





26069201120100100

# ANNUAL STATEMENT

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

## Wausau Business Insurance Company

**NAIC Group Code** 0111 0111 **NAIC Company Code** 26069 **Employer's ID Number** 36-3522250  
(Current Period) (Prior Period)

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

**Country of Domicile** United States of America

**Incorporated/Organized** December 27, 1907 **Commenced Business** December 27, 1907

**Statutory Home Office** 2000 Westwood Drive, Wausau, WI 54401  
(Street and Number) (City or Town, State and Zip Code)

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

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

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

**Internet Web Site Address** www.LibertyMutualGroup.com

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

### OFFICERS

**Chairman of the Board**  
Christopher Locke Peirce #

	Name	Title
1.	<u>Christopher Locke Peirce #</u>	<u>President and Chief Executive Officer</u>
2.	<u>Dexter Robert Legg</u>	<u>Vice President and Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President and Treasurer</u>

### VICE-PRESIDENTS

Name	Title	Name	Title
<u>John Derek Doyle</u>	<u>Vice President and Comptroller</u>	<u>Anthony Alexander Fontanes</u>	<u>Vice President and Chief Investment Officer</u>
<u>Christopher Charles Mansfield</u>	<u>SVP and General Counsel</u>	<u>Mark Joseph Moitoso #</u>	<u>Vice President and Chief Financial Officer</u>

### DIRECTORS OR TRUSTEES

<u>Anthony Alexander Fontanes</u>	<u>Dennis James Langwell</u>	<u>Dexter Robert Legg</u>	<u>David Henry Long</u>
<u>Christopher Charles Mansfield</u>	<u>Christopher Locke Peirce #</u>	<u>Timothy Michael Sweeney</u>	

State of Massachusetts

County of Suffolk ss

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

<u>(Signature)</u>	<u>(Signature)</u>	<u>(Signature)</u>
<u>Christopher Locke Peirce #</u>	<u>Dexter Robert Legg</u>	<u>Laurance Henry Soyer Yahia</u>
<u>(Printed Name)</u>	<u>(Printed Name)</u>	<u>(Printed Name)</u>
<u>1.</u>	<u>2.</u>	<u>3.</u>
<u>President and Chief Executive Officer</u>	<u>Vice President and Secretary</u>	<u>Vice President and Treasurer</u>
<u>(Title)</u>	<u>(Title)</u>	<u>(Title)</u>

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

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	139,999,894		139,999,894	135,559,591
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 (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 2,864,083, Schedule DA)	2,864,083		2,864,083	6,949,945
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets (Schedule DL)	2,974,710		2,974,710	3,964,535
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	145,838,687		145,838,687	146,474,071
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	999,164		999,164	1,058,382
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	4,936,601	152,733	4,783,868	4,186,674
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	13,292,473	2,082	13,290,391	10,949,078
15.3 Accrued retrospective premiums	1,821,792	183,090	1,638,702	2,291,097
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	29,839,759		29,839,759	25,396,265
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	161	48	113	235
18.1 Current federal and foreign income tax recoverable and interest thereon	157,190		157,190	
18.2 Net deferred tax asset	6,010,000	1,446,179	4,563,821	2,805,453
19. Guaranty funds receivable or on deposit	81,981		81,981	121,813
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	2,471,032		2,471,032	3,148,408
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	3,657,576	142,668	3,514,908	3,397,052
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	209,106,416	1,926,800	207,179,616	199,828,528
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	209,106,416	1,926,800	207,179,616	199,828,528

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	2,375,382		2,375,382	2,243,305
2502. Amounts receivable under high deductible policies	813,800		813,800	889,874
2503. Equities and deposits in pools & associations	297,758		297,758	244,147
2598. Summary of remaining write-ins for Line 25 from overflow page	170,636	142,668	27,968	19,726
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,657,576	142,668	3,514,908	3,397,052

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	71,014,801	69,763,188
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	3,329,838	3,329,085
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	14,719,099	13,981,019
4. Commissions payable, contingent commissions and other similar charges	413,031	369,547
5. Other expenses (excluding taxes, licenses and fees)	1,612,928	974,656
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	961,948	1,092,510
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		1,060,775
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 \$ 72,092,552 and including warranty reserves of \$ 0 and accrued accident and health experience rating refunds including \$ 0 for medical loss ratio rebate per the Public Health Service Act)	20,392,878	18,983,908
10. Advance premium	239,496	232,483
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	25,237	25,889
12. Ceded reinsurance premiums payable (net of ceding commissions)	23,137,154	26,012,360
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	294,214	331,207
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	1,827,974	1,696,454
19. Payable to parent, subsidiaries and affiliates	10,491,223	2,201,285
20. Derivatives		
21. Payable for securities		2,086,625
22. Payable for securities lending	2,974,710	3,964,534
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(252,722)	(3,374,966)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	151,181,809	142,730,559
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	151,181,809	142,730,559
29. Aggregate write-ins for special surplus funds	5,308,600	5,175,441
30. Common capital stock	10,900,000	10,900,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	42,900,000	42,900,000
35. Unassigned funds (surplus)	(3,110,793)	(1,877,472)
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)	55,997,807	57,097,969
38. Totals (Page 2, Line 28, Col. 3)	207,179,616	199,828,528

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	2,990,390	3,156,503
2502. Other liabilities	2,028,239	1,790,919
2503. Private passenger auto escrow		2,192
2598. Summary of remaining write-ins for Line 25 from overflow page	(5,271,351)	(8,324,580)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(252,722)	(3,374,966)
2901. Special surplus from retroactive reinsurance	3,263,002	5,175,441
2902. SSAP 10R incremental change	2,045,598	
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	5,308,600	5,175,441
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	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	43,647,314	41,422,967
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	30,679,243	26,977,551
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	8,629,932	7,402,183
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	11,827,033	10,392,786
5. Aggregate write-ins for underwriting deductions	(2,191)	(1,561)
6. Total underwriting deductions (Lines 2 through 5)	51,134,017	44,770,959
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(7,486,703)	(3,347,992)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	5,133,486	5,413,327
10. Net realized capital gains (losses) less capital gains tax of \$ (57,830) (Exhibit of Capital Gains (Losses))	(107,399)	226,045
11. Net investment gain (loss) (Lines 9 + 10)	5,026,087	5,639,372
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 14,321 amount charged off \$ 201,198)	(186,878)	(292,173)
13. Finance and service charges not included in premiums	171,194	182,304
14. Aggregate write-ins for miscellaneous income	(1,050,009)	(313,609)
15. Total other income (Lines 12 through 14)	(1,065,693)	(423,478)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(3,526,309)	1,867,902
17. Dividends to policyholders	162,718	251,791
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)	(3,689,027)	1,616,111
19. Federal and foreign income taxes incurred	(272,170)	(574,517)
20. Net income (Line 18 minus Line 19) (to Line 22)	(3,416,857)	2,190,628
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	57,097,969	55,937,837
22. Net income (from Line 20)	(3,416,857)	2,190,628
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 171,420	318,351	(207,883)
25. Change in net unrealized foreign exchange capital gain (loss)	(26,010)	
26. Change in net deferred income tax	1,800,950	(212,027)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(1,862,137)	175,116
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	39,943	
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		
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	2,045,598	(785,702)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(1,100,162)	1,160,132
39. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	55,997,807	57,097,969

<b>DETAILS OF WRITE-IN LINES</b>		
0501. Private passenger auto escrow	(2,191)	(1,561)
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)	(2,191)	(1,561)
1401. Other income/(expense)	(498,192)	(836,546)
1402. Retroactive reinsurance gain/(loss)	(551,817)	522,937
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,050,009)	(313,609)
3701. SSAP 10R incremental change	2,045,598	(865,149)
3702. Other changes in surplus		79,447
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	2,045,598	(785,702)

**CASH FLOW**

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	39,952,886	52,780,012
2. Net investment income	5,767,101	6,031,039
3. Miscellaneous income	(1,248,196)	(1,044,179)
4. Total (Lines 1 through 3)	44,471,791	57,766,872
5. Benefit and loss related payments	33,722,658	25,413,188
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	19,118,243	17,768,503
8. Dividends paid to policyholders	163,370	235,507
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	887,965	(2,684,749)
10. Total (Lines 5 through 9)	53,892,236	40,732,449
11. Net cash from operations (Line 4 minus Line 10)	(9,420,445)	17,034,423
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	22,657,813	36,115,806
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	27,917,946	
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	50,575,759	36,115,806
13. Cost of investments acquired (long-term only):		
13.1 Bonds	27,347,972	47,836,404
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	26,928,121	3,964,535
13.6 Miscellaneous applications	2,086,625	(2,086,625)
13.7 Total investments acquired (Lines 13.1 to 13.6)	56,362,718	49,714,314
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)	(5,786,959)	(13,598,508)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	11,121,542	(8,399,834)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	11,121,542	(8,399,834)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(4,085,862)	(4,963,919)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	6,949,945	11,913,864
19.2 End of year (Line 18 plus Line 19.1)	2,864,083	6,949,945

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

20.0001	13.1 Cost of Investment Acquired - Bonds	1,875,083
20.0002		
20.0003		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	1,049,592	436,734	525,370	960,956
2. Allied lines	501,988	205,973	259,705	448,256
3. Farmowners multiple peril	4,585		610	3,975
4. Homeowners multiple peril	6,228,860	3,182,459	3,479,135	5,932,184
5. Commercial multiple peril	1,310,200	607,428	665,318	1,252,310
6. Mortgage guaranty				
8. Ocean marine	182,132	78,844	82,710	178,266
9. Inland marine	1,889,004	146,031	215,597	1,819,438
10. Financial guaranty				
11.1 Medical professional liability—occurrence	224,761	31,235	83,160	172,836
11.2 Medical professional liability—claims-made	12,665	1,899	3,444	11,120
12. Earthquake	157,768	61,487	75,789	143,466
13. Group accident and health	3,290			3,290
14. Credit accident and health (group and individual)				
15. Other accident and health	1,445	300	265	1,480
16. Workers' compensation	10,839,521	93,152	349,860	10,582,813
17.1 Other liability—occurrence	3,258,808	1,158,056	1,502,171	2,914,693
17.2 Other liability—claims-made	961,014	527,753	591,827	896,940
17.3 Excess workers' compensation	291,590	194,875	145,521	340,944
18.1 Products liability—occurrence	558,854	258,040	332,298	484,596
18.2 Products liability—claims-made	25,195	5,199	4,891	25,503
19.1,19.2 Private passenger auto liability	10,857,585	5,126,831	5,503,418	10,480,998
19.3,19.4 Commercial auto liability	1,577,919	549,873	732,845	1,394,947
21. Auto physical damage	4,438,071	3,547,650	3,788,007	4,197,714
22. Aircraft (all perils)	207,570	61,337	47,425	221,482
23. Fidelity	37,802	16,138	17,526	36,414
24. Surety	10,752	5,285	9,821	6,216
26. Burglary and theft	1,227	606	430	1,403
27. Boiler and machinery	106,152	35,643	49,480	92,315
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property	761,620	52,470	93,907	720,183
32. Reinsurance-nonproportional assumed liability	295,411	66,292	31,337	330,366
33. Reinsurance-nonproportional assumed financial lines	45			45
34. Aggregate write-ins for other lines of business				
35. TOTALS	45,795,426	16,451,590	18,591,867	43,655,149

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	512,566	12,803			525,369
2. Allied lines	248,472	11,233			259,705
3. Farmowners multiple peril	610				610
4. Homeowners multiple peril	3,479,135				3,479,135
5. Commercial multiple peril	437,928	227,390			665,318
6. Mortgage guaranty					
8. Ocean marine	68,771	13,939			82,710
9. Inland marine	75,740	139,856			215,596
10. Financial guaranty					
11.1 Medical professional liability—occurrence	83,160				83,160
11.2 Medical professional liability—claims-made	3,346	98			3,444
12. Earthquake	74,798	991			75,789
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	265				265
16. Workers' compensation	2,091,288	101,062		(1,842,490)	349,860
17.1 Other liability—occurrence	1,120,500	370,825		10,847	1,502,172
17.2 Other liability—claims-made	381,190	210,637			591,827
17.3 Excess workers' compensation	118,039	27,482			145,521
18.1 Products liability—occurrence	176,962	146,114		9,222	332,298
18.2 Products liability—claims-made	4,888	3			4,891
19.1,19.2 Private passenger auto liability	5,503,418				5,503,418
19.3,19.4 Commercial auto liability	713,867	(2,432)		21,411	732,846
21. Auto physical damage	3,790,617	(2,610)			3,788,007
22. Aircraft (all perils)	47,425				47,425
23. Fidelity	16,002	1,525			17,527
24. Surety	3,029	6,792			9,821
26. Burglary and theft	428	2			430
27. Boiler and machinery	48,189	1,291			49,480
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-nonproportional assumed property	93,907				93,907
32. Reinsurance-nonproportional assumed liability	30,857	479			31,336
33. Reinsurance-nonproportional assumed financial lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	19,125,397	1,267,480		(1,801,010)	18,591,867
36. Accrued retrospective premiums based on experience					1,801,011
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					20,392,878

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		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	8,658	1,049,592		8,658		1,049,592
2. Allied lines	15,230	501,988		15,230		501,988
3. Farmowners multiple peril		4,585				4,585
4. Homeowners multiple peril		6,228,860				6,228,860
5. Commercial multiple peril	20,551,021	1,310,200		20,551,021		1,310,200
6. Mortgage guaranty						
8. Ocean marine		182,132				182,132
9. Inland marine	16,800	1,889,004		16,800		1,889,004
10. Financial guaranty						
11.1 Medical professional liability--occurrence		224,761				224,761
11.2 Medical professional liability--claims-made		12,665				12,665
12. Earthquake	154,242	157,768		154,242		157,768
13. Group accident and health		3,290				3,290
14. Credit accident and health (group and individual)						
15. Other accident and health		1,445				1,445
16. Workers' compensation	155,982,971	10,839,521		155,982,971		10,839,521
17.1 Other liability—occurrence	27,835,347	3,258,808		27,835,347		3,258,808
17.2 Other liability—claims-made		961,014				961,014
17.3 Excess workers' compensation		291,590				291,590
18.1 Products liability—occurrence	6,523,089	558,854		6,523,089		558,854
18.2 Products liability—claims-made		25,195				25,195
19.1,19.2 Private passenger auto liability		10,857,585				10,857,585
19.3,19.4 Commercial auto liability	32,802,881	1,577,919		32,802,881		1,577,919
21. Auto physical damage	5,487,653	4,438,071		5,487,653		4,438,071
22. Aircraft (all perils)		207,570				207,570
23. Fidelity	23,071	37,802		23,071		37,802
24. Surety		10,752				10,752
26. Burglary and theft	40,365	1,227		40,365		1,227
27. Boiler and machinery	5,112	106,152		5,112		106,152
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X	761,620				761,620
32. Reinsurance-nonproportional assumed liability	X X X	295,411				295,411
33. Reinsurance-nonproportional assumed financial lines	X X X	45				45
34. Aggregate write-ins for other lines of business						
35. TOTALS	249,446,440	45,795,426		249,446,440		45,795,426

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 [ X ] No [ ]

If yes: 1. The amount of such installment premiums \$ 148,879,531

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 144,659,646



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

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		440,353		440,353	5,351	165,914	5,351	606,267	50,884
2. Allied lines		118,728		118,728	11,892	108,063	11,892	226,791	21,194
3. Farmowners multiple peril									
4. Homeowners multiple peril		838,484		838,484		814,896		1,653,380	476,508
5. Commercial multiple peril	22,186,203	956,828	22,186,203	956,828	13,037,544	424,081	13,037,544	1,380,909	466,644
6. Mortgage guaranty									
8. Ocean marine		136,201		136,201		100,085		236,286	36,995
9. Inland marine		95,362		95,362	2,913	140,003	2,913	235,365	38,083
10. Financial guaranty									
11.1 Medical professional liability—occurrence		801		801		170,753		171,554	240
11.2 Medical professional liability—claims-made		1,422		1,422		30,300		31,722	17,347
12. Earthquake	30,000	1,047	30,000	1,047	172,150	(294)	172,150	753	76
13. Group accident and health		8,075		8,075		1,812		9,887	789
14. Credit accident and health (group and individual)								(a) 9,887	789
15. Other accident and health		1,952		1,952		5,466		(a) 7,418	515
16. Workers' compensation	253,122,725	22,111,737	253,122,725	22,111,737	179,040,445	18,148,359	179,040,445	40,260,096	5,682,701
17.1 Other liability—occurrence	25,653,194	2,839,351	25,653,194	2,839,351	16,930,844	4,773,671	16,930,844	7,613,022	3,428,430
17.2 Other liability—claims-made		471,401		471,401		1,389,043		1,860,444	607,887
17.3 Excess workers' compensation		736,477		736,477		1,242,786		1,979,263	162,046
18.1 Products liability—occurrence	3,667,567	309,308	3,667,567	309,308	9,618,869	1,408,880	9,618,869	1,718,188	1,066,632
18.2 Products liability—claims-made		903		903		94,932		95,835	60,677
19.1,19.2 Private passenger auto liability		4,625,598		4,625,598		3,272,265		7,897,863	1,824,207
19.3,19.4 Commercial auto liability	34,751,266	1,327,606	34,751,266	1,327,606	19,798,117	969,901	19,798,117	2,297,507	348,583
21. Auto physical damage		5,544		5,544		44,565		50,109	231,376
22. Aircraft (all perils)		160,021		160,021		40,652		200,673	55,099
23. Fidelity		3,456		3,456	14,066	90,755	14,066	94,211	15,375
24. Surety		2,296		2,296		2,401		4,697	57
26. Burglary and theft	1,912	1,046	1,912	1,046	11,962	216	11,962	1,262	1,261
27. Boiler and machinery		11,614		11,614	822	8,010	822	19,624	1,453
28. Credit						112		112	
29. International									
30. Warranty						(95)		(95)	62
31. Reinsurance-nonproportional assumed property	X X X	328,925		328,925	X X X	312,940		641,865	10,269
32. Reinsurance-nonproportional assumed liability	X X X	466,201		466,201	X X X	1,235,270		1,701,471	113,480
33. Reinsurance-nonproportional assumed financial lines	X X X	18,386		18,386	X X X	(62)		18,324	229
34. Aggregate write-ins for other lines of business									
35. TOTALS	339,412,867	36,019,123	339,412,867	36,019,123	238,644,975	34,995,680	238,644,975	71,014,803	14,719,099
<b>DETAILS OF WRITE-IN LINES</b>									
3401.									
3402.									
3403.									
3498. Sum of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	30,492,391			30,492,391
1.2 Reinsurance assumed	4,917,305			4,917,305
1.3 Reinsurance ceded	30,492,391			30,492,391
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	4,917,305			4,917,305
2. Commission and brokerage:				
2.1 Direct, excluding contingent		18,935,324		18,935,324
2.2 Reinsurance assumed, excluding contingent		(2,043,675)		(2,043,675)
2.3 Reinsurance ceded, excluding contingent		18,935,324		18,935,324
2.4 Contingent—direct		1,467,739		1,467,739
2.5 Contingent—reinsurance assumed		395,333		395,333
2.6 Contingent—reinsurance ceded		1,467,739		1,467,739
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)		(1,648,342)		(1,648,342)
3. Allowances to manager and agents		916,991		916,991
4. Advertising	58,494	913,495	2,507	974,496
5. Boards, bureaus and associations	10,978	98,205	72	109,255
6. Surveys and underwriting reports	177	141,526	1,783	143,486
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	2,079,204	4,902,035	161,120	7,142,359
8.2 Payroll taxes	125,533	433,494	5,411	564,438
9. Employee relations and welfare	442,712	1,505,278	20,622	1,968,612
10. Insurance	234,753	52,437	2,967	290,157
11. Directors' fees	1	5		6
12. Travel and travel items	145,122	311,689	5,470	462,281
13. Rent and rent items	145,215	507,780	6,616	659,611
14. Equipment	57,653	284,173	3,590	345,416
15. Cost or depreciation of EDP equipment and software	74,818	163,706	7,663	246,187
16. Printing and stationery	21,134	85,246	688	107,068
17. Postage, telephone and telegraph, exchange and express	69,763	296,519	7,468	373,750
18. Legal and auditing	16,406	93,508	10,961	120,875
19. Totals (Lines 3 to 18)	3,481,963	10,706,087	236,938	14,424,988
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 26,928		1,765,465		1,765,465
20.2 Insurance department licenses and fees		86,235		86,235
20.3 Gross guaranty association assessments		18,806		18,806
20.4 All other (excluding federal and foreign income and real estate)		108,101		108,101
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		1,978,607		1,978,607
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	230,664	790,681	46,016	1,067,361
25. Total expenses incurred	8,629,932	11,827,033	282,954	(a) 20,739,919
26. Less unpaid expenses—current year	14,719,099	2,987,907		17,707,006
27. Add unpaid expenses—prior year	13,981,019	2,436,713		16,417,732
28. Amounts receivable relating to uninsured plans, prior year		235		235
29. Amounts receivable relating to uninsured plans, current year		113		113
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	7,891,852	11,275,717	282,954	19,450,523

DETAILS OF WRITE-IN LINES				
2401. Other expenses	230,664	790,681	46,016	1,067,361
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)	230,664	790,681	46,016	1,067,361

(a) Includes management fees of \$ 9,047,157 to affiliates and \$ 1,089,613 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,213,294	2,153,682
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 3,222,167	3,231,329
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 17,287	8,519
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	22,909	22,909
10. Total gross investment income	5,475,657	5,416,439
11. Investment expenses		(g) 282,953
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)		282,953
17. Net investment income (Line 10 minus Line 16)		5,133,486

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income	22,909	22,909
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)	22,909	22,909
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 \$ 69,145 accrual of discount less \$ 643,541 amortization of premium and less \$ 81,684 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 9,113 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(23,107)	(142,122)	(165,229)	489,771	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(23,107)	(142,122)	(165,229)	489,771	

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	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	152,733	139,568	(13,165)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,082	1,844	(238)
15.3 Accrued retrospective premiums	183,090	255,271	72,181
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	48	109	61
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	1,446,179	1,575,017	128,838
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	142,668	141,175	(1,493)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,926,800	2,112,984	186,184
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	1,926,800	2,112,984	186,184

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	142,668	140,943	(1,725)
2502. Amounts receivable under high deductible policies		232	232
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	142,668	141,175	(1,493)

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 - Summary of Significant Accounting Policies**

#### A. Accounting Practices

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

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

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

#### C. Accounting Policies

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

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88*, and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2011.
13. The Company has no pharmaceutical rebate receivables.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - Business Combinations and Goodwill

#### A. Statutory Purchase Method

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

#### B. Statutory Mergers

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

#### C. Impairment Loss

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

### Note 4 - Discontinued Operations

The Company has no discontinued operations.

### Note 5 - Investments

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

The Company does not invest in mortgage loans.

#### B. Troubled Debt Restructuring for Creditors

Not applicable

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loan-Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of December 31, 2011: None
3. Each Loan-Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2011:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
12544LAK7	976,910	952,190	24,720	952,190	952,190	3/31/2011
12544LAK7	952,091	942,184	9,907	942,184	941,455	9/30/2011
12544LAK7	897,858	887,181	10,677	887,181	886,614	12/31/2011
12545CAU4	989,099	909,932	79,167	909,932	865,079	6/30/2011
12545CAU4	860,881	843,229	17,652	843,229	771,243	12/31/2011

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

	1	2
	Less Than 12 Months	12 Months or Longer
Gross Unrealized Loss	-	(260,889)
Fair Value of Securities with Unrealized Losses	-	3,456,631

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



## NOTES TO FINANCIAL STATEMENTS

### E. Repurchase Agreements and Securities Lending

1. The Company has not entered into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral related to securities lending.
2. The Company has not pledged any of its assets as collateral as of December 31, 2011.
3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$ 2,974,710
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	2,974,710
Securities Received	2,646,050
Total Collateral Received	\$5,620,760

4. Securities Lending Transactions Administered by an Affiliated Agent

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

5. Collateral Reinvestment

- a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	\$ -	\$ -
30 Days or Less	737,032	737,035
31 to 60 Days	1,454,883	1,454,909
61 to 90 Days	783,060	783,107
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	2,974,976	2,975,051
Securities Received	-	-
Total Collateral Reinvested	\$ 2,974,976	\$ 2,975,051

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

### F. Real Estate

The Company does not own real estate.

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

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 that exceed 10% of its admitted assets

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 7 - Investment Income

#### A. Accrued Investment Income

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

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

### Note 8 - Derivative Instruments

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

### Note 9 - Income Taxes

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	6,636,654	147,346	6,784,000	4,767,839	271,911	5,039,750	1,868,815	(124,565)	1,744,250
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	6,636,654	147,346	6,784,000	4,767,839	271,911	5,039,750	1,868,815	(124,565)	1,744,250
Deferred Tax Liabilities	(774,000)	-	(774,000)	(659,280)	-	(659,280)	(114,720)	-	(114,720)
Net DTA (DTL)	5,862,654	147,346	6,010,000	4,108,559	271,911	4,380,470	1,754,095	(124,565)	1,629,530
Deferred Tax Assets Nonadmitted	(1,298,833)	(147,346)	(1,446,179)	(1,575,017)	-	(1,575,017)	276,184	(147,346)	128,838
Net Admitted DTA (DTL)	4,563,821	-	4,563,821	2,533,542	271,911	2,805,453	2,030,279	(271,911)	1,758,368

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

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	-	-	-	-	-	-	-	-	-
Lesser of:									
Expected to be recognized within one year (10bi.)	2,518,223	-	2,518,223	2,533,542	271,911	2,805,453	(15,319)	(271,911)	(287,230)
10% of adjusted capital and surplus (10bii.)			5,091,971			5,326,507			(234,536)
Adj. gross DTAs offset against existing DTLs (10c.)	774,000	-	774,000	659,280	-	659,280	114,720	-	114,720
Total	3,292,223	-	3,292,223	3,192,822	271,911	3,464,733	99,401	(271,911)	(172,510)

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	-	-	-	-	-	-	-	-	-
Lesser of:									
Expected to be recognized within three years (10eii.)	4,563,821	-	4,563,821	2,533,542	271,911	2,805,453	2,030,279	(271,911)	1,758,368
15% of adjusted capital and surplus (10eib.)			7,637,956			7,989,761			(351,805)
Adj. gross DTAs offset against existing DTLs (10eiii.)	774,000	-	774,000	659,280	-	659,280	114,720	-	114,720
Total	5,337,821	-	5,337,821	3,192,822	271,911	3,464,733	2,144,999	(271,911)	1,873,088

	December 31, 2011	December 31, 2010	Change
Used in SSAP No. 10R, Paragraph 10.d.			
Total Adjusted Capital	53,952,209	57,097,969	(3,145,760)
Authorized Control Level	6,378,742	6,003,880	374,862

**NOTES TO FINANCIAL STATEMENTS**

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
Impact of Tax Planning Strategies	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	55%	0%	55%	50%	4%	54%	5%	(4%)	1%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	81%	0%	81%	90%	7%	97%	(9%)	(7%)	(16%)

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	2,518,223	-	2,518,223	2,533,542	271,911	2,805,453	(15,319)	(271,911)	(287,230)
Admitted Assets			205,134,018			199,828,528			
Adjusted Statutory Surplus*			50,919,706			53,265,071			
Total Adjusted Capital from DTAs	2,518,223	-	2,518,223	2,533,542	271,911	2,805,453	(15,319)	(271,911)	(287,230)

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

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	2,045,598	-	2,045,598	-	-	-	2,045,598	-	2,045,598
Admitted Assets	2,045,598	-	2,045,598	-	-	-	2,045,598	-	2,045,598
Statutory Surplus	2,045,598	-	2,045,598	-	-	-	2,045,598	-	2,045,598

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

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

	2011	2010
Federal	(272,170)	(574,517)
Foreign	-	-
Realized capital gains	(57,830)	121,717
Federal and foreign income taxes incurred	(330,000)	(452,800)

The Company's DTAs and DTLs result primarily from limits on unearned premium reserves, discounting of unpaid losses and LAE reserves and net operating loss carry-forward.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	1,800,950
Change in tax effect of unrealized (gains) losses	(171,420)
Total change in net deferred income tax	1,629,530

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill and net operating losses generated in 2011.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses are none from the current year and none from the preceding year.

The Company has net operating loss carry-forward available to offset future net income subject to Federal income taxes as follows:

Year Generated	Amount	Expiration
2011	5,700,000	2031

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

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

Access Insurance Services, Co. (Dissolved 10/24/2011)	Liberty Mutual Holding Company Inc.
AMBCO Capital Corporation	Liberty Mutual Insurance Company
America First Insurance Company	Liberty Mutual Personal Insurance Company
America First Lloyds Insurance Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company	Liberty Personal Insurance Company
American Fire & Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company	Liberty Sponsored Insurance (Vermont) Inc.
American States Insurance Company of Texas	Liberty Surplus Insurance Corporation

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts company.

## NOTES TO FINANCIAL STATEMENTS

- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company's affiliates during 2011.
- D. At December 31, 2011, the Company reported a net \$8,020,191 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 Inter-Company Reinsurance Agreement.

There is a service agreement between the Company and LMIC, under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate.

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

The Company is a party to a service agreement with Peerless Insurance Company ("PIC"). Under the Agreement, the Company provides services to PIC.

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

The Company received \$887,965 under the LMIC Tax Sharing Agreement and paid \$282,953 under the LMGI and LMIA investment management agreements. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (Refer to Note 26), the expenses incurred under the Liberty Mutual service agreement are allocated to the Company in accordance with the Company's "Pool" participation percentage.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies.
- J. The Company does not own any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.
- K. The Company does not hold any investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.

### **Note 11 - Debt**

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. Federal Home Loan Bank Agreements

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

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

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

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

1. The Company has 20,000,000 shares authorized and 10,900,000 shares issued and outstanding as of December 31, 2011. All shares have a stated par value of \$1.
2. Preferred Stock  
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay any dividends to its parent during 2011.

## NOTES TO FINANCIAL STATEMENTS

5. The maximum amount of dividends that can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of surplus, or the greater of (b) or (c); (b) net income for calendar year preceding date of dividend less realized gains for that calendar year, or (c) the aggregate of net income for three calendar years preceding the date of dividend less realized gains for those calendar years less dividends paid/credited within the first two of the preceding three calendar years. The maximum dividend payout that may be made without prior approval in 2012 is \$0, as the Company's unassigned surplus is negative.
6. As of December 31, 2011, the Company has restricted surplus of \$2,045,598 from recording the increase in admitted DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*, and pre-tax restricted surplus of \$3,263,002 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2011 and from the adoption of the revised guidance on calculating admitted DTA's in SSAP 10R.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$285,989 after applicable deferred taxes of \$100,096.
11. Surplus Notes  
Not applicable
12. Quasi-reorganization (dollar impact)  
Not applicable
13. Quasi-reorganization (effective date)  
Not applicable

### **Note 14 - Contingencies**

#### A. Contingent Commitments

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

#### B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$760,789 that is offset by future premium tax credits of \$74,771. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2012. During 2011 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

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

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$ 101,040
b. Decreases current year:	
Premium tax offset applied	26,268
c. Increases current year:	
Premium tax offset increase	-
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$ 74,772

#### C. Gain Contingencies

Not applicable

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

The Company did not have claims related extra contractual obligation losses or bad faith losses stemming from lawsuits in the current period.

#### E. Product Warranties

The Company does not write product warranty business.

## NOTES TO FINANCIAL STATEMENTS

### F. All Other Contingencies

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

### **Note 15 - Leases**

#### A. Lessee Leasing Arrangements

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

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

<u>Year(s)</u>	<u>Sale Lease- back</u>	<u>All Other Operating Lease Arrangements</u>
2012	\$ 160,858	\$ 494,353
2013	161,459	470,687
2014	112,760	318,230
2015	111,309	198,094
2016	105,913	220,262
2017 & thereafter	353,979	1,339,385
<b>Total</b>	<b>\$ 1,006,278</b>	<b>\$ 3,041,011</b>

The Company has not terminated any existing lease agreements early, nor is under lease agreement but no longer using leased property benefits.

#### 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.

#### B. Transfers and Servicing of Financial Assets

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

At December 31, 2011 the total fair value of securities on loan was \$5,508,740, with corresponding collateral value of \$5,620,760 of which \$2,974,710 represents cash collateral.

#### C. Wash Sales

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

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses in excess of actual expenses on ASO plans and the net gain was \$641. Claim payment volume was \$18,500.

#### B. Administrative Services Contract (ASC) Plans

Not applicable

#### 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, 2011:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	\$ 929,740	-	\$ 929,740
Residential Mortgage-Backed Securities	-	3,456,631	-	3,456,631
Total Bonds	-	\$ 4,386,371	-	\$ 4,386,371
Preferred Stocks	-	-	-	-
Common Stocks	-	-	-	-
Total assets at fair value	-	\$ 4,386,371	-	\$ 4,386,371
Liabilities at fair value	-	-	-	-
Total liabilities at fair value	\$ 0	\$ 0	\$ 0	\$ 0

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

##### 2. Rollforward of Level 3 Items

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

##### 3. Policy on Transfers Into and Out of Level 3

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



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## NOTES TO FINANCIAL STATEMENTS

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### 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.

## NOTES TO FINANCIAL STATEMENTS

### Other Investments

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

### 5. Derivative Fair Values

Not applicable

### B. Other Fair Value Disclosures

Not applicable

### C. Reasons Not Practical to Estimate Fair Value

Not applicable

### **Note 21 - Other Items**

#### A. Extraordinary Items

The Company has no extraordinary items to report.

#### B. Troubled Debt Restructuring: Debtors

Not applicable

#### C. Other Disclosures

##### 1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2011 and 2010.
- b) The Company's reported loss recoveries from the Special Disability Trust Fund were \$0 in 2011 and 2010.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$55,986 in 2011 and \$155,094 in 2010.

##### 2) Assets in the amount of \$12,463,598 and \$23,610,406 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.

##### 3) Interrogatory 6.1

In 2011, as a member of the inter-company reinsurance pooling arrangement in which Liberty Mutual Insurance Company is the pool leader, the Company had the benefit, together with its affiliates that cede business to Liberty Mutual Insurance Company or that are members of the reinsurance pooling arrangement, of Workers Compensation Catastrophe excess of loss reinsurance with the following limits: (1) \$400,000,000 part of \$500,000,000 xs \$700,000,000 per occurrence; or (2) \$261,000,000 part of \$500,000,000 xs \$200,000,000 (excluding CA EQ) per occurrence, each insured, each location. This Worker's Compensation Catastrophe Excess of Loss reinsurance purchased by Liberty Mutual Insurance Company covers Liberty Mutual's direct and assumed from affiliates workers compensation business.

##### Interrogatory 6.2

The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, the Company employs RiskLink v10.0 and v11.0 from RMS and AIR Clasic/2 v12. For workers' compensation, Liberty Mutual utilizes RiskLink v11.0 from RMS.

##### Interrogatory 6.3

In 2011, as a member of the intercompany pooling arrangement in which Liberty Mutual Insurance Company is the pool leader, the Company had the benefit, together with its affiliates that cede business to Liberty Mutual Insurance Company or that are members of the reinsurance pooling arrangement, traditional Prop Cat excess of loss reinsurance, with limits of \$750,000,000 part of \$1,000,000,000 xs \$1,300,000,000, and \$525,000,000 part of \$700,000,000 xs \$2,300,000,000 (excluding CA) covering Liberty's direct and assumed from affiliates property business. Additionally, Liberty has purchased \$585,000,000 part of \$650,000,000 xs \$650,000,000 in second event coverage should there be multiple large events in a single year. Liberty also has a 30% QS treaty in place for its US HO portfolio that covers catastrophe losses up to \$1,750,000,000 for Wind and \$400,000,000 for EQ.

#### 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 Credits

The Company does not hold state transferable and/or non-transferable tax credits

### G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.
2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.
3. The Company does not have any direct exposure through other investments.
4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

### Note 22 - Events Subsequent

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

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

### Note 23 - Reinsurance

#### A. Unsecured Reinsurance Recoverable

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

#### B. Reinsurance Recoverable in Dispute

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

#### C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$20,392,878	\$5,471	\$72,092,552	\$5,896,692	\$(51,699,674)	\$(5,891,221)
All Other	-	-	-	-	-	-
Total	\$20,392,878	\$5,471	\$72,092,552	\$5,896,692	\$(51,699,674)	\$(5,891,221)

Direct Unearned Premium Reserve: \$72,092,552

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$2,307,507	\$127,256	\$2,307,507	\$127,256
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	(450,000)	-	(450,000)
Totals	\$2,307,507	\$(322,744)	\$2,307,507	\$(322,744)

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

#### D. Uncollectible Reinsurance

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

#### E. Commutation of Ceded Reinsurance

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

#### F. Retroactive Reinsurance

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

## NOTES TO FINANCIAL STATEMENTS

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	\$(9,171,422)	-
	2. Adjustments – Prior Year(s)	1,626,842	-
	3. Adjustments – Current Year	2,723,229	-
	4. Total	\$(4,821,351)	-
b.	Consideration Paid or Received:		
	1. Initial	\$(4,283,386)	-
	2. Adjustments – Prior Year(s)	(223,293)	-
	3. Adjustments – Current Year	(376,228)	-
	4. Total	\$(4,882,907)	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial	\$(144,902)	-
	2. Adjustments – Prior Year(s)	(2,097,195)	-
	3. Adjustments – Current Year	(2,547,641)	-
	4. Total	\$(4,789,738)	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	\$5,032,938	-
	2. Adjustments – Prior Year(s)	247,060	-
	3. Adjustments – Current Year	(551,816)	-
	4. Current Year Special Surplus	3,263,002	-
	5. Cumulative Total Transferred to Unassigned Funds	\$1,465,180	-
e.	All cedents and reinsurers included in the above transactions:		
	Liberty Mutual Insurance Company, 23043	\$(4,821,351)	-
	Total	\$(4,821,351)	-

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

G. Reinsurance Accounted for as a Deposit

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

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

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

**Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

- A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- 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	\$1,821,792
b.	Unsecured amount	
c.	Less: Nonadmitted amount (10%)	183,090
d.	Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are nonadmitted	
e.	Admitted amount (a) - (c) - (d)	\$1,638,702

## NOTES TO FINANCIAL STATEMENTS

### Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has increased through the fourth quarter of 2011. This increase was primarily the result of updated reserve analysis in the Homeowners/Farmowners, Commercial Auto Liability, Auto Physical Damage, Special Liability, Other Liability Occurrence, Assumed Liability and Workers' Compensation lines. The increases were partially offset by decreases in reserve estimates for the Property lines – Commercial Multiple Peril, Special Property and Assumed Property – and for the Products Liability Occurrence line. Prior estimates are revised as additional information becomes known regarding individual claims.

### Note 26 - Intercompany Pooling Arrangements

The Company is a member of the Liberty Mutual Intercompany Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	73.80%	All Lines
Affiliated Pool Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	12.90%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	4.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.40%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.20%	All Lines
	The First Liberty Insurance Corporation ("FST")	33588	0.10%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.10%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.10%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	Personal Lines Only
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (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 and 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.

## NOTES TO FINANCIAL STATEMENTS

- (g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual intercompany pool as of December 31, 2011:

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$ (257,175)

Effective January 3, 2011, the entity formerly named LM Personal Insurance Company (LMPIC), merged with an affiliate, Liberty Insurance Underwriters, Inc. LMPIC, the surviving entity, was renamed Liberty Insurance Underwriters, Inc.

### **Note 27 - Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$2,109,461 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$2,109,461 as of December 31, 2011.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 1,221,962

### **Note 28 - Health Care Receivables**

Not applicable

### **Note 29 - Participating Policies**

Not applicable

### **Note 30 - Premium Deficiency Reserves**

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

### **Note 31 - High Dollar Deductible Policies**

As of December 31, 2011, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$19,732,196 and the amount billed and recoverable on paid claims was \$813,800.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2011 liabilities subject to discount were carried at a value representing a discount of \$4,854,868 net of all reinsurance.

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

### **Note 33 - Asbestos/Environmental Reserves**

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

### Uncertainty Regarding Reserving Methodologies

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

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

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

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

#### Asbestos:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Direct Basis</b>					
Beginning Reserves	7,399,042	6,729,228	6,252,688	7,405,784	5,448,764
Incurred losses and LAE	924,810	570,577	2,197,151	307,462	1,728,135
Calendar year payments	1,594,624	1,047,117	1,044,054	2,264,482	1,247,572
Ending Reserves	<u>6,729,228</u>	<u>6,252,688</u>	<u>7,405,784</u>	<u>5,448,764</u>	<u>5,929,328</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	2,173,851	2,833,006	2,682,152	1,919,743	1,910,511
Incurred losses and LAE	766,586	(30,287)	(611,028)	194,986	79,387
Calendar year payments	107,430	120,568	151,381	204,219	111,281
Ending Reserves	<u>2,833,006</u>	<u>2,682,152</u>	<u>1,919,743</u>	<u>1,910,511</u>	<u>1,878,617</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	3,588,089	3,189,340	2,637,427	3,547,480	2,307,775
Incurred losses and LAE	340,505	56,976	1,582,207	(428,689)	1,273,274
Calendar year payments	739,254	608,889	672,153	811,017	539,773
Ending Reserves	<u>3,189,340</u>	<u>2,637,427</u>	<u>3,547,480</u>	<u>2,307,775</u>	<u>3,041,276</u>

## NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	3,504,342
Assumed Reinsurance Basis	1,447,016
Net of Ceded Reinsurance Basis	2,091,417

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

Direct Basis	2,581,804
Assumed Reinsurance Basis	106,825
Net of Ceded Reinsurance Basis	1,392,384

<b><u>Environmental:</u></b>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Direct Basis</b>					
Beginning Reserves	2,022,055	1,803,494	1,492,968	1,226,155	1,174,209
Incurring losses and LAE	23,525	27,349	112,614	157,765	247,950
Calendar year payments	242,086	337,875	379,427	209,711	235,415
Ending Reserves	1,803,494	1,492,968	1,226,155	1,174,209	1,186,744

**Assumed Reinsurance Basis**

Beginning Reserves	191,789	163,421	162,964	211,006	162,905
Incurring losses and LAE	5,902	14,361	68,746	(2,210)	37,704
Calendar year payments	34,269	14,818	20,704	45,891	32,858
Ending Reserves	163,421	162,964	211,006	162,905	167,752

**Net of Ceded Reinsurance Basis**

Beginning Reserves	1,581,464	1,454,544	1,246,348	1,054,784	924,549
Incurring losses and LAE	39,276	(53)	(11)	(11,337)	175,597
Calendar year payments	166,196	208,142	191,554	118,897	247,843
Ending Reserves	1,454,544	1,246,348	1,054,784	924,549	852,303

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

Direct Basis	761,471
Assumed Reinsurance Basis	109,586
Net of Ceded Reinsurance Basis	521,274

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

Direct Basis	548,203
Assumed Reinsurance Basis	36,593
Net of Ceded Reinsurance Basis	314,306

**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  No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? \_\_\_\_\_ Wisconsin \_\_\_\_\_
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. \_\_\_\_\_ 12/31/2009 \_\_\_\_\_
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. \_\_\_\_\_ 12/31/2009 \_\_\_\_\_
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). \_\_\_\_\_ 05/25/2011 \_\_\_\_\_
- 3.4 By what department or departments?  
 State of Wisconsin Office of the Commissioner of Insurance  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

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

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_ 0.00 %  
 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  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?

William Finn  
 175 Berkeley Street, Boston, MA 02116  
 Officer of Liberty Mutual Group Inc.

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

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

	0
\$	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

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

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

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  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  No

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

In 2011, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. Several non-material Code changes were also made to clarify existing provisions.

.....  
 .....

## GENERAL INTERROGATORIES

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

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

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

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

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

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

## BOARD OF DIRECTORS

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

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

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

22.2 If answer is yes:

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

## GENERAL INTERROGATORIES

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

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

### INVESTMENT

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

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

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

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

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$ 5,620,760

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

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

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

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

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

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

	25.21	Subject to repurchase agreements	\$ <u>0</u>
	25.22	Subject to reverse repurchase agreements	\$ <u>0</u>
	25.23	Subject to dollar repurchase agreements	\$ <u>0</u>
	25.24	Subject to reverse dollar repurchase agreements	\$ <u>0</u>
	25.25	Pledged as collateral	\$ <u>0</u>
	25.26	Placed under option agreements	\$ <u>0</u>
	25.27	Letter stock or securities restricted as to sale	\$ <u>0</u>
	25.28	On deposit with state or other regulatory body	\$ <u>12,463,598</u>
	25.29	Other	\$ <u>0</u>

25.3 For category (25.27) provide the following:

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

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

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

## GENERAL INTERROGATORIES

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005

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

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

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

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

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

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

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

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

29.2 If yes, complete the following schedule:

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

## GENERAL INTERROGATORIES

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	142,863,977	151,214,048	8,350,071
30.2 Preferred stocks	0	0	0
30.3 Totals	142,863,977	151,214,048	8,350,071

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

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

.....

.....

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

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

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

.....

.....

.....

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

32.2 If no, list exceptions:

.....

.....

.....

### OTHER

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

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

1 Name	2 Amount Paid
.....	\$ ..... 0
.....	\$ ..... 0
.....	\$ ..... 0

34.1 Amount of payments for legal expenses, if any? \$ \_\_\_\_\_ 295,239

## GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	\$ ..... 0
	\$ ..... 0
	\$ ..... 0

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

\$ 7,704

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

1 Name	2 Amount Paid
	\$ ..... 0
	\$ ..... 0
	\$ ..... 0



## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 4,769		\$ 8,613	
2.2 Premium Denominator	\$ 43,647,314		\$ 41,422,967	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 18,875		\$ 20,602	
2.5 Reserve Denominator	\$ 109,456,616		\$ 106,057,200	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>		<u>0.00</u>	

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

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

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:  
See Note 21C

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
See Note 21C  
.....  
.....
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
See Note 21C  
.....  
.....
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes  No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss  
.....  
.....
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes  No
- 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
- 8.2 If yes, give full information  
.....  
.....
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes  No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes  No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 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
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or, Yes  No   
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes  No   
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes  No

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

11.2 If yes, give full information

.....

.....

.....

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses	\$ <u>1,340,058</u>
12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$ <u>433,848</u>

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? \$ 375,473

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

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

12.41 From	<u>4.00</u> %
12.42 To	<u>7.00</u> %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting 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  No

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

12.61 Letters of Credit	\$ <u>28,388,819</u>
12.62 Collateral and other funds	\$ <u>5,454,219</u>

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 284,903

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

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 3

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

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

Premiums and recoverables were allocated pursuant to the intercompany pooling agreement.

.....

.....

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

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

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

.....

.....

.....

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

15.2 If yes, give full information

.....

.....

.....

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

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

		1	2	3	4	5
		Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	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	\$ <u>          0</u>
17.12 Unfunded portion of Interrogatory 17.11	\$ <u>          0</u>
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ <u>          0</u>
17.14 Case reserves portion of Interrogatory 17.11	\$ <u>          0</u>
17.15 Incurred but not reported portion of Interrogatory 17.11	\$ <u>          0</u>
17.16 Unearned premium portion of Interrogatory 17.11	\$ <u>          0</u>
17.17 Contingent commission portion of Interrogatory 17.11	\$ <u>          0</u>

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

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

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

Yes [ ] No [X]

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

\$           0

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

Yes [ ] No [X]

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

\$           0

**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2011	2010	2009	2008	2007
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	251,752,200	304,066,811	309,479,512	389,331,220	367,437,247
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	13,760,598	13,279,454	14,308,883	15,308,939	15,980,064
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	28,595,632	29,107,880	32,215,871	51,202,771	52,574,317
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	76,360	85,016	67,163	(624,017)	1,204,490
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,057,076	1,059,725	1,007,932	925,238	750,465
6. Total (Line 35)	295,241,866	347,598,886	357,079,361	456,144,151	437,946,583
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	28,607,912	27,432,681	25,560,331	28,306,795	31,414,169
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	8,037,650	6,583,536	7,593,247	7,333,519	7,354,206
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	8,039,499	7,083,828	5,773,770	6,893,741	7,886,562
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	53,289	49,659	55,067	(633,132)	1,192,913
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,057,076	1,059,725	1,007,932	925,238	750,465
12. Total (Line 35)	45,795,426	42,209,429	39,990,347	42,826,161	48,598,315
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(7,486,703)	(3,347,992)	(4,407,228)	(2,524,984)	(2,615,608)
14. Net investment gain (loss) (Line 11)	5,026,087	5,639,372	6,043,026	6,548,442	6,569,765
15. Total other income (Line 15)	(1,065,693)	(423,478)	(636,319)	(494,611)	(428,144)
16. Dividends to policyholders (Line 17)	162,718	251,791	92,553	107,163	279,090
17. Federal and foreign income taxes incurred (Line 19)	(272,170)	(574,517)	(839,376)	(110,950)	301,641
18. Net income (Line 20)	(3,416,857)	2,190,628	1,746,302	3,532,634	2,945,282
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	207,179,616	199,828,528	190,333,409	188,466,372	176,625,394
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	4,783,868	4,186,674	4,750,864	4,983,519	4,246,781
20.2 Deferred and not yet due (Line 15.2)	13,290,391	10,949,078	11,261,261	9,706,858	11,001,927
20.3 Accrued retrospective premiums (Line 15.3)	1,638,702	2,291,097	1,758,937	1,916,701	2,043,160
21. Total liabilities excluding protected cell business (Page 3, Line 26)	151,181,809	142,730,559	134,395,572	134,818,233	126,415,536
22. Losses (Page 3, Line 1)	71,014,801	69,763,188	67,097,056	66,427,802	66,375,561
23. Loss adjustment expenses (Page 3, Line 3)	14,719,099	13,981,019	13,574,501	12,998,554	13,558,122
24. Unearned premiums (Page 3, Line 9)	20,392,878	18,983,908	17,562,895	17,497,338	19,387,033
25. Capital paid up (Page 3, Lines 30 & 31)	10,900,000	10,900,000	10,900,000	10,900,000	10,900,000
26. Surplus as regards policyholders (Page 3, Line 37)	55,997,807	57,097,969	55,937,837	53,648,139	50,209,858
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	(9,420,445)	17,034,423	(8,977,161)	3,707,737	15,231,538
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	55,997,807	57,097,969	55,937,837	53,648,139	50,209,858
29. Authorized control level risk-based capital	6,380,764	6,003,880	5,935,652	5,691,430	6,661,585
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	96.0	92.5	91.3	84.2	87.3
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	2.0	4.7	8.7	15.8	12.7
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			X X X	X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)					0.0
39. Securities lending reinvested collateral assets (Line 10)	2.0	2.7	X X X	X X X	X X X
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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
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)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

## FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2011	2010	2009	2008	2007
<b>Capital and Surplus Accounts (Page 4)</b>					
50. Net unrealized capital gains (losses) (Line 24)	318,351	(207,883)	(296,361)		
51. Dividends to stockholders (Line 35)					
52. Change in surplus as regards policyholders for the year (Line 38)	(1,100,162)	1,160,132	2,289,698	3,438,281	2,929,797
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	248,373,767	240,863,864	213,060,321	185,986,851	131,971,636
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	11,049,813	10,062,831	9,546,979	11,439,784	9,238,004
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	25,759,802	13,709,563	21,186,050	24,193,801	21,934,855
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	24,121	70,868	13,902	437,109	127,562
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	439,185	763,259	301,689	353,099	428,981
58. Total (Line 35)	285,646,688	265,470,385	244,108,941	222,410,644	163,701,038
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	19,352,533	15,644,470	16,349,314	19,392,257	16,059,420
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,695,058	3,956,678	4,930,884	4,340,873	4,000,030
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,900,606	4,062,639	4,212,676	5,285,420	3,564,966
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	24,121	53,326	13,902	437,109	127,562
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	439,185	763,259	301,689	353,099	428,981
64. Total (Line 35)	29,411,503	24,480,372	25,808,465	29,808,758	24,180,959
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	70.3	65.1	65.8	67.8	61.9
67. Loss expenses incurred (Line 3)	19.8	17.9	19.5	15.8	15.9
68. Other underwriting expenses incurred (Line 4)	27.1	25.1	25.8	22.1	27.8
69. Net underwriting gain (loss) (Line 8)	(17.2)	(8.1)	(11.1)	(5.7)	(5.5)
<b>Other Percentages</b>					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	28.1	25.6	27.3	24.1	27.8
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	90.1	83.0	85.3	83.5	77.8
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	81.8	73.9	71.5	79.8	96.8
<b>One Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	2,093	(460)	982	(1,333)	1,250
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	3.7	(0.8)	1.8	(2.7)	2.6
<b>Two Year Loss Development (000 omitted)</b>					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	1,041	(434)	(183)	951	4,515
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	1.9	(0.8)	(0.4)	2.0	10.1

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

Yes [ ] No [ X ]

If no, please explain:

Not applicable

## SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	3,105	1,059	929	465	284	30	57	2,764	X X X
2. 2002	44,502	9,001	35,501	28,897	6,501	2,391	421	3,388	39	1,463	27,715	X X X
3. 2003	49,749	12,072	37,677	26,426	5,893	2,267	309	3,589	53	1,532	26,027	X X X
4. 2004	51,938	13,639	38,299	25,832	6,687	2,069	403	3,663	187	1,509	24,287	X X X
5. 2005	53,477	12,623	40,854	30,728	9,338	2,109	433	3,669	258	1,477	26,477	X X X
6. 2006	58,044	13,239	44,805	26,076	4,998	2,126	304	3,920	273	1,499	26,547	X X X
7. 2007	60,905	14,405	46,500	28,653	6,462	2,194	330	3,987	335	1,795	27,707	X X X
8. 2008	64,043	17,276	46,767	33,036	7,887	2,158	262	4,416	282	1,589	31,179	X X X
9. 2009	60,774	18,968	41,806	27,261	7,609	1,511	215	4,155	54	1,454	25,049	X X X
10. 2010	61,423	20,000	41,423	25,622	8,501	1,072	159	4,112	19	1,459	22,127	X X X
11. 2011	66,350	22,703	43,647	20,229	7,887	461	102	3,375	24	1,019	16,052	X X X
12. Totals	X X X	X X X	X X X	275,865	72,822	19,287	3,403	38,558	1,554	14,853	255,931	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	18,992	6,196	8,054	5,640	1,264	1,040	3,839	1,297	490	1	206	18,465	X X X
2. 2002	1,211	790	894	772	25	10	154	43	12	2	21	679	X X X
3. 2003	1,052	479	1,784	728	25	7	180	44	14	14	31	1,797	X X X
4. 2004	1,155	423	2,063	579	42	10	375	42	13	2	40	2,592	X X X
5. 2005	1,378	521	2,135	848	48	16	320	61	29	14	49	2,450	X X X
6. 2006	1,779	541	2,717	812	74	27	422	100	24	24	82	3,536	X X X
7. 2007	2,466	533	3,128	839	134	43	729	126	81	81	116	4,997	X X X
8. 2008	3,705	753	4,322	1,233	195	55	1,305	251	277	40	147	7,472	X X X
9. 2009	4,211	559	6,005	1,611	211	42	1,773	330	374	14	200	10,018	X X X
10. 2010	5,592	987	7,774	1,591	251	44	1,713	259	603	23	272	13,029	X X X
11. 2011	7,469	1,207	14,823	4,050	239	40	2,270	356	1,576	20	863	20,704	X X X
12. Totals	49,010	12,989	53,699	18,703	2,508	1,334	13,080	2,909	3,493	116	2,027	85,739	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	15,210	3,255
2. 2002	36,972	8,578	28,394	83.079	95.301	79.981			0.400	543	136
3. 2003	35,337	7,513	27,824	71.031	62.235	73.849			0.400	1,629	168
4. 2004	35,212	8,333	26,879	67.796	61.097	70.182			0.400	2,216	376
5. 2005	40,416	11,489	28,927	75.576	91.016	70.806			0.400	2,144	306
6. 2006	37,138	7,055	30,083	63.982	53.290	67.142			0.400	3,143	393
7. 2007	41,372	8,668	32,704	67.929	60.174	70.331			0.400	4,222	775
8. 2008	49,414	10,763	38,651	77.158	62.300	82.646			0.400	6,041	1,431
9. 2009	45,501	10,434	35,067	74.869	55.008	83.880			0.400	8,046	1,972
10. 2010	46,739	11,583	35,156	76.094	57.915	84.871			0.400	10,788	2,241
11. 2011	50,442	13,686	36,756	76.024	60.283	84.212			0.400	17,035	3,669
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	71,017	14,722

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

**SCHEDULE P – PART 2 – SUMMARY**

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT		
	1	2	3	4	5	6	7	8	9	10	11	12	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	One Year	Two Year	
1. Prior	49,830	53,780	57,780	61,680	63,972	66,747	66,614	68,315	68,143	69,786	1,643	1,471	
2. 2002	24,796	23,452	23,467	24,271	24,739	24,917	25,047	25,030	25,097	25,164	67	134	
3. 2003	X X X	25,952	23,321	22,659	23,973	24,333	24,319	24,464	24,473	24,443	(30)	(21)	
4. 2004	X X X	X X X	26,053	24,182	23,520	23,651	23,599	23,558	23,690	23,626	(64)	68	
5. 2005	X X X	X X X	X X X	28,355	26,981	26,274	25,885	25,882	25,799	25,770	(29)	(112)	
6. 2006	X X X	X X X	X X X	X X X	28,979	27,684	27,141	27,028	26,795	26,710	(85)	(318)	
7. 2007	X X X	X X X	X X X	X X X	X X X	30,969	30,233	29,463	29,390	29,234	(156)	(229)	
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	35,366	35,071	34,376	34,679	303	(392)	
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	30,469	31,042	30,909	(133)	440	
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	30,283	30,860	577	X X X	
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	32,200	X X X	X X X	
											12. Totals		
												2,093	1,041

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
1. Prior	000	11,500	20,950	27,335	32,142	36,443	40,216	43,320	46,589	49,098	X X X	X X X
2. 2002	10,538	16,271	19,609	21,278	22,655	23,290	23,722	23,992	24,189	24,367	X X X	X X X
3. 2003	X X X	9,799	14,957	17,522	19,363	20,620	21,389	21,930	22,258	22,492	X X X	X X X
4. 2004	X X X	X X X	8,949	13,822	16,157	18,027	19,266	20,040	20,514	20,810	X X X	X X X
5. 2005	X X X	X X X	X X X	10,321	15,871	18,669	20,536	21,803	22,606	23,067	X X X	X X X
6. 2006	X X X	X X X	X X X	X X X	10,076	15,526	18,600	20,685	22,046	22,900	X X X	X X X
7. 2007	X X X	X X X	X X X	X X X	X X X	10,358	16,664	20,072	22,427	24,056	X X X	X X X
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	12,664	20,258	24,219	27,045	X X X	X X X
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	10,826	17,317	20,949	X X X	X X X
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	11,097	18,035	X X X	X X X
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	12,701	X X X	X X X

**SCHEDULE P – PART 4 – SUMMARY**

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Prior	12,044	8,902	7,051	7,830	7,858	8,325	6,733	7,523	4,890	5,598
2. 2002	7,549	2,981	1,345	1,015	783	678	514	413	332	278
3. 2003	X X X	10,829	4,452	2,036	2,344	2,171	1,795	1,617	1,411	1,282
4. 2004	X X X	X X X	11,952	6,669	4,446	3,442	2,792	2,333	2,141	1,963
5. 2005	X X X	X X X	X X X	12,800	6,950	4,614	3,237	2,527	1,971	1,740
6. 2006	X X X	X X X	X X X	X X X	13,341	7,834	5,260	3,881	2,940	2,421
7. 2007	X X X	X X X	X X X	X X X	X X X	14,245	8,688	5,679	4,120	3,072
8. 2008	X X X	X X X	X X X	X X X	X X X	X X X	14,902	9,066	6,022	4,469
9. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,528	8,788	6,068
10. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,154	7,965
11. 2011	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,022



## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN Allocated By States and Territories

States, Etc.	Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		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)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	L	2,354,205	3,176,917	535	3,833,248	2,016,670	9,485,639	
2. Alaska	AK	L	2,916,499	2,702,306		1,508,375	1,508,107	5,138,703	
3. Arizona	AZ	L	8,070,346	8,702,073	1,084	6,548,702	8,895,043	12,528,879	
4. Arkansas	AR	L	1,699,982	1,748,357	31,964	936,431	1,334,085	3,236,245	
5. California	CA	L	21,057,593	22,789,229	24,530	31,395,513	28,019,780	76,954,045	
6. Colorado	CO	L	2,258,734	2,572,643	(67)	2,412,618	1,728,233	3,552,367	
7. Connecticut	CT	L	4,659,587	5,085,434	105	4,720,864	3,730,439	10,307,154	
8. Delaware	DE	L	323,784	451,619		1,377,860	190,359	2,634,051	
9. District of Columbia	DC	L	535,137	510,618		455,721	862,340	1,079,483	
10. Florida	FL	L	13,385,215	14,247,403	191,271	11,858,889	10,304,911	26,898,627	
11. Georgia	GA	L	7,147,846	7,467,829	8,584	9,377,260	7,121,613	12,854,164	
12. Hawaii	HI	L	809,639	909,282		681,812	683,600	2,010,725	
13. Idaho	ID	L	530,816	571,309	(26)	355,978	111,611	867,252	
14. Illinois	IL	L	10,455,520	10,644,909	1,588	17,927,988	10,281,634	31,522,038	
15. Indiana	IN	L	2,421,655	2,453,383	(1)	2,090,193	2,355,421	4,770,707	
16. Iowa	IA	L	3,905,723	4,167,728	119	3,737,022	3,178,651	6,298,009	
17. Kansas	KS	L	2,930,146	2,817,750		2,968,667	1,473,835	5,449,725	
18. Kentucky	KY	L	2,208,927	2,698,301	(4)	3,394,802	3,593,499	8,310,008	
19. Louisiana	LA	L	2,863,900	2,725,026	2,238	2,019,897	3,512,675	5,897,953	
20. Maine	ME	L	476,556	475,710		392,974	419,831	1,770,995	
21. Maryland	MD	L	4,287,442	4,722,765	245	4,190,556	5,517,450	11,020,707	
22. Massachusetts	MA	L	3,434,922	4,181,985	181	6,506,644	6,063,155	14,344,303	
23. Michigan	MI	L	3,856,169	3,983,539	6,971	4,393,516	3,875,881	11,377,240	
24. Minnesota	MN	L	3,982,157	3,820,668	19,691	5,088,513	5,571,184	13,974,452	
25. Mississippi	MS	L	1,907,761	2,036,382	5,427	2,231,169	1,173,423	4,860,019	
26. Missouri	MO	L	3,845,604	4,809,532	13,623	4,207,721	3,925,212	9,970,386	
27. Montana	MT	L	369,986	347,608	(11)	1,085,336	608,179	2,231,976	
28. Nebraska	NE	L	1,470,207	1,410,650	130	1,585,788	1,043,123	2,491,819	
29. Nevada	NV	L	1,357,647	1,508,399	3,712	1,459,262	592,481	2,384,873	
30. New Hampshire	NH	L	949,727	1,329,494	(22,171)	1,464,697	779,955	4,097,891	
31. New Jersey	NJ	L	11,255,458	10,889,635	4,519	6,357,687	6,967,617	15,255,714	
32. New Mexico	NM	L	1,760,739	1,761,029	57	1,677,584	1,912,188	3,014,335	
33. New York	NY	L	34,455,753	33,727,998	28,225	25,382,495	28,725,868	72,023,451	
34. North Carolina	NC	L	5,705,983	5,233,247	19,157	4,740,004	4,814,055	11,665,492	
35. North Dakota	ND	L	1,028,843	844,263		315,047	314,253	565,747	
36. Ohio	OH	L	2,109,662	1,880,478	(10)	1,195,745	1,641,513	2,801,795	
37. Oklahoma	OK	L	6,313,519	5,886,711	(86)	6,413,313	6,922,856	14,825,460	
38. Oregon	OR	L	1,161,347	1,408,507	122	1,547,425	1,527,443	3,361,270	
39. Pennsylvania	PA	L	10,159,679	11,515,693	1,369	14,496,968	9,932,187	26,317,335	
40. Rhode Island	RI	L	552,310	663,005		712,531	547,635	1,290,815	
41. South Carolina	SC	L	2,064,546	2,273,921	1,433	2,647,848	1,140,705	5,465,550	
42. South Dakota	SD	L	797,271	803,803		816,334	550,137	875,129	
43. Tennessee	TN	L	4,039,070	4,398,630	1,948	6,522,928	5,581,310	13,883,598	
44. Texas	TX	L	11,910,045	11,906,470	14,110	10,382,157	9,362,910	25,628,479	
45. Utah	UT	L	1,168,926	1,106,062	34	794,516	685,313	2,571,771	
46. Vermont	VT	L	267,811	393,034		729,177	795,424	1,744,979	
47. Virginia	VA	L	4,767,725	5,400,019	288	6,404,541	3,953,442	8,551,378	
48. Washington	WA	L	1,452,911	1,406,301	155	1,171,892	1,590,859	2,862,525	
49. West Virginia	WV	L	358,909	490,669	33,500	1,275,612	2,262,947	1,720,501	
50. Wisconsin	WI	L	31,511,715	35,497,266	9,509,936	22,366,887	24,482,357	54,283,197	
51. Wyoming	WY	L	130,831	124,702		76,478	623,830	1,026,292	
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	N	(46)						
55. U.S. Virgin Islands	VI	N							
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X	1	(190)	1	(1,271)	2,601		
59. Totals	(a) 51		249,446,440	262,680,101	9,904,476	256,235,185	234,805,958	578,057,849	

DETAILS OF WRITE-INS									
5801. Other Alien	X X X		1	(190)	1	(1,271)	2,601		
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X		1	(190)	1	(1,271)	2,601		

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

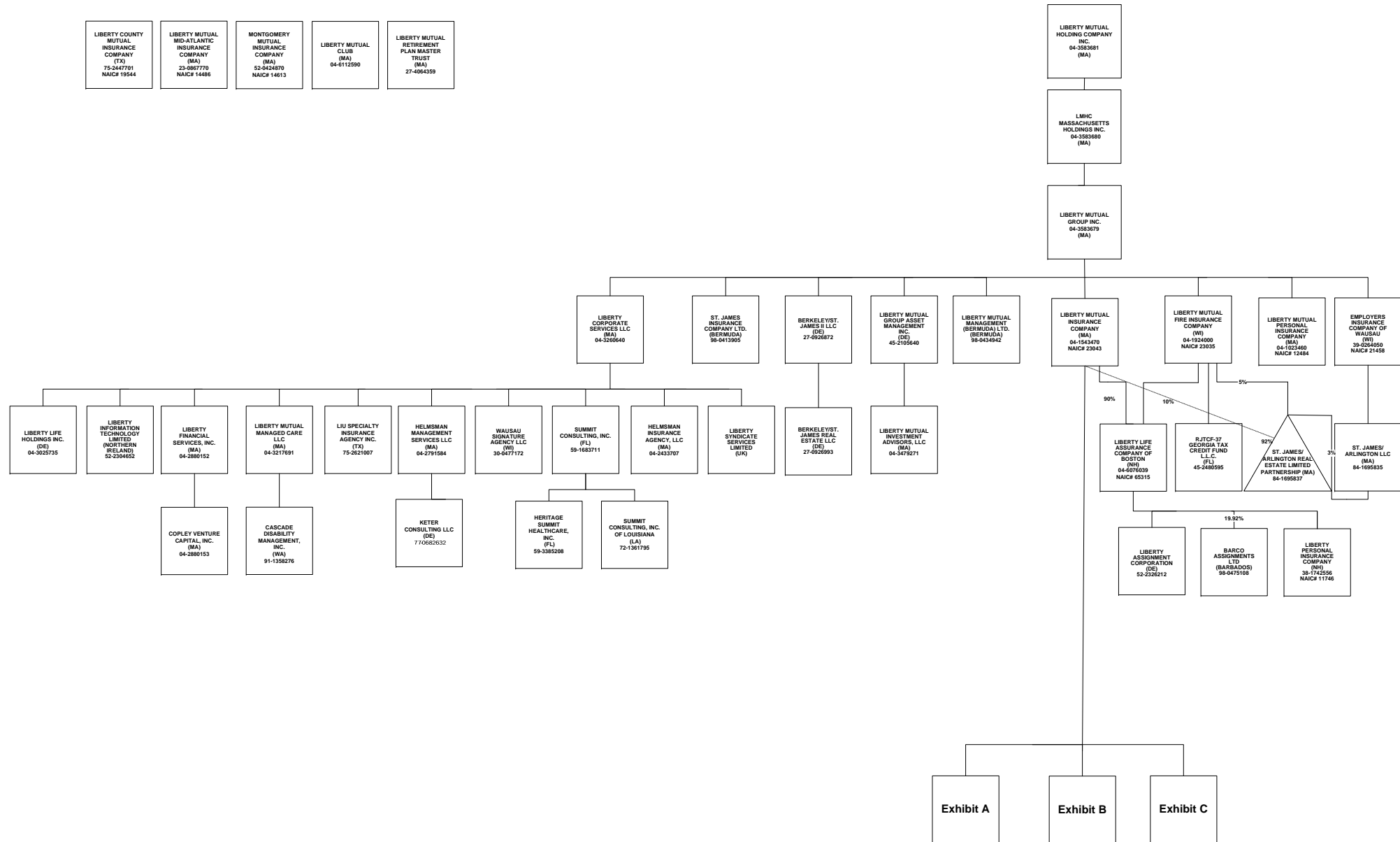
### Explanation of basis of allocation of premiums by states, etc.

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

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

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

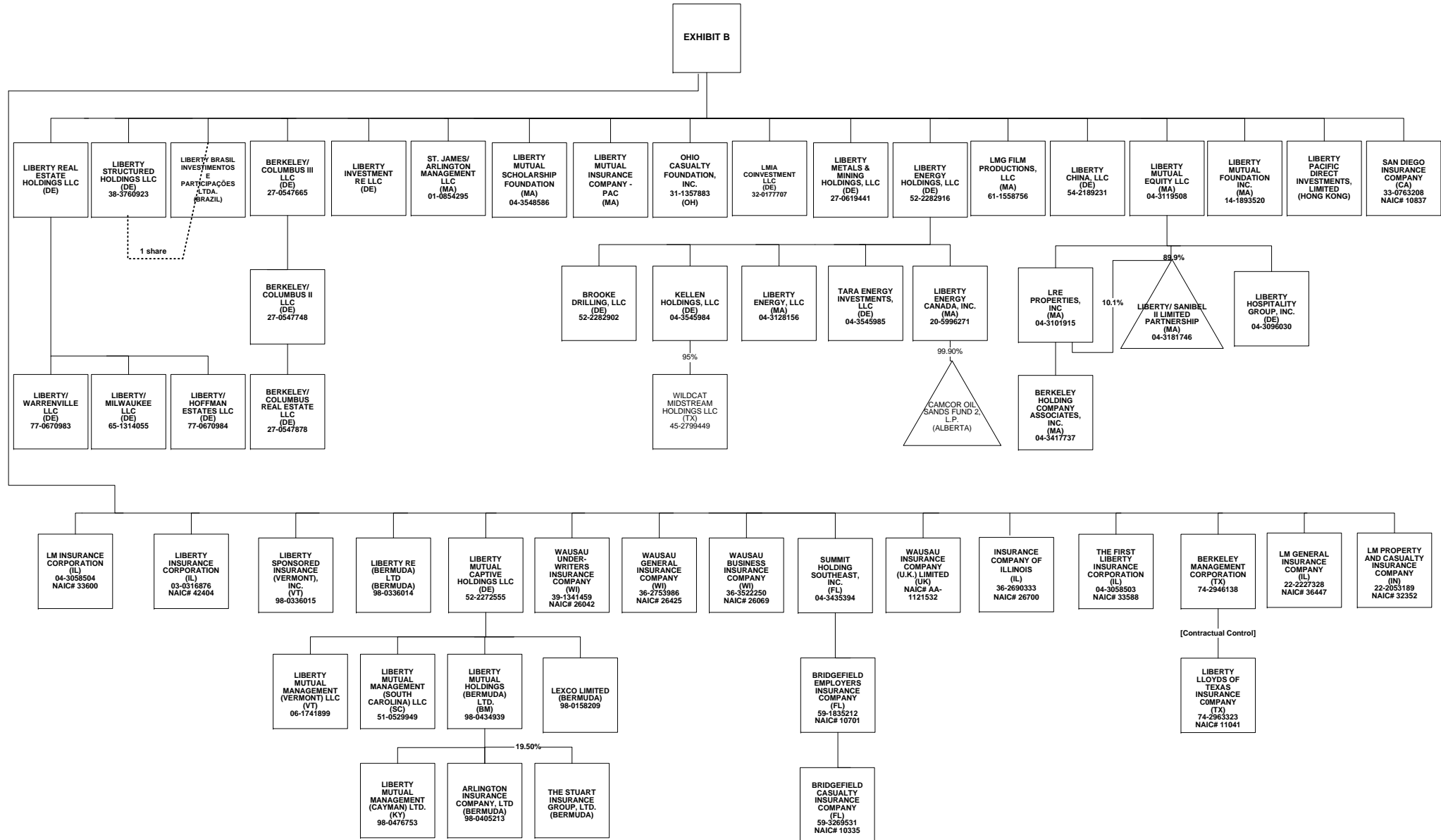
## PART 1 - ORGANIZATIONAL CHART





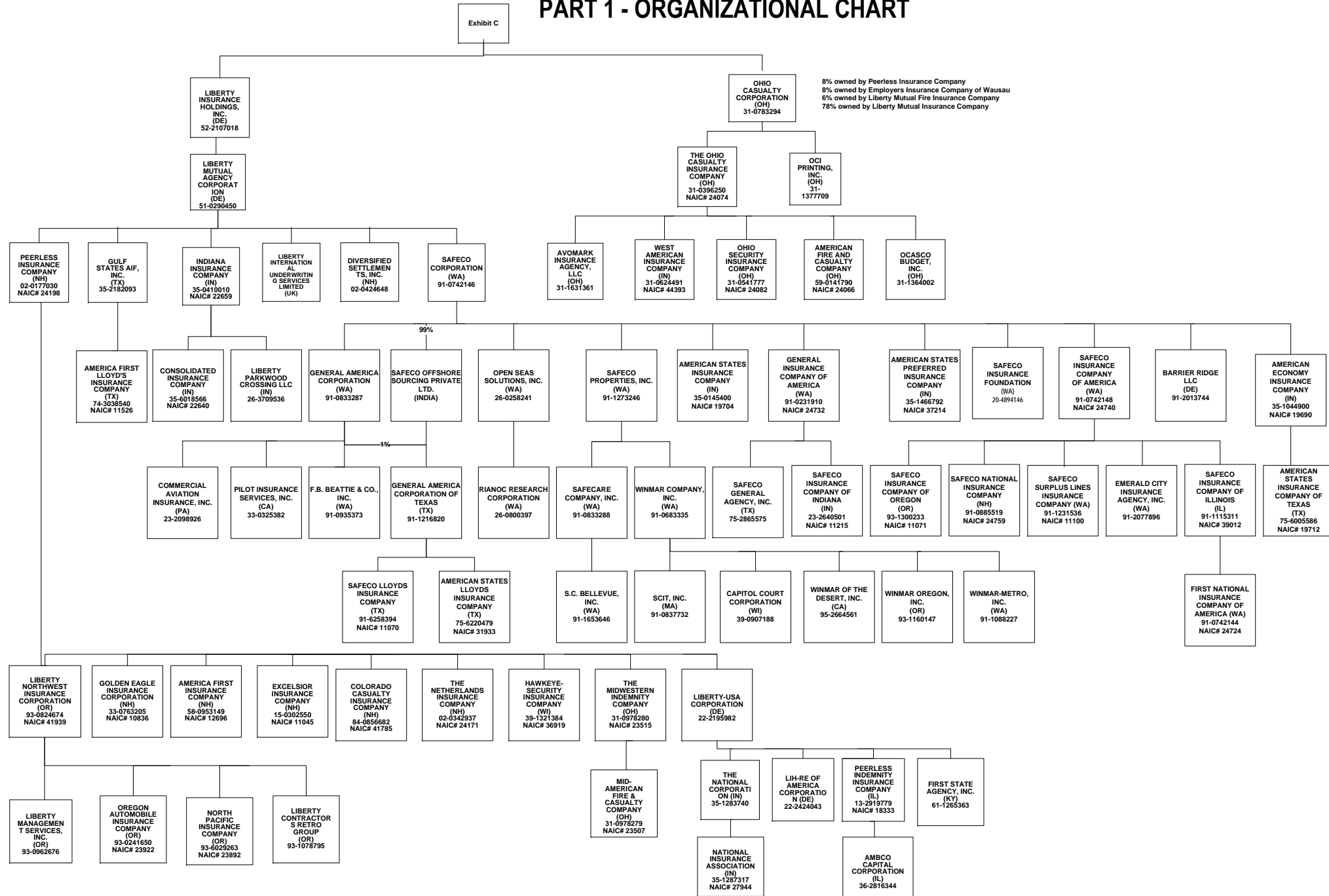
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS</b>				
2504. Other assets	170,636	142,668	27,968	19,726
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	170,636	142,668	27,968	19,726

**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

	1	2
<b>REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES</b>	Current Year	Prior Year
2504. Retroactive reinsurance reserves .....	(5,271,351)	(8,324,580)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(5,271,351)	(8,324,580)

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