-
17. Reinsurance Nonproportional Assumed Liability	-	-
18. Reinsurance Nonproportional Assumed Financial Lines	-	-
19. Products Liability – occurrence	-	-
20. Products Liability – claims-made	-	-
21. Financial Guaranty/Mortgage Guaranty	-	-
22. Warranty	-	-
23. Total	11,015,092	7,654,555

* Must exclude medical loss reserves and all loss adjustment expense reserves.

NOTES TO FINANCIAL STATEMENTS

B. Nontabular Discount:

Not applicable

Note 33 - Asbestos/Environmental Reserves

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

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

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

In the third quarter of 2011, the Company completed asbestos ground-up and aggregate environmental reserve studies. These studies were completed by a multi-disciplinary team of internal claims, legal, reinsurance and actuarial personnel, and included all major business segments of the Company's direct, assumed, and ceded asbestos and environmental unpaid claim liabilities. As part of the internal review, policyholders with the largest direct asbestos unpaid claim liabilities were individually evaluated using the Company's proprietary stochastic ground-up model, which is consistent with published actuarial methods of 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, injury type, jurisdiction and legal defenses. Reinsurance recoveries for these policyholders were then separately evaluated by the Company's reinsurance and actuarial personnel. Asbestos and environmental unpaid claim liabilities for all other policyholders were evaluated using aggregate methods that utilized information and experience specific to these policyholders. The studies resulted in an increase to reserves.

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

Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition
The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2012, 2011, 2010, 2009, and 2008:

Asbestos:

	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	24,589,577	25,442,117	23,803,220	21,419,864	15,606,850
Incurred losses and LAE	3,749,128	324,927	(1,970)	(4,313,013)	(701,121)
Calendar year payments	2,896,588	1,963,824	2,381,385	1,500,001	1,400,339
Ending Reserves	25,442,117	23,803,220	21,419,864	15,606,850	13,505,391

NOTES TO FINANCIAL STATEMENTS

Assumed Reinsurance Basis					
Beginning Reserves	20,216,847	17,305,476	24,108,437	21,035,150	23,327,450
Incurred losses and LAE	(686,944)	8,554,471	(8,477)	3,729,489	678,645
Calendar year payments	2,224,427	1,751,509	3,064,811	1,437,189	1,796,773
Ending Reserves	17,305,476	24,108,437	21,035,150	23,327,450	22,209,321
Net of Ceded Reinsurance Basis					
Beginning Reserves	36,306,237	34,828,860	41,010,571	36,072,543	31,528,011
Incurred losses and LAE	1,830,418	9,658,536	19,300	(270,583)	(973,094)
Calendar year payments	3,307,795	3,476,825	4,957,328	4,273,950	928,142
Ending Reserves	34,828,860	41,010,571	36,072,543	31,528,011	29,626,774

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	5,235,452
Assumed Reinsurance Basis	13,642,276
Net of Ceded Reinsurance Basis	16,194,947
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	3,865,282
Assumed Reinsurance Basis	474,489
Net of Ceded Reinsurance Basis	2,902,908

Environmental:	2008	2009	2010	2011	2012
Direct Basis					
Beginning Reserves	28,261,901	24,144,722	20,567,297	18,410,004	19,464,684
Incurred losses and LAE	622,270	(1,048,064)	(109,999)	3,700,217	(138,908)
Calendar year payments	4,739,448	2,529,361	2,047,294	2,645,536	2,157,084
Ending Reserves	24,144,722	20,567,297	18,410,004	19,464,684	17,168,692
Assumed Reinsurance Basis					
Beginning Reserves	5,426,315	5,217,784	3,755,885	3,436,934	2,639,381
Incurred losses and LAE	305	(1,329,808)	69,133	(369,240)	450,103
Calendar year payments	208,836	132,091	388,085	428,313	477,009
Ending Reserves	5,217,784	3,755,885	3,436,933	2,639,381	2,612,475
Net of Ceded Reinsurance Basis					
Beginning Reserves	31,091,829	26,517,043	21,213,082	18,889,327	20,355,695
Incurred losses and LAE	(547,474)	(2,802,147)	11,819	(2,280)	4,544,800
Calendar year payments	4,027,312	2,501,814	2,335,575	(1,468,649)	7,045,041
Ending Reserves	26,517,043	21,213,082	18,889,327	20,355,695	17,855,454

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	7,088,740
Assumed Reinsurance Basis	1,622,257
Net of Ceded Reinsurance Basis	7,347,315
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	3,170,502
Assumed Reinsurance Basis	130,329
Net of Ceded Reinsurance Basis	2,858,167

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

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

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

1.3 State Regulating? New Hampshire

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

2.2 If yes, date of change: 01/13/2012

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

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 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 FDIC	6 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

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).
During Q1 and Q3, 2012, Liberty Mutual Insurance Group published certain non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code 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 where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

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

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

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

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

24.01 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 24.03) Yes [X] No [ ]

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

24.03 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

24.04 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 [ ]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $ 0

24.06 If answer to 24.04 is no, report amount of collateral for other programs. $ 0

24.07 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 [ ]

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

24.09 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 [ ]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	$ 0
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	$ 0
24.103	Total payable for securities lending reported on the liability page	$ 0

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 24.03). 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	$ 17,513,750
25.29	Other	$ 0

GENERAL INTERROGATORIES

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 [X] No [ ]

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

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

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

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	2,546,536,627	2,706,877,108	160,340,481
30.2 Preferred stocks	12,495,000	13,036,126	541,126
30.3 Totals	2,559,031,627	2,719,913,234	160,881,607

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

GENERAL INTERROGATORIES

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	$ 0
	$ 0

34.1 Amount of payments for legal expenses, if any? $ 273,467

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
	$ 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 36,300

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
	$ 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

0

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	$ 1,631,937,139	$ 1,591,628,563
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 7,662,285	$ 7,995,727
2.5	Reserve Denominator	$ 2,539,056,820	$ 2,541,375,839
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	$ 1,286,633
3.22	Non-participating policies	$ 2,048,926,718

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

5.21	Out of Attorney's-in-fact compensation	Yes [ ] No [ ] N/A [X]
5.22	As a direct expense of the exchange	Yes [ ] No [ ] N/A [X]

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

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

5.5 If yes, give full information

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

See Note 21C2

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 21C2

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 21C2

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

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
Refer to Note 21C

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 [ ]

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 $ 51,513,029
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 4,885,673

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? $ 11,512

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

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

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

12.6 If yes, state the amount thereof at December 31 of current year:
12.61 Letters of Credit $ 113,031,592
12.62 Collateral and other funds $ 21,628,098

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 48,792,000

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 [ ]

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

14.5 If the answer to 14.4 is no, please explain:
0

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 2012	2 2011	3 2010	4 2009	5 2008
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)	1,122,102,948	1,091,679,111	1,113,323,230	830,980,985	2,242,988,983
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	943,304,801	852,256,508	822,196,921	641,215,111	1,511,408,587
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,422,106,079	1,241,445,059	1,135,170,172	814,387,274	1,486,835,741
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	222,268,107	329,198,753	423,294,371	480,208,732	473,211,643
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)				16	10,672
6. Total (Line 35)	3,709,781,935	3,514,579,431	3,493,984,694	2,766,792,118	5,714,455,626
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)	631,626,784	637,848,798	653,713,650	750,274,595	734,489,362
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	337,301,526	314,457,479	314,280,721	283,963,841	445,621,177
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	581,496,867	550,127,299	523,474,161	506,785,770	433,589,745
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	109,143,408	113,831,428	111,043,186	97,356,750	148,810,566
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)				16	3,522
12. Total (Line 35)	1,659,568,585	1,616,265,004	1,602,511,718	1,638,380,972	1,762,514,372
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	10,222,559	(98,352,650)	(22,529,131)	66,785,318	48,607,927
14. Net investment gain (loss) (Line 11)	218,964,362	123,444,541	133,915,007	124,731,040	144,513,610
15. Total other income (Line 15)	7,000,135	4,398,989	(13,163,584)	(6,506,279)	2,964,953
16. Dividends to policyholders (Line 17)	3,913,623	3,196,299	(535,689)	6,813,398	2,193,020
17. Federal and foreign income taxes incurred (Line 19)	38,771,395	(2,938,284)	5,461,380	73,806,207	30,076,708
18. Net income (Line 20)	193,502,038	29,232,865	93,296,601	104,390,474	163,816,762
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	4,029,806,477	3,854,156,105	3,837,984,130	4,327,404,574	3,952,233,208
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	48,314,722	60,909,097	54,564,644	60,221,355	280,278,446
20.2 Deferred and not yet due (Line 15.2)	487,529,145	458,348,157	438,837,234	427,601,133	276,167,757
20.3 Accrued retrospective premiums (Line 15.3)	10,361	701,877	1,392,450	2,482,113	770,606
21. Total liabilities excluding protected cell business (Page 3, Line 26)	3,084,756,281	2,983,350,470	2,993,078,301	3,180,292,675	3,182,407,771
22. Losses (Page 3, Line 1)	1,343,907,667	1,370,184,457	1,357,442,949	1,428,845,322	1,279,500,807
23. Loss adjustment expenses (Page 3, Line 3)	307,344,680	302,972,219	302,962,873	340,182,924	298,266,655
24. Unearned premiums (Page 3, Line 9)	797,279,595	765,946,552	737,679,970	699,372,386	666,660,985
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)	945,050,196	870,805,635	844,905,829	1,147,111,899	769,825,437
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	242,244,281	63,610,360	(3,946,250)	51,033,401	216,440,421
Risk-Based Capital Analysis					
28. Total adjusted capital	945,050,196	870,805,635	844,905,829	1,147,111,899	769,825,437
29. Authorized control level risk-based capital	172,864,980	170,613,774	170,218,613	146,163,549	168,373,602
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)	74.3	73.7	75.3	82.6	80.2
31. Stocks (Lines 2.1 & 2.2)	16.6	17.5	15.7	5.1	9.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.7	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)	6.1	4.6	5.3	9.3	9.1
35. Contract loans (Line 6)					
36. Derivatives (Line 7)				XXX	XXX
37. Other invested assets (Line 8)	0.2	0.1	0.1	2.2	1.2
38. Receivables for securities (Line 9)	0.2	0.2			0.0
39. Securities lending reinvested collateral assets (Line 10)		1.4	1.1	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)	280,449,843	353,569,928	341,231,797	101,837,244	95,383,472
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			1,008,000	1,068,000
48. Total of above Lines 42 to 47	281,457,843	353,569,928	341,231,797	102,845,244	96,451,472
49. Total investment in parent included in Lines 42 to 47 above					
50. 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)	29.8				

FIVE – YEAR HISTORICAL DATA
(Continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)	(51,180,878)	(634,875)	43,087,700	21,223,709	(126,609,775)
52. Dividends to stockholders (Line 35)	(95,000,000)		(753,000,000)		(158,000,000)
53. Change in surplus as regards policyholders for the year (Line 38)	74,244,561	25,899,806	(302,206,070)	377,286,460	(68,785,255)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. 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)	592,441,543	598,886,891	723,163,099	1,976,962,218	1,331,349,779
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	476,231,539	474,199,523	422,989,420	465,028,005	805,155,673
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	772,670,240	894,157,164	618,328,685	884,772,230	881,795,580
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	213,493,596	136,889,697	91,286,704	36,835,851	30,385,250
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,075,684	1,198,602	3,254,469	174,043,403	21,127,486
59. Total (Line 35)	2,055,912,602	2,105,331,877	1,859,022,377	3,537,641,707	3,069,813,768
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. 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)	359,479,997	386,111,461	484,565,937	240,535,052	421,444,618
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	177,825,092	178,440,619	161,049,699	175,526,221	253,438,828
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	330,886,063	377,524,346	278,987,888	198,064,665	288,732,055
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	42,612,388	28,692,997	21,973,298	7,098,766	7,530,585
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,075,684	1,198,602	3,254,469	37,035,119	6,972,070
65. Total (Line 35)	911,879,224	971,968,025	949,831,291	658,259,823	978,118,156
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	54.3	61.9	56.0	50.7	55.5
68. Loss expenses incurred (Line 3)	12.4	12.1	11.8	11.9	11.5
69. Other underwriting expenses incurred (Line 4)	32.7	32.2	33.6	33.2	30.3
70. Net underwriting gain (loss) (Line 8)	0.6	(6.2)	(1.4)	4.2	2.7
Other Percentages					
71. 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	31.7	31.5	33.7	32.7	31.2
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.7	73.9	67.8	62.6	67.0
73. 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)	175.6	185.6	189.7	142.8	229.0
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(63,709)	(42,825)	(18,457)	(117,240)	(51,398)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100.0)	(7.3)	(5.1)	(1.6)	(15.2)	(6.1)
Two Year Loss Development (000 omitted)					
76. 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)	(81,727)	(38,429)	(93,716)	(168,945)	(73,754)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	(9.7)	(3.4)	(12.2)	(20.1)	(6.4)

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)

	Premiums Earned			Loss and Loss Expense Payments								12
				Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments				
Years in Which Premiums Were Earned and Losses Were Incurred	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	Number of Claims Reported Direct and Assumed
1. Prior	X X X	X X X	X X X	20,299	13,044	4,818	1,080	1,150	(1,688)	906	13,831	X X X
2. 2003	1,512,891	126,356	1,386,535	742,780	65,101	52,646	3,817	111,050	5,277	46,401	832,281	X X X
3. 2004	1,628,118	89,829	1,538,289	762,742	31,250	48,765	1,725	108,918	2,329	58,146	885,121	X X X
4. 2005	1,696,131	68,698	1,627,433	784,414	32,355	51,632	1,889	114,505	1,793	55,280	914,514	X X X
5. 2006	1,693,884	75,650	1,618,234	797,023	19,316	52,006	2,155	116,932	2,587	48,430	941,903	X X X
6. 2007	1,728,894	84,436	1,644,458	803,014	17,889	53,479	1,829	115,930	1,630	53,896	951,075	X X X
7. 2008	1,725,497	64,150	1,661,347	896,452	27,856	53,113	2,124	129,550	1,330	46,981	1,047,805	X X X
8. 2009	1,618,892	101,246	1,517,646	737,362	45,735	40,012	2,299	115,081	980	44,172	843,441	X X X
9. 2010	1,600,111	32,356	1,567,755	712,817	4,837	30,644	185	122,989	233	51,755	861,195	X X X
10. 2011	1,621,047	29,418	1,591,629	753,964	2,445	20,689	223	112,481	204	64,124	884,262	X X X
11. 2012	1,661,746	29,809	1,631,937	494,856	1,334	7,165	72	94,218	5	36,527	594,828	X X X
12. Totals	X X X	X X X	X X X	7,505,723	261,162	414,969	17,398	1,142,804	14,680	506,618	8,770,256	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	203,856	53,799	81,325	13,447	6,769	702	14,772	2,000	17,589	9	7,885	254,354	X X X
2. 2003	10,334	1,690	5,132	1,234	267	1	1,335	111	1,040	(1)	1,148	15,073	X X X
3. 2004	14,271	3,180	5,733	1,360	352		1,527	129	1,446	1	1,675	18,659	X X X
4. 2005	16,063	1,151	7,289	1,648	402		2,638	138	1,841		2,427	25,296	X X X
5. 2006	16,285	3,413	10,772	2,043	540		3,931	303	2,147	1	8,208	27,915	X X X
6. 2007	31,095	1,638	16,330	2,384	816		4,953	434	2,908	5	3,054	51,641	X X X
7. 2008	43,161	3,580	19,727	3,169	1,126	12	10,250	636	4,246	13	8,589	71,100	X X X
8. 2009	69,929	2,597	32,571	3,637	1,631	26	16,920	770	7,470	41	6,959	121,450	X X X
9. 2010	104,384	717	50,596	4,842	1,910	9	31,294	1,078	11,787	67	10,877	193,258	X X X
10. 2011	157,228	814	98,687	4,706	2,803	83	41,767	601	21,351	99	24,764	315,533	X X X
11. 2012	224,087	667	239,768	2,999	2,550	9	56,157	247	38,642	306	43,412	556,976	X X X
12. Totals	890,693	73,246	567,930	41,469	19,166	842	185,544	6,447	110,467	541	118,998	1,651,255	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	217,935	36,419
2. 2003	924,584	77,230	847,354	61.114	61.121	61.113			15.200	12,542	2,531
3. 2004	943,754	39,974	903,780	57.966	44.500	58.752			15.200	15,464	3,195
4. 2005	978,784	38,974	939,810	57.707	56.732	57.748			15.200	20,553	4,743
5. 2006	999,636	29,818	969,818	59.014	39.416	59.931			15.200	21,601	6,314
6. 2007	1,028,525	25,809	1,002,716	59.490	30.566	60.975			15.200	43,403	8,238
7. 2008	1,157,625	38,720	1,118,905	67.089	60.359	67.349			15.200	56,139	14,961
8. 2009	1,020,976	56,085	964,891	63.066	55.395	63.578			15.200	96,266	25,184
9. 2010	1,066,421	11,968	1,054,453	66.647	36.989	67.259			15.200	149,421	43,837
10. 2011	1,208,970	9,175	1,199,795	74.580	31.188	75.382			15.200	250,395	65,138
11. 2012	1,157,443	5,639	1,151,804	69.652	18.917	70.579			15.200	460,189	96,787
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,343,908	307,347

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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	11 One Year	12 Two Year
1. Prior	876,366	877,973	887,839	895,742	899,196	875,288	920,781	939,765	951,722	946,590	(5,132)	6,825
2. 2003	788,080	773,636	754,362	750,462	755,645	749,833	747,090	744,076	743,417	741,309	(2,108)	(2,767)
3. 2004	X X X	886,284	864,782	853,524	816,389	811,421	802,062	799,892	798,066	796,683	(1,383)	(3,209)
4. 2005	X X X	X X X	924,860	889,672	845,688	840,303	830,063	827,834	825,324	826,049	725	(1,785)
5. 2006	X X X	X X X	X X X	910,207	891,640	868,355	848,943	851,723	853,185	854,231	1,046	2,508
6. 2007	X X X	X X X	X X X	X X X	975,617	949,738	890,358	889,894	887,451	886,530	(921)	(3,364)
7. 2008	X X X	X X X	X X X	X X X	X X X	1,055,981	1,007,953	1,004,012	992,261	987,410	(4,851)	(16,602)
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	901,453	873,039	858,071	844,250	(13,821)	(28,789)
9. 2010	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	920,876	(12,452)	(34,544)
10. 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	1,091,841	1,067,029	(24,812)	X X X
11. 2012	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	1,019,789	X X X	X X X
									12. Totals		(63,709)	(81,727)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										11	12
	1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	227,458	378,668	471,819	533,733	582,670	612,893	647,981	688,613	699,606	X X X	X X X
2. 2003	367,956	529,873	607,502	658,141	692,331	707,257	716,243	721,095	724,403	726,508	X X X	X X X
3. 2004	X X X	381,774	573,344	662,693	715,764	747,111	762,603	770,036	775,418	778,532	X X X	X X X
4. 2005	X X X	X X X	390,844	580,332	671,064	730,033	766,972	784,841	794,136	801,802	X X X	X X X
5. 2006	X X X	X X X	X X X	398,044	591,372	675,557	743,528	785,523	811,070	827,559	X X X	X X X
6. 2007	X X X	X X X	X X X	X X X	413,627	614,381	706,617	773,464	815,099	836,775	X X X	X X X
7. 2008	X X X	X X X	X X X	X X X	X X X	479,592	709,180	809,174	875,949	919,585	X X X	X X X
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	400,588	580,610	667,509	729,340	X X X	X X X
9. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	439,985	643,477	738,439	X X X	X X X
10. 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	554,214	771,986	X X X	X X X
11. 2012	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	500,615	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 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010	9 2011	10 2012
1. Prior	365,968	255,978	200,104	174,278	143,202	132,056	140,740	138,319	109,658	90,860
2. 2003	220,367	109,743	62,759	43,460	31,630	23,179	15,749	9,989	8,291	5,891
3. 2004	X X X	276,686	137,694	90,922	49,021	36,049	19,502	14,312	10,690	6,707
4. 2005	X X X	X X X	309,077	153,706	77,719	48,186	27,444	18,936	13,767	8,933
5. 2006	X X X	X X X	X X X	278,778	140,347	85,564	41,207	23,402	15,768	13,260
6. 2007	X X X	X X X	X X X	X X X	288,219	150,349	70,843	38,537	23,629	19,482
7. 2008	X X X	X X X	X X X	X X X	X X X	313,395	137,887	82,260	46,180	27,130
8. 2009	X X X	X X X	X X X	X X X	X X X	X X X	274,719	139,106	81,329	45,973
9. 2010	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	76,870
10. 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	280,722	135,908
11. 2012	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	293,213

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.		1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	 3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	22,630,620	21,975,003		13,217,597	8,471,370	5,828,107	264,568	
2. Alaska	AK	L	15,365,774	17,239,286		7,550,091	5,526,313	(5,047,353)	179,637	
3. Arizona	AZ	L	96,951,904	86,481,497		65,184,489	77,792,352	27,247,274	1,133,438	
4. Arkansas	AR	L	17,716,417	16,152,325		7,714,076	7,593,279	3,253,749	207,118	
5. California	CA	L	556,927,336	549,475,258		335,830,536	301,717,783	270,498,185	6,510,882	
6. Colorado	CO	L	150,214,773	135,237,798		87,586,434	95,376,014	42,139,394	1,756,119	
7. Connecticut	CT	L	36,821,704	37,465,865		19,543,373	17,054,752	19,676,382	430,472	
8. Delaware	DE	L	473,993	629,041		439	(145,827)	30,137	5,541	
9. District of Columbia	DC	L	2,406,806	2,637,183		737	(173,007)	678,769	28,137	
10. Florida	FL	L	12,403,592	13,049,872		18,221,837	17,598,687	(464,933)	145,007	
11. Georgia	GA	L	19,931,492	21,985,967		14,813,315	10,472,040	6,200,214	233,014	
12. Hawaii	HI	L	946,924	1,765,743		418,190	(664,138)	(665,564)	11,070	
13. Idaho	ID	L	7,327,202	7,333,187		2,405,267	1,353,955	2,925,744	85,660	
14. Illinois	IL	L	3,640,995	5,064,771		1,265,078	(4,199,768)	3,087,770	42,566	
15. Indiana	IN	L	19,640,846	15,616,108		7,372,599	9,025,800	4,747,985	229,616	
16. Iowa	IA	L	15,158,324	14,055,118		6,334,986	5,045,446	3,512,093	177,212	
17. Kansas	KS	L	80,292,001	73,947,494		35,599,976	29,283,156	16,352,604	938,671	
18. Kentucky	KY	L	43,214,006	33,931,271		47,220,268	33,527,894	(5,226,464)	505,203	
19. Louisiana	LA	L	33,961,646	39,925,112		17,090,820	17,720,201	10,455,032	397,036	
20. Maine	ME	L	259,333	510,678		3,228	(31,154)	57,522	3,032	
21. Maryland	MD	L	32,994,096	33,124,929		17,555,203	18,733,327	14,115,426	385,725	
22. Massachusetts	MA	L	10,781,872	12,179,768		(194,988)	11,203	4,337,191	126,048	
23. Michigan	MI	L	29,423,984	25,808,576		13,828,407	10,671,094	11,713,416	343,988	
24. Minnesota	MN	L	14,697,107	14,266,750		6,292,107	6,137,280	7,079,863	171,820	
25. Mississippi	MS	L	46,460,072	45,212,665		20,347,312	17,705,919	7,745,797	543,152	
26. Missouri	MO	L	82,312,360	68,978,135		47,137,901	46,973,757	17,814,690	962,291	
27. Montana	MT	L	40,091,781	37,722,889		19,145,486	11,405,100	8,523,180	468,702	
28. Nebraska	NE	L	6,691,223	5,838,654		2,197,861	1,692,849	687,891	78,225	
29. Nevada	NV	L	15,167,794	14,653,558		7,162,891	(2,676,208)	(6,953,647)	177,322	
30. New Hampshire	NH	L	35,326,087	20,080,832		7,347,448	9,283,399	4,971,840	412,987	
31. New Jersey	NJ	L	5,207,495	6,218,116		3,469,008	(1,800,836)	(3,193,862)	60,879	5,919
32. New Mexico	NM	L	53,273,097	49,746,109		25,306,262	23,991,101	16,201,136	622,801	
33. New York	NY	L	11,411,046	16,431,970		18,788,923	3,229,358	(24,175,067)	133,403	
34. North Carolina	NC	L	13,323,248	11,616,825		4,446,822	2,196,833	1,765,088	155,758	
35. North Dakota	ND	L	9,093,511	8,379,792		3,277,465	3,127,988	1,458,634	106,310	
36. Ohio	OH	L	5,835,761	5,669,603		3,325,658	2,269,592	2,628,838	68,224	
37. Oklahoma	OK	L	92,679,602	79,274,644		52,580,638	56,509,108	19,628,902	1,083,491	
38. Oregon	OR	L	4,584,330	6,002,402		1,563,808	(2,736,499)	3,606,427	53,594	
39. Pennsylvania	PA	L	14,614,035	15,347,504		3,731,995	1,021,033	7,887,987	170,849	
40. Rhode Island	RI	L	243,118	296,353		921	1,604,797	2,821,769	2,842	
41. South Carolina	SC	L	31,669,786	26,046,913		13,695,264	7,035,338	307,901	370,243	
42. South Dakota	SD	L	12,013,599	11,332,820		6,932,238	4,579,427	2,341,040	140,448	
43. Tennessee	TN	L	41,307,354	34,821,512		33,534,910	26,685,589	12,359,191	482,913	
44. Texas	TX	L	29,954,831	34,356,980	4,704,992	34,249,643	38,868,708	32,198,369	350,194	
45. Utah	UT	L	9,135,763	9,620,603		3,929,010	3,367,399	3,164,749	106,804	
46. Vermont	VT	L	9,723,108	6,412,661		2,788,827	3,260,198	1,414,413	113,670	
47. Virginia	VA	L	6,928,547	7,616,447		770,174	175,938	2,764,535	81,000	
48. Washington	WA	L	188,347,204	187,772,820		77,429,489	69,740,596	45,395,944	2,201,915	
49. West Virginia	WV	L	31,994,329	30,271,541		16,263,665	16,519,432	8,860,274	374,037	
50. Wisconsin	WI	L	12,678,266	10,250,349		4,446,230	4,745,087	2,795,745	148,218	
51. Wyoming	WY	L	14,628,448	13,762,000		5,406,048	4,409,112	1,982,338	171,017	
52. American Samoa	AS	N								
53. Guam	GU	L	829,074	708,451			(284,289)	(192,615)	9,692	
54. Puerto Rico	PR	N	36,793	38,827						
55. U.S. Virgin Islands	VI	N	733	774					9	
56. Northern Mariana Islands	MP	N								
57. Canada	CAN	N	(20,250)	(3,740)		(96,578)	(96,578)			
58. Aggregate Other Alien	OT	XXX	488,455	725,849			(166,173)	(121,182)		
59. Totals		(a) 52	2,050,213,347	1,945,063,458	4,704,992	1,144,033,384	1,020,535,127	617,222,848	23,962,570	5,919

DETAILS OF WRITE-INS									
58001. Other Alien	XXX	488,455	725,849			(166,173)	(121,182)		
58002.	XXX								
58003.	XXX								
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX								
58999. Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX	488,455	725,849			(166,173)	(121,182)		

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

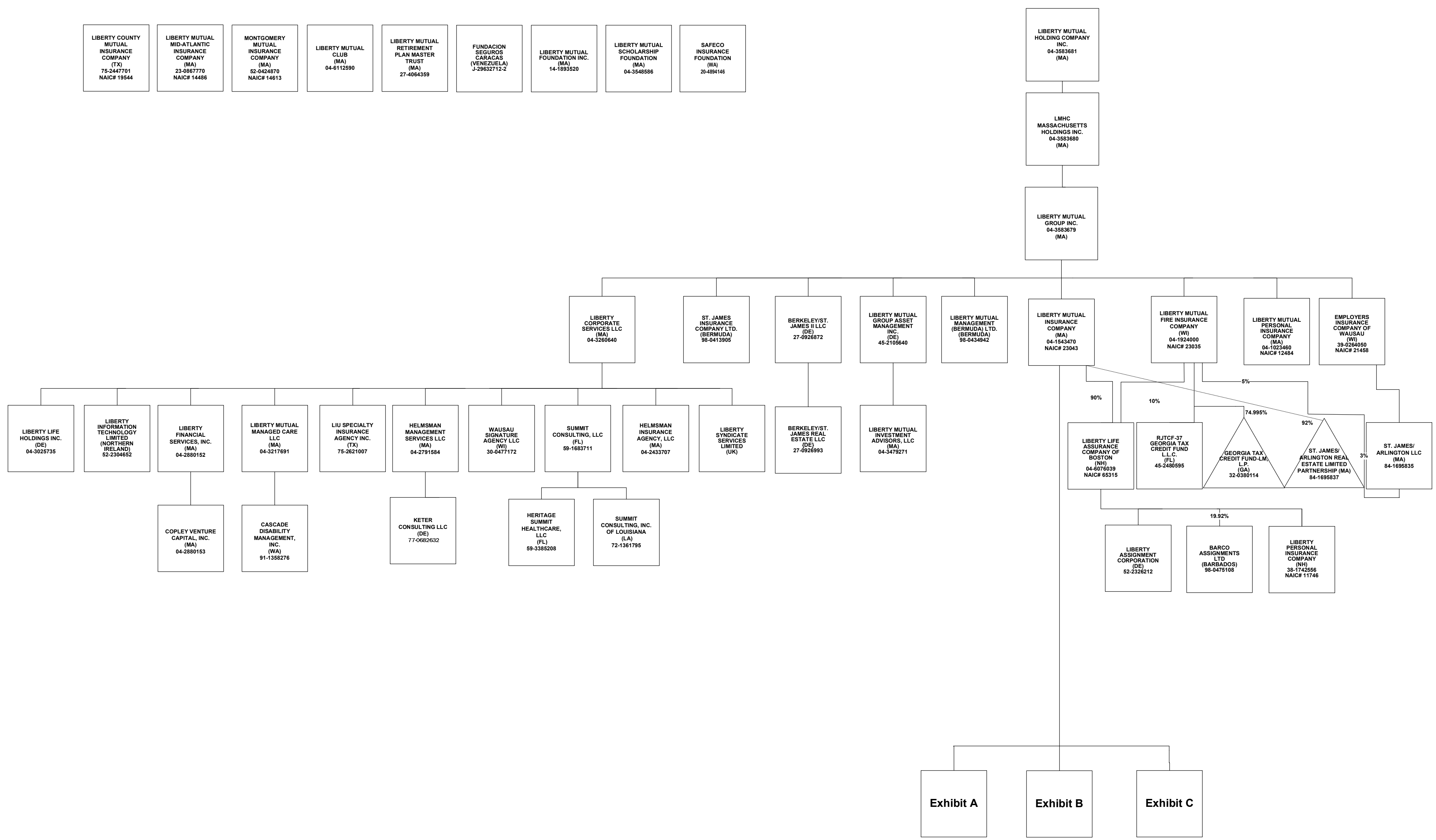
Explanation of basis of allocation of premiums by states, etc.

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

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

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

PART 1 - ORGANIZATIONAL CHART



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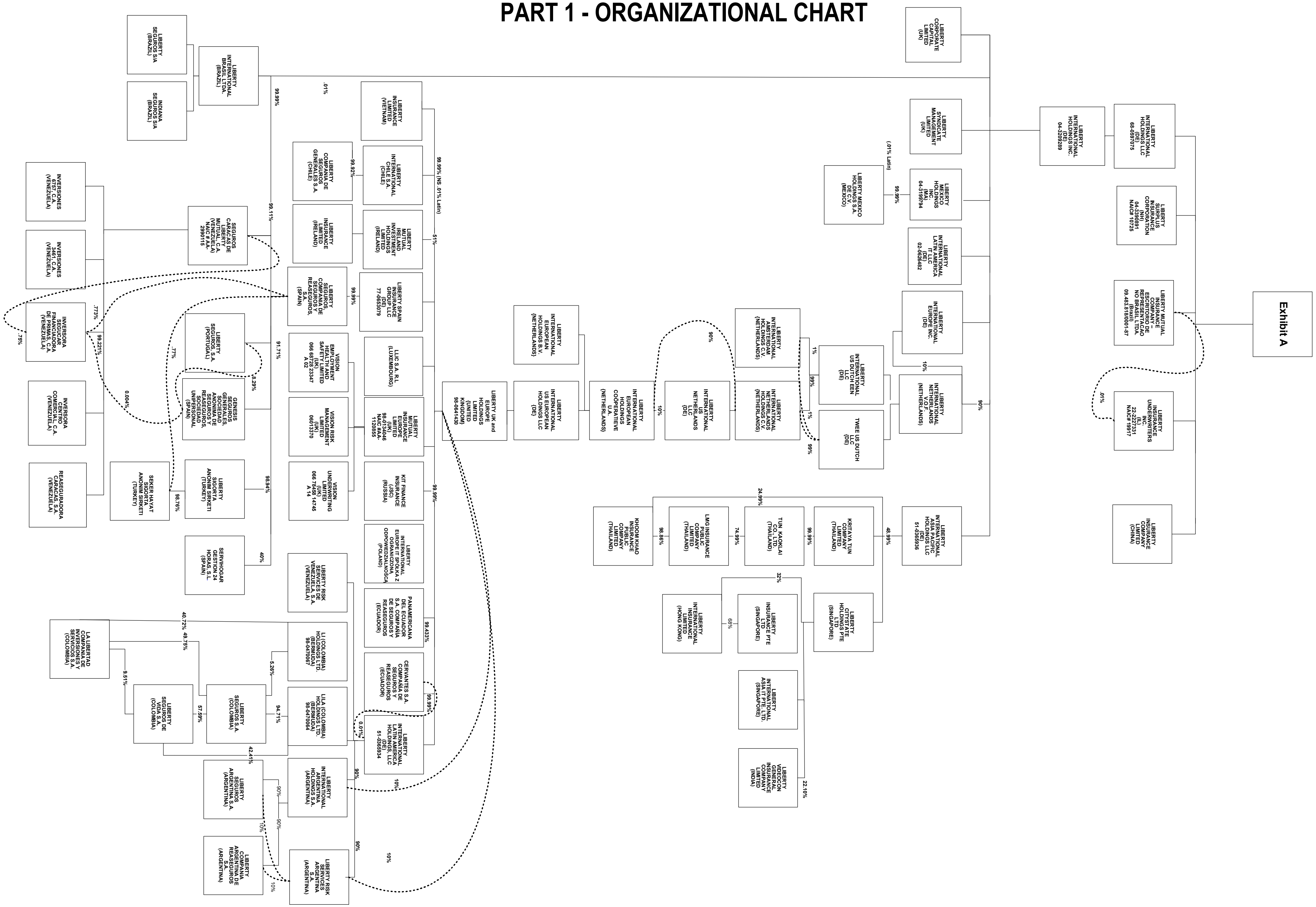

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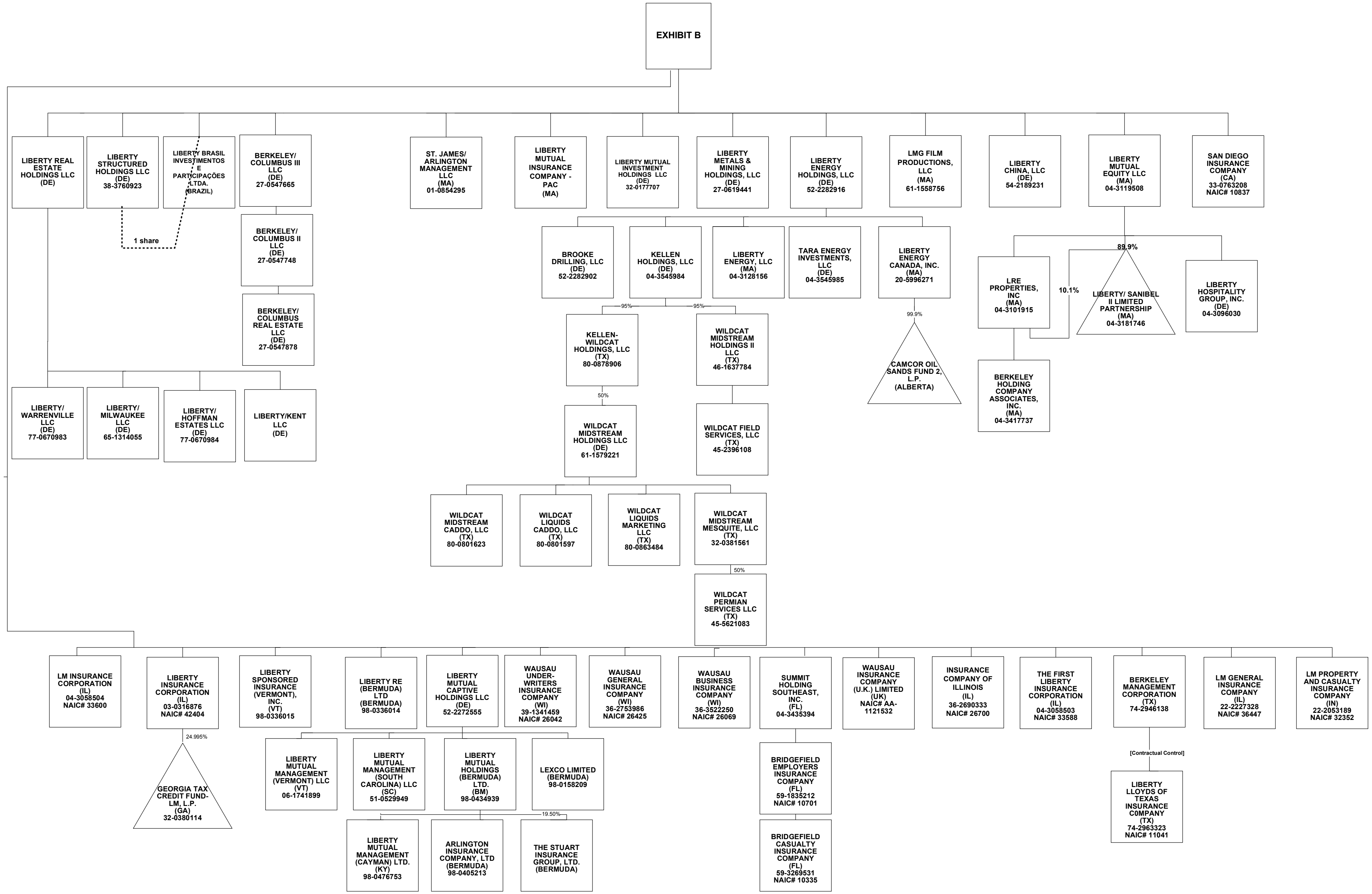

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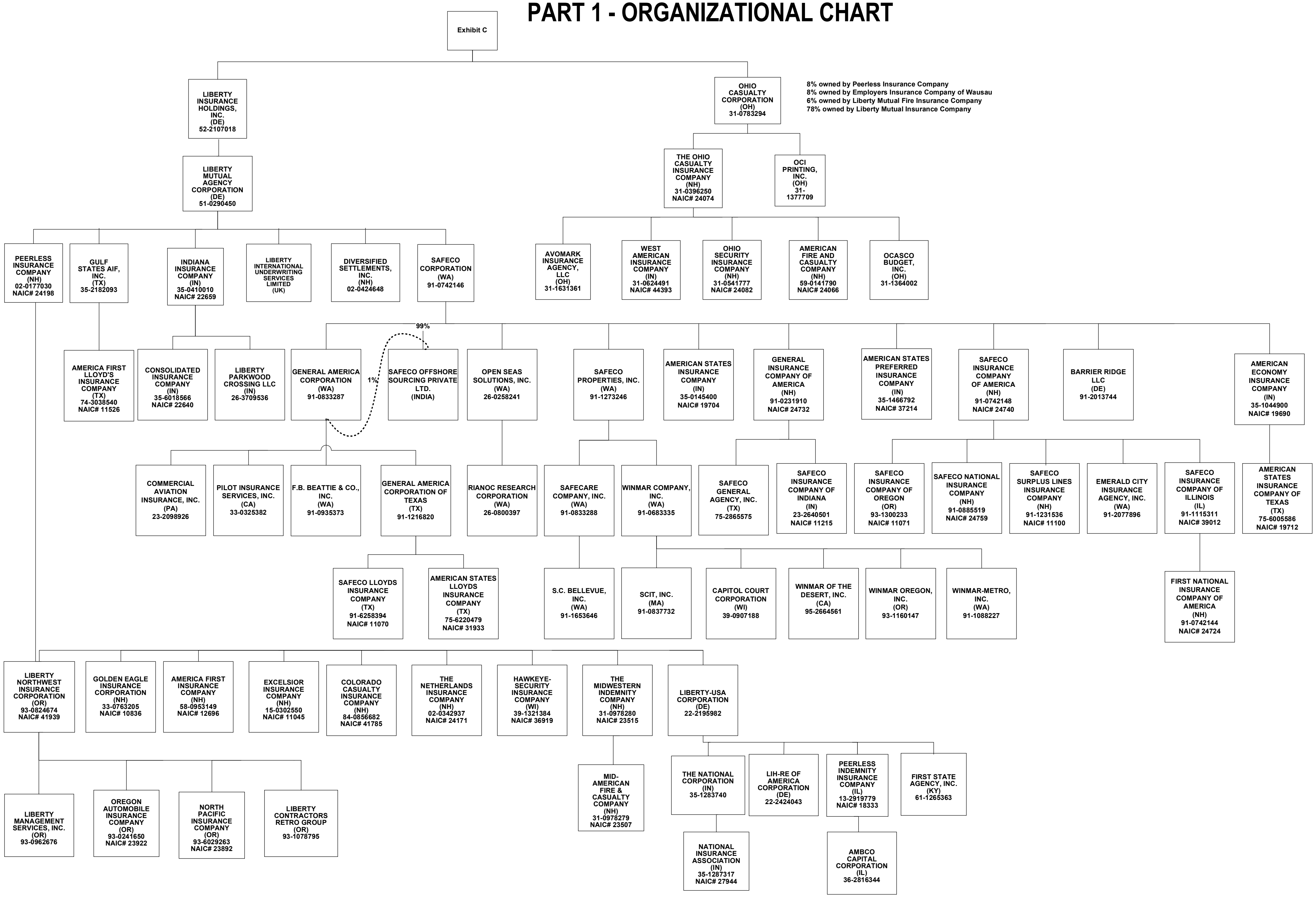

OVERFLOW PAGE FOR WRITE-INS

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT