ANNUAL STATEMENT

OF THE

GOLDEN EAGLE INSURANCE CORPORATION

of SAN DIEGO

in the state of CALIFORNIA

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2009

PROPERTY AND CASUALTY

2009

10836200920100100

ANNUAL STATEMENT

For the Year Ended December 31, 2009

OF THE CONDITION AND AFFAIRS OF THE

Golden Eagle Insurance Corporation

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 10836 **Employer's ID Number** 33-0763205

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

Country of Domicile United States of America

Incorporated/Organized: July 9, 1997 **Commenced Business:** August 22, 1997

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

Main Administrative Office: 175 Berkeley Street (Street and Number)

Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

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

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

Internet Web Site Address: www.LibertyMutualAgencyMarkets.com

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

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

OFFICERS

Chairman of the Board

Gary Richard Gregg

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

Michael Joseph Fallon	John Derek Doyle	Joseph Anthony Gilles	Scott Rhodes Goodby
Gary Richard Gregg	Christopher Charles Mansfield		

State of Massachusetts

County of Suffolk ss

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

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

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

1st day of February , 2010, by

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

b. If no: 1. State the amendment number

2. Date filed

3. Number of pages attached

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	615,878,865		615,878,865	700,709,044
2. Stocks (Schedule D):				
2.1 Preferred stocks	50,160		50,160	23,100
2.2 Common stocks				35,228,178
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 ($ 10,213,765, Schedule E - Part 1), cash equivalents ($ 5,970,825, Schedule E - Part 2), and short-term investments ($ 42,889,655, Schedule DA)	59,074,245		59,074,245	55,150,762
6. Contract loans (including $ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	675,003,270		675,003,270	791,111,084
11. Title plants less $ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	6,174,776		6,174,776	8,261,265
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	13,772,146	1,886,350	11,885,796	14,444,337
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (2,127,913) earned but unbilled premiums)	84,342,590	(52,370)	84,394,960	111,482,530
13.3 Accrued retrospective premiums	556,864	66,973	489,891	2,145,674
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	7,701,847		7,701,847	259,649
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	26,739,630	5,928,980	20,810,650	22,097,027
17. Guaranty funds receivable or on deposit	555,412		555,412	554,195
18. Electronic data processing equipment and software	334	334		1,299
19. Furniture and equipment, including health care delivery assets ($ 0)	1,898	1,898		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	6,892,436		6,892,436	
22. Health care ($ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	3,267,630	743,061	2,524,569	6,853,748
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	825,008,833	8,575,226	816,433,607	957,210,808
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	825,008,833	8,575,226	816,433,607	957,210,808

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Cash Surrender Value Life Insurance	1,700,056		1,700,056	3,869,568
2302. Other assets	855,402	743,061	112,341	27,003
2303. Equities and deposits in pools and associations	712,172		712,172	2,957,177
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,267,630	743,061	2,524,569	6,853,748

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	282,008,945	413,714,835
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	18,180,924	21,635,179
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	67,141,367	94,736,410
4.	Commissions payable, contingent commissions and other similar charges	7,991,264	11,259,985
5.	Other expenses (excluding taxes, licenses and fees)	9,486,750	13,815,801
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	2,875,815	8,557,672
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	11,993,247	2,859,445
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 $ 86,757,037 and including warranty reserves of $ 0)	138,034,024	177,063,114
10.	Advance premium	982,537	1,155,502
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	254,699	251,331
12.	Ceded reinsurance premiums payable (net of ceding commissions)		
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	(90,970)	780,512
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	9,857,779	2,538,606
19.	Payable to parent, subsidiaries and affiliates	4,785,430	2,638,151
20.	Payable for securities	14,462,361	
21.	Liability for amounts held under uninsured plans		
22.	Capital notes $ 0 and interest thereon $ 0		
23.	Aggregate write-ins for liabilities	21,978,267	25,348,233
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)	589,942,439	776,354,776
25.	Protected cell liabilities		
26.	Total liabilities (Lines 24 and 25)	589,942,439	776,354,776
27.	Aggregate write-ins for special surplus funds	3,410,349	
28.	Common capital stock	2,600,000	2,600,000
29.	Preferred capital stock		
30.	Aggregate write-ins for other than special surplus funds		
31.	Surplus notes		
32.	Gross paid in and contributed surplus	162,189,768	162,189,768
33.	Unassigned funds (surplus)	58,291,051	16,066,264
34.	Less treasury stock, at cost:		
	34.1 0 shares common (value included in Line 28 $ 0)		
	34.2 0 shares preferred (value included in Line 29 $ 0)		
35.	Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	226,491,168	180,856,032
36.	Totals (Page 2, Line 26, Col. 3)	816,433,607	957,210,808

	DETAILS OF WRITE-IN LINES		
2301.	Collateral held for securities loaned	14,397,734	13,678,386
2302.	Retroactive reinsurance reserves	2,702,054	8,780,360
2303.	Other liabilities	2,282,181	2,889,487
2398.	Summary of remaining write-ins for Line 23 from overflow page	2,596,298	
2399.	Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	21,978,267	25,348,233
2701.	SSAP 10R incremental change	2,812,268	
2702.	Special surplus from retroactive reinsurance	598,081	
2703.			
2798.	Summary of remaining write-ins for Line 27 from overflow page		
2799.	Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	3,410,349	
3001.			
3002.			
3003.			
3098.	Summary of remaining write-ins for Line 30 from overflow page		
3099.	Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	314,295,895	418,689,237
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	159,395,594	219,261,300
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	37,316,365	45,383,332
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	104,334,907	141,543,495
5.	Aggregate write-ins for underwriting deductions	49,033	
6.	Total underwriting deductions (Lines 2 through 5)	301,095,899	406,188,127
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	13,199,996	12,501,110
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	31,233,623	48,775,368
10.	Net realized capital gains (losses) less capital gains tax of $ (1,817,531) (Exhibit of Capital Gains (Losses))	(3,375,416)	2,187,595
11.	Net investment gain (loss) (Lines 9 + 10)	27,858,207	50,962,963
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 14,077 amount charged off $ 1,405,298)	(1,391,221)	(1,649,582)
13.	Finance and service charges not included in premiums	2,679,602	345,221
14.	Aggregate write-ins for miscellaneous income	(1,812,567)	(4,592,578)
15.	Total other income (Lines 12 through 14)	(524,186)	(5,896,939)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	40,534,017	57,567,134
17.	Dividends to policyholders	1,344,750	2,733,319
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)	39,189,267	54,833,815
19.	Federal and foreign income taxes incurred	3,938,831	9,829,945
20.	Net income (Line 18 minus Line 19) (to Line 22)	35,250,436	45,003,870
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	180,856,032	312,420,403
22.	Net income (from Line 20)	35,250,436	45,003,870
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 4,114,647	7,641,486	(15,180,388)
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	(25,156,723)	8,852,383
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	24,983,559	(14,698,654)
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		
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		(59,443,565)
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		(97,244,156)
36.	Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	2,916,378	1,146,139
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	45,635,136	(131,564,371)
39.	Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	226,491,168	180,856,032

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	49,033	
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)	49,033	
1401.	Retroactive reinsurance gain/(loss)	(40,521)	77,084
1402.	Other income/(expense)	(1,772,046)	(4,669,662)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,812,567)	(4,592,578)
3701.	SSAP 10R incremental change	2,812,268	
3702.	Other changes in surplus	104,110	1,146,139
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	2,916,378	1,146,139

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	307,344,728	419,268,978
2.	Net investment income	33,347,102	48,982,386
3.	Miscellaneous income	2,975,393	(5,192,079)
4.	Total (Lines 1 through 3)	343,667,223	463,059,285
5.	Benefit and loss related payments	294,678,763	223,318,275
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	182,568,162	193,795,602
8.	Dividends paid to policyholders	1,341,382	2,576,789
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(7,012,502)	17,849,668
10.	Total (Lines 5 through 9)	471,575,805	437,540,334
11.	Net cash from operations (Line 4 minus Line 10)	(127,908,582)	25,518,951
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	236,874,916	139,737,700
12.2	Stocks	44,431,810	60,146,815
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains (or losses) on cash, cash equivalents and short-term investments		3,140
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	281,306,726	199,887,655
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	152,609,138	52,894,087
13.2	Stocks	2,130,509	3,318,251
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications	(14,462,361)	280,569
13.7	Total investments acquired (Lines 13.1 to 13.6)	140,277,286	56,492,907
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)	141,029,440	143,394,748
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		(59,443,565)
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		97,244,156
16.6	Other cash provided (applied)	(9,197,375)	(15,575,273)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(9,197,375)	(172,262,994)
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	3,923,483	(3,349,295)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	55,150,762	58,500,057
19.2	End of year (Line 18 plus Line 19.1)	59,074,245	55,150,762

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

20.0001			
20.0002			
20.0003			

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	6,136,635	1,880,578	2,850,632	5,166,581
2. Allied lines	4,797,324	1,763,513	2,293,246	4,267,591
3. Farmowners multiple peril	1,807,448	1,466,537	1,112,426	2,161,559
4. Homeowners multiple peril	37,336,647	12,961,669	22,516,665	27,781,651
5. Commercial multiple peril	37,897,198	48,319,767	29,288,751	56,928,214
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	3,941,199	3,991,947	2,497,054	5,436,092
10. Financial guaranty				
11.1 Medical professional liability—occurrence	47,066		12,130	34,936
11.2 Medical professional liability—claims-made	4,170		1,178	2,992
12. Earthquake	1,263,297	382,008	539,130	1,106,175
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	215,383		2,389	212,994
16. Workers' compensation	31,975,579	20,163,712	11,327,303	40,811,988
17.1 Other liability—occurrence	12,711,340	12,318,279	8,385,097	16,644,522
17.2 Other liability—claims-made	999,317	2,720	297,664	704,373
17.3 Excess Workers' Compensation	10,092	33,214	14,737	28,569
18.1 Products liability—occurrence	281,688	495,531	289,817	487,402
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	58,125,309	15,922,631	17,052,636	56,995,304
19.3,19.4 Commercial auto liability	19,103,193	21,235,905	12,900,398	27,438,700
21. Auto physical damage	43,037,147	17,596,305	15,038,380	45,595,072
22. Aircraft (all perils)				
23. Fidelity	10,159	354,099	164,448	199,810
24. Surety	19,694,167	15,529,177	12,957,577	22,265,767
26. Burglary and theft	14,874	8,322	5,738	17,458
27. Boiler and machinery	2,294	6,862	1,017	8,139
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability	3			3
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	279,411,529	174,432,776	139,548,413	314,295,892

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	2,850,632				2,850,632
2. Allied lines	2,293,234	12			2,293,246
3. Farmowners multiple peril	1,112,426				1,112,426
4. Homeowners multiple peril	22,516,665				22,516,665
5. Commercial multiple peril	28,561,593		725,468	1,690	29,288,751
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	2,481,419	15,628	7		2,497,054
10. Financial guaranty					
11.1 Medical professional liability—occurrence	12,130				12,130
11.2 Medical professional liablity—claims-made	1,178				1,178
12. Earthquake	539,130				539,130
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	2,389				2,389
16. Workers' compensation	10,724,467	3,312	577,553	21,971	11,327,303
17.1 Other liability—occurrence	8,201,704	41,716	138,400	3,277	8,385,097
17.2 Other liability—claims-made	296,740	573	352		297,665
17.3 Excess Workers' Compensation	14,737				14,737
18.1 Products liability—occurrence	243,116		46,701		289,817
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	17,052,636				17,052,636
19.3,19.4 Commercial auto liability	12,752,527	148,904	7	(1,040)	12,900,398
21. Auto physical damage	15,004,452	33,928			15,038,380
22. Aircraft (all perils)					
23. Fidelity	60,310	104,138			164,448
24. Surety	5,656,536	7,301,041			12,957,577
26. Burglary and theft	5,738				5,738
27. Boiler and machinery	1,017				1,017
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property					
32. Reinsurance-Nonproportional Assumed Liability					
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	130,384,776	7,649,252	1,488,488	25,898	139,548,414
36. Accrued retrospective premiums based on experience					(25,898)
37. Earned but unbilled premiums					(1,488,491)
38. Balance (Sum of Lines 35 through 37)					138,034,025

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	250,417	6,136,635		250,417		6,136,635
2. Allied lines	225,873	4,797,324		225,873		4,797,324
3. Farmowners multiple peril	5,295	1,807,448		5,295		1,807,448
4. Homeowners multiple peril		37,336,647				37,336,647
5. Commercial multiple peril	95,529,664	37,897,198		95,529,664		37,897,198
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	279,670	3,941,199		279,670		3,941,199
10. Financial guaranty						
11.1 Medical professional liability--occurrence		47,066				47,066
11.2 Medical professional liability--claims-made		4,170				4,170
12. Earthquake	1,320,357	1,263,297		1,320,357		1,263,297
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		215,383				215,383
16. Workers' compensation	73	31,975,579		73		31,975,579
17.1 Other liability—occurrence	23,185,281	12,711,340		23,185,281		12,711,340
17.2 Other liability—claims-made		999,317				999,317
17.3 Excess Workers' Compensation		10,092				10,092
18.1 Products liability—occurrence	19,032	281,688		19,032		281,688
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability		58,125,309				58,125,309
19.3,19.4 Commercial auto liability	31,799,428	19,103,193		31,799,428		19,103,193
21. Auto physical damage	10,135,749	43,037,147		10,135,749		43,037,147
22. Aircraft (all perils)						
23. Fidelity		10,159				10,159
24. Surety		19,694,167				19,694,167
26. Burglary and theft	2,085	14,874		2,085		14,874
27. Boiler and machinery	20,618	2,294		20,618		2,294
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X	3				3
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	162,773,542	279,411,529		162,773,542		279,411,529

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	 2 Reinsurance Assumed	 3 Reinsurance Recovered	 4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire		2,075,086		2,075,086	928,247	756,414	2,246,919	43.489
2. Allied lines	52,204	2,619,894	52,204	2,619,894	775,844	467,904	2,927,834	68.606
3. Farmowners multiple peril		1,828,688		1,828,688	732,094	1,044,153	1,516,629	70.164
4. Homeowners multiple peril	4,995	18,095,839	4,995	18,095,839	8,733,519	9,526,368	17,302,990	62.282
5. Commercial multiple peril	26,073,981	63,908,826	26,073,981	63,908,826	48,422,853	83,409,483	28,922,196	50.805
6. Mortgage guaranty								
8. Ocean marine		(3,868)		(3,868)	439		(3,429)	
9. Inland marine	39,703	2,584,980	39,703	2,584,980	794,457	1,322,914	2,056,523	37.831
10. Financial guaranty								
11.1 Medical professional liability—occurrence		(48,387)		(48,387)	65,263		16,876	48.305
11.2 Medical professional liability—claims-made		(18,373)		(18,373)	14,533		(3,840)	(128.342)
12. Earthquake		11,540		11,540	1,805	21,230	(7,885)	(0.713)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		(181,649)		(181,649)	230,855		49,206	23.102
16. Workers' compensation	23,071,662	117,683,766	24,654,154	116,101,274	102,854,067	191,218,418	27,736,923	67.963
17.1 Other liability—occurrence	12,932,689	18,244,749	12,932,689	18,244,749	26,675,078	42,743,581	2,176,246	13.075
17.2 Other liability—claims-made		(912,370)		(912,370)	847,638	3,357	(68,089)	(9.667)
17.3 Excess Workers' Compensation		64,783		64,783	13,104	57,200	20,687	72.411
18.1 Products liability—occurrence		553,016		553,016	871,106	1,457,009	(32,887)	(6.747)
18.2 Products liability—claims-made		(47)		(47)	23		(24)	
19.1,19.2 Private passenger auto liability		11,669,782		11,669,782	44,093,077	25,550,188	30,212,671	53.009
19.3,19.4 Commercial auto liability	7,162,926	27,955,955	7,162,926	27,955,955	29,110,627	42,962,389	14,104,193	51.403
21. Auto physical damage	3,229,123	25,327,575	3,229,123	25,327,575	2,154,626	2,031,848	25,450,353	55.818
22. Aircraft (all perils)		(24,190)		(24,190)	(20,348)		(44,538)	
23. Fidelity		118,110		118,110	67,565	141,575	44,100	22.071
24. Surety		6,684,542		6,684,542	9,007,559	10,931,636	4,760,465	21.380
26. Burglary and theft		4,590		4,590	4,855	5,052	4,393	25.163
27. Boiler and machinery		6,636		6,636	1,558	14,180	(5,986)	(73.547)
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X	(5,565,497)		(5,565,497)	5,628,500	49,936	13,067	435566.667
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	72,567,283	292,683,976	74,149,775	291,101,484	282,008,944	413,714,835	159,395,593	50.715

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

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

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire		663,671		663,671	8,729	264,576	8,729	928,247	114,893
2. Allied lines	7,398	685,117	7,398	685,117	7,627	90,727	7,627	775,844	77,645
3. Farmowners multiple peril		619,833		619,833		112,262		732,095	167,457
4. Homeowners multiple peril		6,605,361		6,605,361		2,128,158		8,733,519	1,843,350
5. Commercial multiple peril	23,406,092	29,449,498	23,406,092	29,449,498	14,584,711	18,973,355	14,584,711	48,422,853	24,149,877
6. Mortgage guaranty									
8. Ocean marine		439		439				439	
9. Inland marine	6,499	335,086	6,499	335,086	9,162	459,372	9,162	794,458	105,487
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		26,748		26,748		38,515		65,263	29,030
11.2 Medical professional liablity—claims-made		12,450		12,450		2,083		14,533	3,523
12. Earthquake		1,805		1,805				1,805	(219)
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health		230,855		230,855				(a) 230,855	(2)
16. Workers' compensation	42,498,374	65,205,496	50,956,768	56,747,102	25,421,324	48,713,642	28,028,001	102,854,067	14,151,134
17.1 Other liability—occurrence	7,111,932	9,847,645	7,111,932	9,847,645	16,571,485	16,827,432	16,571,485	26,675,077	9,057,852
17.2 Other liability—claims-made		447,675		447,675		399,963		847,638	541,410
17.3 Excess Workers' Compensation		17,917		17,917		(4,813)		13,104	(3,564)
18.1 Products liability—occurrence		557,746		557,746	8,917	313,359	8,917	871,105	428,727
18.2 Products liability—claims-made						23		23	
19.1,19.2 Private passenger auto liability		36,130,173		36,130,173		7,962,905		44,093,078	8,854,187
19.3,19.4 Commercial auto liability	9,828,420	17,300,956	9,828,420	17,300,956	7,577,080	11,809,671	7,577,080	29,110,627	4,477,144
21. Auto physical damage	509,998	1,227,333	509,998	1,227,333	242	927,293	242	2,154,626	635,607
22. Aircraft (all perils)		3,213		3,213		(23,561)		(20,348)	
23. Fidelity		15,879		15,879	3	51,686	3	67,565	13,824
24. Surety		(1,566,486)		(1,566,486)	42,494	10,574,045	42,494	9,007,559	2,486,108
26. Burglary and theft		4,638		4,638		217		4,855	1,898
27. Boiler and machinery					617	1,558	617	1,558	2,781
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	XXX				XXX				
32. Reinsurance-Nonproportional Assumed Liability	XXX	3,057,908		3,057,908	XXX	2,570,592		5,628,500	3,217
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	83,368,713	170,880,956	91,827,107	162,422,562	64,232,391	122,193,060	66,839,068	282,008,945	67,141,366

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	2,135,168			2,135,168
1.2 Reinsurance assumed	10,652,522			10,652,522
1.3 Reinsurance ceded	2,145,706			2,145,706
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	10,641,984			10,641,984
2. Commission and brokerage:				
2.1 Direct, excluding contingent		25,396,442		25,396,442
2.2 Reinsurance assumed, excluding contingent		45,227,141		45,227,141
2.3 Reinsurance ceded, excluding contingent		25,396,442		25,396,442
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		4,921,690		4,921,690
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		50,148,831		50,148,831
3. Allowances to manager and agents		25,058	1	25,059
4. Advertising	362,359	1,691,646	882	2,054,887
5. Boards, bureaus and associations	31,156	759,968	26	791,150
6. Surveys and underwriting reports	5,699	1,659,972	913	1,666,584
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	12,717,141	20,185,061	164,784	33,066,986
8.2 Payroll taxes	763,204	1,786,511	9,450	2,559,165
9. Employee relations and welfare	2,564,189	6,328,328	9,165	8,901,682
10. Insurance	1,509,923	204,103	1,912	1,715,938
11. Directors' fees		800		800
12. Travel and travel items	677,162	1,301,111	3,014	1,981,287
13. Rent and rent items	1,494,428	2,458,927	2,993	3,956,348
14. Equipment	888,120	1,675,240	2,648	2,566,008
15. Cost or depreciation of EDP equipment and software	522,124	878,164	1,358	1,401,646
16. Printing and stationery	121,252	414,127	435	535,814
17. Postage, telephone and telegraph, exchange and express	521,837	1,680,492	5,437	2,207,766
18. Legal and auditing	97,521	400,405	5,452	503,378
19. Totals (Lines 3 to 18)	22,276,115	41,449,913	208,470	63,934,498
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 110,572		7,580,565		7,580,565
20.2 Insurance department licenses and fees		654,043		654,043
20.3 Gross guaranty association assessments		(42,870)		(42,870)
20.4 All other (excluding federal and foreign income and real estate)		262,767		262,767
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		8,454,505		8,454,505
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	4,398,266	4,281,656	29,629	8,709,551
25. Total expenses incurred	37,316,365	104,334,905	238,099	(a) 141,889,369
26. Less unpaid expenses—current year	67,141,367	20,353,829		87,495,196
27. Add unpaid expenses—prior year	94,736,410	33,633,457		128,369,867
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	64,911,408	117,614,533	238,099	182,764,040

DETAILS OF WRITE-IN LINES				
2401. Other expenses	1,656,090	4,281,656	29,629	5,967,375
2402. Change in unallocated expense reserves	2,742,176			2,742,176
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	4,398,266	4,281,656	29,629	8,709,551

(a) Includes management fees of $ 238,512 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 3,792,157	3,825,551
1.1	Bonds exempt from U.S. tax	(a) 10,645,750	10,033,228
1.2	Other bonds (unaffiliated)	(a) 18,640,008	17,480,512
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	2,130,509	1,837,753
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) 402,951	347,842
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	(2,053,165)	(2,053,165)
10.	Total gross investment income	33,558,210	31,471,721
11.	Investment expenses		(g) 238,099
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)		238,099
17.	Net investment income (Line 10 minus Line 16)		31,233,622

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	75,592	75,592
0902.	Miscellaneous Income/(Expense) - Pooling Restatement	(2,128,757)	(2,128,757)
0903.			
0998.	Summary of remaining write-ins for Line 09 from overflow page		
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)	(2,053,165)	(2,053,165)
1501.			
1502.	NONE		
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

(a) Includes $ 410,414 accrual of discount less $ 437,818 amortization of premium and less $ 321,179 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 $ 112,103 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	11,567		11,567		
1.1	Bonds exempt from U.S. tax	414		414		
1.2	Other bonds (unaffiliated)	375,009	(517,213)	(142,204)	(406,773)	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)		(69,960)	(69,960)	97,020	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	327,663	(5,320,426)	(4,992,763)	12,065,886	
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)	714,653	(5,907,599)	(5,192,946)	11,756,133	

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

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	1,886,350	1,804,378	(81,972)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	(52,370)	393,403	445,773
13.3 Accrued retrospective premiums	66,973	211,979	145,006
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	5,928,980	33,913,973	27,984,993
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	334	698	364
19. Furniture and equipment, including health care delivery assets	1,898	5,094	3,196
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	743,061	41,526	(701,535)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	8,575,226	36,371,051	27,795,825
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	8,575,226	36,371,051	27,795,825

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	743,061	41,526	(701,535)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	743,061	41,526	(701,535)

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 New Hampshire Insurance Commissioner, the accompanying financial statements of Golden Eagle Insurance Corporation (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. The Company does not own common stocks.
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled or affiliated entities.
8. The Company does not own any joint ventures, partnerships, and limited liability companies.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53*, Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2009.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

A. Effective December 31, 2009, the Company elected to admit Deferred Tax Assets (DTA's) pursuant to SSAP No. 10R, Income Taxes-Revised, a temporary replacement of SSAP No. 10. The change in DTA's resulting from adopting SSAP No. 10R, is disclosed as an aggregate write-in for gains and losses in surplus under the caption SSAP 10R incremental change. (Refer to Note 9.A)

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in Mortgage Loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loaned Backed Securities

1. Not used.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. Not used.
4. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009:

	1 Amortized Cost Basis Before Other-than-Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss	3 Fair Value (C1-C2)
Aggregate Intent to Sell			
Aggregate Intent & Ability	7,745	6,971	775

5. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2009:

1 CUSIP	2 Book/Adj Carrying Value Amortized cost before current period OTTI	3 Projected Cash Flows	4 Recognized other-than-temporary impairment	5 Amortized cost after other-than-temporary impairment	6 Fair Value
81375BAM4	7,745	775	6,971	775	775

6. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2009:

	1 Less Than 12 Months	2 Greater Than 12 Months
Gross Unrealized Loss	(310,566)	(2,290,631)

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

NOTES TO FINANCIAL STATEMENTS

8. Not used.

E. Repurchase Agreements

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

2. The Company maintained collateral for loaned securities.

   a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.

   b) The Company has not pledged any of its assets as collateral.

3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	4,312,984	4,560,755	3,744,565	1,779,430	14,397,734

4. Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short-term securities. The Company does not reinvest securities received as collateral.

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

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

Not applicable

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.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2009.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross DTAs	24,564,679	3,648,021	28,212,700	58,366,000	(30,153,300)
Total gross DTLs	(1,473,070)	0	(1,473,070)	(2,355,000)	881,930
Net DTA (DTL)	23,091,609	3,648,021	26,739,630	56,011,000	(29,271,370)
Net DTA non-admitted			(5,928,980)	(33,914,000)	(27,985,020)
Net Admitted DTA (DTL)			20,810,650	22,097,000	(1,286,350)

NOTES TO FINANCIAL STATEMENTS

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election was not available at December 31, 2008. A statutory valuation allowance, as described in SSAP No. 10R, paragraph 6e. is not required. Accordingly total adjusted gross DTAs equal to gross DTAs.

The increased amount, by tax character, of net admitted DTAs resulting from paragraph 10e:

Ordinary	2,812,268
Capital	0
Total increase in net admitted DTAs	2,812,268

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

	December 31, 2009			December 31, 2008
	Ordinary	Capital	Total	Total
Recoverable through loss carrybacks (10a.)	9,606,000	397,000	10,003,000	22,097,000
Lesser of:				
Expected to be recognized within one year (10bi.)	4,744,332	3,251,050	7,995,382	0
10% of adjusted capital and surplus (10bii.)			19,265,695	19,837,000
Adj. gross DTAs offset against existing DTLs (10c.)	1,473,070	0	1,473,070	2,355,000

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

	December 31, 2009		
	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	9,606,000	397,000	10,003,000
Lesser of:			
Expected to be recognized within three years (10eiia.)	7,556,600	3,251,050	10,807,650
15% of adjusted capital and surplus (10eiib.)			28,898,543
Adj. gross DTAs offset against existing DTLs (10eiii.)	1,473,070	0	1,473,070

Risk-based capital level used in paragraph 10d:	December 31, 2009
Total adjusted capital	223,678,900
Authorized control level	28,501,934

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

	December 31, 2009
Admitted DTA	17,998,382
Admitted assets	813,621,339
Statutory surplus	223,678,900
Total adjust capital	223,678,900

Admitted DTAs, admitted assets and statutory surplus increased by $2,812,268 resulting from the use of paragraph 10e.

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

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

	2009	2008
Federal	3,938,831	9,829,945
Foreign	0	0
Realized capital gains	(1,817,531)	(876,045)
Federal and foreign income taxes incurred	2,121,300	8,953,900

The Company's DTAs and DTLs result primarily from discounting of unpaid loss and LAE reserves, accretion of market discount on owned securities, allowance for doubtful accounts, permanent impairments, unearned premiums, unrealized gain/loss and non-admitted assets.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(25,156,723)
Change in tax effect of unrealized (gains) losses	(4,114,647)
Total change in net deferred income tax	(29,271,370)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, capital loss limitation, unearned premiums and permanent impairments.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $4,101,300 from the current year and $6,793,850 from the preceding year.

NOTES TO FINANCIAL STATEMENTS

At December 31, 2009, the Company did not have any unused net operating loss carryforward available to offset against future net income.

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

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

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

NOTES TO FINANCIAL STATEMENTS

* This company joined the consolidated group in 2009 and its activity from the date it joined the group is included in the consolidated return.

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by Peerless Insurance Company (“PIC”), a New Hampshire insurance company. PIC is wholly owned by LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is owned by Liberty Mutual Insurance Company (“LMIC” 93%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company (“LMFIC” 4%), a Wisconsin insurance company; and Employers Insurance Company of Wausau (“EICOW” 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company Inc., a Massachusetts company.

B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.

C. Refer to Notes 10F, 22 and 25.

D. At December 31, 2009, the Company reported $2,107,006 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.

F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

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

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

The Company is a party to a management services agreement with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

The Company is party to a management services agreement with San Diego Insurance Company.

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

The Company is a party to a revolving credit agreement under which the Company may borrow up to $50,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2009, there have been no drawings under this agreement.

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

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

I. The Company has no investments in subsidiary, controlled or affiliated companies.

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

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

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

Note 11- Debt

A. Not applicable

B. The Company has not entered into Federal Home Loan Bank Agreements.

NOTES TO FINANCIAL STATEMENTS

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

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

As a result of, Liberty Mutual's acquisition of Safeco Corporation, the ultimate parent of fifteen property and casualty insurance companies (Safeco Companies), the Safeco Companies eligible U.S. employees became employees of Liberty Mutual and began participating in the Liberty Mutual benefit plans. The Safeco Corporation continues to sponsor a cash balance defined benefit pension plan (CBP) covering a wide range of former Safeco Company employees. Safeco Corporation terminated the CBP effective December 31, 2008 and will distribute plan assets to eligible participants as soon as administratively practicable. The distribution of assets is expected to occur within 2 to 3 years after the November 2008 filing of a request for approval of the plan termination with applicable regulators. The CBP pension costs are subject to the inter-company pooling agreement described in Note 25. These costs amounted to $42,780 and $18,120 in 2009 and 2008, respectively. Also, a CBP additional minimum liability of $148,920 and $293,142, also subject to the inter-company pooling agreement, was recognized in 2009 and 2008 respectively in accordance with SSAP 89 and is reported as a component of unassigned funds (surplus). The Company has no legal obligation for benefits under this plan.

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

1. Common Stock

   The Company has 1,000,000 shares authorized, and 26,000 shares issued and outstanding as of December 31, 2009. All shares have a stated par value of $100.

2. Preferred Stock

   Not applicable.

3. Dividend restrictions

   Not applicable.

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

5. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout that may be made without prior approval in 2010 is $22,649,117.

6. As of December 31, 2009, the Company has restricted surplus of $2,812,268, from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R (refer to Note 2A) and pre-tax restricted surplus of $598,081 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2009 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.

10. The portion of unassigned funds represented by cumulative unrealized capital loss is ($1,254,102) after applicable deferred taxes of $675,286.

11. Surplus Notes

    Not applicable

12. Quasi re-organization (dollar impact)

    Not applicable

13. Quasi re-organization (effective date)

    Not applicable

Note 14- Contingencies

A. Contingent Commitments

   The Company has made no commitments or contingent commitments to affiliates except as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.

NOTES TO FINANCIAL STATEMENTS

B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty fund and other assessments of $2,392,106 that is offset by future premium tax credits of $399,560. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2009.

During 2009 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$7,500

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

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

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

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

E. All other Contingencies

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

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

Note 15- Leases

A. The following is a schedule of the Company's minimum lease obligations under these agreements for the next five years:

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all PP&E at the end of each respective lease. The Company's minimum lease obligations under these agreements are as follows:

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2010	$170,176	$1,486,128
2011	170,176	1,477,397
2012	170,176	1,301,409
2013	170,176	480,001
2014	14,181	407,627
2015 & thereafter	0	964,511
Total	$694,885	$6,117,073

B. Leasing as a significant part of lessor's business activities

Not applicable

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

The Company is not exposed to financial instruments with off-balance sheet risk or with concentrations 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 sell premium receivables.

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 Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2009 the total fair value of securities on loan was $21,513,078 with corresponding collateral value of $22,205,960 of which $14,397,734 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, the Company's affiliate, Safeco Insurance Company of America and other members of the Peerless Amended and Restated Reinsurance Pooling Agreement (refer to note 25) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2009, the Company recorded CEA administrative fees of $31,200.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1. Assets in the amount of $14,509,325 and $2,048,636 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.

2. Effective November 18, 2009 the Company re-domesticated from California to New Hampshire.

NOTES TO FINANCIAL STATEMENTS

3. During the current year, certain members of the Peerless Pool, of which the Company is a member, changed the nature of their cash disbursement accounts, so that disbursement transactions reflect the characteristics of drafts. In prior years, cash disbursement transactions were accounted for as checks. The Company's cash accounts were not changed. The Company's year end drafts outstanding balance increased by $8,932,952, which represents the Company's pool share of the Peerless Pool's increase in drafts outstanding. (Refer to Note 25)

4. Interrogatory 6.1

   In 2009, as a member of an inter-company reinsurance pooling arrangement, the Company had the benefit of Workers' Compensation Catastrophe reinsurance with limits of $1,038,000 part of $1,175,000 xs $25,000,000 purchased by Peerless Insurance Company, the lead company of the inter-company reinsurance pool, individually or with affiliates within the Liberty Mutual Group covering workers' compensation business ceded to the pool.

   Interrogatory 6.3

   As a member of the inter-company pooling arrangement in which Peerless Insurance Company is the lead company, the Company has the benefit of $825,000,000 xs $500,000,000 of traditional XOL reinsurance covering its business ceded to the pool. In December 2008, Peerless Insurance Company purchased a 31.725% QS treaty for its direct and assumed from affiliates US Homeowners portfolio, which includes business assumed from the Company.

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

E. Business Interruption Insurance Recoveries

   The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

   The Company does not hold transferable state tax credits.

G. The Company does not have exposure to sub-prime mortgage related risk.

Note 21- Events Subsequent

A. The Company evaluated subsequent events through February 24, 2010, the date the financial statements were available to be issued.

   There were no events subsequent to December 31, 2009 that would require disclosure.

Note 22- Reinsurance

A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.

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

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2009.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	138,034,024	19,324,763	86,757,037	12,145,979	51,276,987	7,178,784
All Other	-	-	-	-	-	-
Total	138,034,024	19,324,763	86,757,037	12,145,979	51,276,987	7,178,784

Direct Unearned Premium Reserve of 86,757,037

2. There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business. The following are the contingent commissions for direct, assumed and ceded business.

Direct	$0
Assumed	7,709,297
Ceded	0
Net	$7,709,297

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

NOTES TO FINANCIAL STATEMENTS

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

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

F. The Company has one assumed retroactive contract that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	14,244,498	
	2. Adjustment – Prior Year(s)	(11,096,032)	
	3. Adjustment – Current Year	(446,413)	
	4. Total	2,702,054	
b.	Consideration Paid or Received:		
	1. Initial Reserves	15,471,671	
	2. Adjustment – Prior Year(s)	446,788	
	3. Adjustment – Current Year	-	
	4. Total	15,918,459	
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	-	
	2. Adjustment – Prior Year(s)	13,660,484	
	3. Adjustment – Current Year	802,591	
	4. Total	14,463,076	
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	788,014	
	2. Adjustment – Prior Year(s)	(2,450,524)	
	3. Adjustment – Current Year	(62,573)	
	4. Total	598,081	
	5. Cumulative Total Transferred to Unassigned Funds	(1,127,002)	
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company	2,702,054	

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

G. The Company has not entered into any deposit type agreements as of December 31, 2009.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

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

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

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

D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

a. Total accrued retro premium	$556,864
b. Less: Non-admitted amount	66,973
c. Admitted amount	$489,891

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased $23,138,390 during 2009. This decrease was primarily the result of improving loss trends in the Other Liability $8,576,586, Private Passenger Auto Liability $4,678,565, Commercial Multi-Peril $3,564,711, Workers' Compensation $2,687,841, Fidelity/Surety $1,736,452 and Commercial Auto Liability $1,236,119 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 25- Intercompany Pooling Arrangements

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

NOTES TO FINANCIAL STATEMENTS

		NAIC Company Number	2009 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%
	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Insurance Company of Illinois ("ICIL")	26700	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota Share Affiliated Companies	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Affiliate:	Amount:
Peerless Insurance Company	$7,884,225

During 2009, American Ambassador Insurance Company, Globe American Insurance Company and Ohio Casualty of New Jersey merged with Peerless Indemnity Insurance Company, The Midwestern Indemnity Company, and Ohio Casualty Insurance Company, respectively. Peerless Indemnity Insurance Company, The Midwestern Indemnity Company and Ohio Casualty Insurance Company were the surviving entities.

During 2009, ICIL merged with an affiliate, Liberty Insurance Company of America (LICA). ICIL became the surviving entity. Concurrent with the merger, ICIL entered into a Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company (LMIC), covering the business written by LICA. ICIL continued as a participant in the Peerless Amended and Restated Reinsurance Agreement. Effective January 1, 2010, ICIL terminated the Quota Share Reinsurance Agreement with LMIC and became a participant in the Liberty Mutual inter-company Pool, with a 0.00% participation in the Pool. As a participant in the Liberty Mutual inter-company Reinsurance Agreement, ICIL cedes the business of LICA to the Pool. Concurrent with entering into the Liberty Mutual inter-company Reinsurance Agreement, ICIL terminated its participation in the Peerless Amended and Restated Reinsurance Agreement and entered into a Quota Share Reinsurance Agreement with PIC, covering the business written by ICIL.

Effective January 1, 2010, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company canceled their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Reinsurance Agreements with Liberty Mutual Insurance Company.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2010, the Peerless Insurance Company Pool structure was revised as follows:

		NAIC Company Number	2010 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%
	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
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	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota Share Affiliated Companies	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

NOTES TO FINANCIAL STATEMENTS

Note 26- Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $3,511,732 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $3,511,732 as of December 31, 2009.

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

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

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

Note 30- High Dollar Deductible Policies

The Company does not have high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2009 liabilities subject to discount were carried at a value representing a discount of $4,514,302 net of all reinsurance.

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

Note 32 - Asbestos/Environmental Reserves

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

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

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

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

Uncertainty Regarding Reserving Methodologies
As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends.

NOTES TO FINANCIAL STATEMENTS

As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

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

As a direct result of the significant uncertainties associated with estimating its asbestos and environmental exposures and establishing appropriate levels of reserves, the ultimate liability of the Company for asbestos and environmental exposures may vary materially from the reserves currently recorded. The Company and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue to expand the scope of the coverage provided, additional liabilities could emerge for amounts in excess of reserves held. This emergence, as well as the other uncertainties noted above, cannot now be reasonably estimated, but could have a material impact on the Company's future operating results, and financial condition.

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company's Inter-company Reinsurance Agreement, as discussed in Note 25.

Asbestos:

	2005	2006	2007	2008	2009
Direct Basis					
Beginning Reserves	3,583,798	4,449,477	5,144,424	4,853,205	5,021,470
Incurred losses and LAE	1,224,889	1,058,557	280,984	739,960	64,130
Calendar year payments	359,210	363,610	512,202	571,695	387,597
Ending Reserves	4,449,477	5,144,424	4,913,206	5,021,470	4,698,003
Assumed Reinsurance Basis					
Beginning Reserves	3,242,966	3,275,222	3,230,789	3,990,167	3,415,554
Incurred losses and LAE	220,831	141,515	919,361	(135,581)	1,688,382
Calendar year payments	188,575	185,948	309,529	439,032	345,693
Ending Reserves	3,275,222	3,230,789	3,840,621	3,415,554	4,758,243
Net of Ceded Reinsurance Basis					
Beginning Reserves	5,570,335	6,361,134	6,765,694	7,165,705	6,874,118
Incurred losses and LAE	1,312,667	903,716	992,609	361,267	1,906,290
Calendar year payments	521,868	499,156	684,161	652,854	686,215
Ending Reserves	6,361,134	6,765,694	7,074,142	6,874,118	8,094,193

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	2,663,124
Assumed Reinsurance Basis	2,678,091
Net of Ceded Reinsurance Basis	4,926,897
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	1,604,656
Assumed Reinsurance Basis	8,725
Net of Ceded Reinsurance Basis	1,353,129

Environmental:	2005	2006	2007	2008	2009
Direct Basis					
Beginning Reserves	5,392,027	6,021,695	5,866,766	5,578,007	4,765,406
Incurred losses and LAE	1,318,509	553,973	1,543,527	122,816	(206,855)
Calendar year payments	688,841	708,902	1,115,426	935,417	499,216
Ending Reserves	6,021,695	5,866,766	6,294,867	4,765,406	4,059,335

NOTES TO FINANCIAL STATEMENTS

Assumed Reinsurance Basis					
Beginning Reserves	1,671,150	1,220,643	1,101,892	1,070,983	1,029,825
Incurred losses and LAE	(372,822)	24,281	16,096	60	(262,462)
Calendar year payments	77,685	143,032	28,098	41,218	26,071
Ending Reserves	1,220,643	1,101,892	1,089,890	1,029,825	741,292
Net of Ceded Reinsurance Basis					
Beginning Reserves	6,670,889	6,590,770	6,136,856	6,136,545	5,233,627
Incurred losses and LAE	569,831	328,836	1,703,039	(108,054)	(553,055)
Calendar year payments	649,950	782,750	946,488	794,864	493,779
Ending Reserves	6,590,770	6,136,856	6,893,407	5,233,627	4,186,793
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					2,699,700
Assumed Reinsurance Basis					466,900
Net of Ceded Reinsurance Basis					2,762,998
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					1,378,948
Assumed Reinsurance Basis					3,339
Net of Ceded Reinsurance Basis					1,343,609

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 25), the Ohio Casualty Companies' asbestos and environmental claims coding was revised to reflect the definition employed by the Peerless "Pool", which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool's amounts and the Ohio Casualty Companies' Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop Insurance

Not Applicable

Note 35 – Financial Guarantee Insurance Contracts

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

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

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

1.3 State Regulating? New Hampshire

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

2.2 If yes, date of change: 11/18/2009

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008

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. 12/31/2004

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 07/05/2006

3.4 By what department or departments?
California Department of Insurance

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

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

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

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

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

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

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

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

7.2 If yes,

7.21 State the percentage of foreign control.

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

1 Nationality	2 Type of Entity

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

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

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

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

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

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

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

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

11.11 Name of real estate holding company

11.12 Number of parcels involved 0

11.13 Total book/adjusted carrying value $ 0

11.2 If yes, provide explanation:

GENERAL INTERROGATORIES

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

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

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

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

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

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

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

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

13.21 If the response to 13.2 is yes, provide information related to amendment(s).

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

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

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

GENERAL INTERROGATORIES

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

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

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

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

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

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

20.2 If answer is yes:

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

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

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

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes [X] No [ ]

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

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

Please reference note 17B.

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

22.5 If answer to 22.4 is yes, report amount of collateral. $ 22,205,960

22.6 If answer to 22.4 is no, report amount of collateral. $ 0

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.) Yes [X] No [ ]

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

23.21	Subject to repurchase agreements	$ 0
23.22	Subject to reverse repurchase agreements	$ 0
23.23	Subject to dollar repurchase agreements	$ 0
23.24	Subject to reverse dollar repurchase agreements	$ 0
23.25	Pledged as collateral	$ 0
23.26	Placed under option agreements	$ 0
23.27	Letter stock or securities restricted as to sale	$ 0
23.28	On deposit with state or other regulatory body	$ 14,509,324
23.29	Other	$ 0

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

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

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

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

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

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

1 Name of Custodian(s)	2 Custodian's Address

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

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

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley Street Boston, MA 02116
N/A	Liberty Mutual Insurance Company	175 Berkeley Street Boston, MA 02116

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

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
27.2999 TOTAL		0

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	664,739,345	681,187,293	16,447,948
28.2 Preferred stocks	50,160	101,640	51,480
28.3 Totals	664,789,505	681,288,933	16,499,428

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

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

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

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

The Company reviews the pricing methodology of its vendors on an annual basis. The Company has also established acceptable price change and tolerance guidelines. Vendor prices falling outside the guidelines are furthered reviewed by management on a monthly basis. All prices determined internally by the insurer are reviewed and signed off by the Chief Investment Officer.

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

30.2 If no, list exceptions:

OTHER

31.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? $ 246,931

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
Insurance Services Office	238,088
	0
	0

32.1 Amount of payments for legal expenses, if any? $ 0

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

1 Name	2 Amount Paid
	0
	0
	0

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

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

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

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

All years prior to most current three years:

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

1.7 Group policies:

Most current three years:

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

All years prior to most current three years:

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

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 212,994	$ 1,129
2.2	Premium Denominator	$ 314,295,895	$ 418,689,237
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 233,243	$ 0
2.5	Reserve Denominator	$ 505,365,260	$ 707,149,538
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21	Participating policies	$ 0
3.22	Non-participating policies	$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
See Note 20C

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v9.0 from RMS and AIR Clasic/2 v11.0. For WC, Liberty Mutual utilizes RiskLink v9.0 from RMS.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
See Note 20C

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

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

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

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 1

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

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

8.2 If yes, give full information

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

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

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

9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

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

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

11.2 If yes, give full information

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

12.11 Unpaid losses $ 1,510,841

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 167,860

12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $ 466,315

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

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

12.41 From 0.00

12.42 To 9.00

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

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

12.61 Letters of Credit $ 1,135,390

12.62 Collateral and other funds $ 10,796,863

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 12,902,638

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

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

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

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

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

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

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

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

15.2 If yes, give full information

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

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

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

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

FIVE – YEAR HISTORICAL DATA

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

	1 2009	2 2008	3 2007	4 2006	5 2005
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	178,261,568	226,354,091	259,462,010	242,834,000	181,579,716
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	71,404,627	51,557,992	76,777,131	71,425,439	63,872,685
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	172,599,164	178,786,641	265,486,855	242,315,376	206,223,857
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	19,919,709	40,989,762	150,053	1,151,550	183,555
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	3				
6. Total (Line 35)	442,185,071	497,688,486	601,876,049	557,726,365	451,859,813
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	123,257,754	186,387,152	226,191,650	217,215,511	159,650,250
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	59,190,476	44,346,340	71,200,378	68,293,060	61,783,001
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	77,043,587	101,111,811	194,616,489	189,632,760	167,391,515
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	19,919,709	40,989,762	150,053	1,151,550	183,555
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	3				
12. Total (Line 35)	279,411,529	372,835,065	492,158,570	476,292,881	389,008,321
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	13,199,996	12,501,110	8,053,251	1,383,045	6,101,548
14. Net investment gain (loss) (Line 11)	27,858,207	50,962,963	42,195,231	38,442,658	33,425,966
15. Total other income (Line 15)	(524,186)	(5,896,939)	(480,041)	678,869	(555,064)
16. Dividends to policyholders (Line 17)	1,344,750	2,733,319	1,148,151	1,283,655	631,528
17. Federal and foreign income taxes incurred (Line 19)	3,938,831	9,829,945	16,147,105	21,631,757	23,248,363
18. Net income (Line 20)	35,250,436	45,003,870	32,473,185	17,589,160	15,092,559
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	816,433,607	957,210,808	1,168,731,168	1,095,098,457	894,098,559
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	11,885,796	14,444,337	23,176,477	32,010,669	46,267,263
20.2 Deferred and not yet due (Line 13.2)	84,394,960	111,482,530	152,074,798	140,018,495	102,757,225
20.3 Accrued retrospective premiums (Line 13.3)	489,891	2,145,674	1,275,728	1,522,213	
21. Total liabilities excluding protected cell business (Page 3, Line 24)	589,942,439	776,354,776	856,310,765	815,609,053	606,844,476
22. Losses (Page 3, Line 1)	282,008,945	413,714,835	419,941,207	388,852,348	280,203,471
23. Loss adjustment expenses (Page 3, Line 3)	67,141,367	94,736,410	96,103,400	89,221,011	67,096,397
24. Unearned premiums (Page 3, Line 9)	138,034,024	177,063,114	224,190,545	209,492,751	186,991,678
25. Capital paid up (Page 3, Lines 28 & 29)	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	226,491,168	180,856,032	312,420,403	279,489,404	287,254,083
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(127,908,582)	25,518,951	94,623,491	172,148,701	68,839,862
Risk-Based Capital Analysis					
28. Total adjusted capital	226,491,168	180,856,032	312,420,403	279,489,404	287,254,083
29. Authorized control level risk-based capital	28,504,157	39,106,042	46,700,558	41,442,052	36,486,937
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	91.2	88.6	82.4	79.5	80.9
31. Stocks (Lines 2.1 & 2.2)	0.0	4.5	11.4	11.4	13.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	8.8	7.0	6.1	8.5	5.4
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)			0.0	0.6	0.1
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)			63,236,101	59,786,046	57,136,198
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45			63,236,101	59,786,046	57,136,198
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)			20.2	21.4	19.9

FIVE – YEAR HISTORICAL DATA
(Continued)

	1 2009	2 2008	3 2007	4 2006	5 2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	7,641,486	(15,180,388)	1,182,536	2,922,042	347,430
49. Dividends to stockholders (Line 35)		(97,244,156)		(28,725,000)	
50. Change in surplus as regards policyholders for the year (Line 38)	45,635,136	(131,564,371)	32,930,999	(7,764,679)	23,366,835
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	218,360,151	127,245,313	131,185,063	56,348,735	112,302,489
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	35,944,695	32,310,757	32,469,835	28,202,995	26,557,390
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	109,890,907	128,377,957	108,444,760	86,596,200	72,630,600
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,621,003	(2,971,958)	38,023	336,378	95,084
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(5,565,497)	49,477	19,417	(69,421)	
56. Total (Line 35)	365,251,259	285,011,546	272,157,098	171,414,887	211,585,563
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	173,610,382	92,365,014	100,692,137	17,291,274	69,928,453
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	32,623,665	29,999,660	31,177,729	27,381,668	25,185,487
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	83,811,931	106,045,479	81,959,735	73,969,217	60,227,288
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,621,003	(2,971,958)	45,023	265,144	95,084
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	(5,565,497)	49,477	19,417	(69,421)	
62. Total (Line 35)	291,101,484	225,487,672	213,894,041	118,837,882	155,436,312
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	50.7	52.4	51.4	54.3	49.3
65. Loss expenses incurred (Line 3)	11.9	10.8	11.3	11.9	13.2
66. Other underwriting expenses incurred (Line 4)	33.2	33.8	35.6	33.5	35.9
67. Net underwriting gain (loss) (Line 8)	4.2	3.0	1.7	0.3	1.6
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	37.5	39.5	34.6	31.8	35.4
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	62.6	63.2	62.7	66.2	62.5
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	123.4	206.2	157.5	170.4	135.4
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(23,139)	(37,275)	(35,749)	(7,123)	(8,214)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(12.8)	(11.9)	(12.8)	(2.5)	(3.1)
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(33,344)	(64,385)	(29,855)	2,475	(2,308)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(10.7)	(23.0)	(10.4)	0.9	(1.0)

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

If no, please explain:

Not applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	3,486	1,318	1,090	91	319	17	125	3,469	X X X
2. 2000	257,273	15,720	241,553	176,578	11,133	12,032	795	19,328	567	9,349	195,443	X X X
3. 2001	258,635	15,617	243,018	164,737	11,145	11,927	619	19,916	614	8,883	184,202	X X X
4. 2002	283,545	26,888	256,657	154,757	14,819	11,262	1,030	19,591	943	8,840	168,818	X X X
5. 2003	310,792	24,939	285,853	150,832	12,527	10,293	736	22,037	1,001	8,870	168,898	X X X
6. 2004	337,804	17,729	320,075	154,475	5,966	9,360	332	21,985	446	11,164	179,076	X X X
7. 2005	355,965	13,559	342,406	156,223	5,941	9,581	344	22,845	325	10,274	182,039	X X X
8. 2006	358,874	14,931	343,943	151,020	3,212	8,202	407	22,643	478	8,736	177,768	X X X
9. 2007	362,504	16,665	345,839	144,304	2,996	6,410	350	22,070	289	8,390	169,149	X X X
10. 2008	357,991	12,661	345,330	146,361	4,061	4,379	176	23,890	207	7,212	170,186	X X X
11. 2009	334,278	19,983	314,295	86,773	6,030	1,452	274	17,030	98	3,821	98,853	X X X
12. Totals	X X X	X X X	X X X	1,489,546	79,148	85,988	5,154	211,654	4,985	85,664	1,697,901	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	31,573	9,090	18,006	2,155	1,394	132	4,565	455	2,927	85	612	46,548	X X X
2. 2000	4,152	1,200	1,735	420	42	22	617	70	366	28	62	5,172	X X X
3. 2001	4,323	1,179	2,003	413	85	18	717	52	471	24	156	5,913	X X X
4. 2002	4,532	821	2,219	400	93	4	851	54	411	9	114	6,818	X X X
5. 2003	3,662	497	2,919	429	113	1	1,069	52	461	2	261	7,243	X X X
6. 2004	4,996	886	3,659	502	144	1	1,330	64	591	1	635	9,266	X X X
7. 2005	8,018	664	5,223	701	267	1	1,974	103	990	1	413	15,002	X X X
8. 2006	13,925	1,028	7,656	1,020	459	1	3,235	151	1,546	1	1,120	24,620	X X X
9. 2007	23,873	998	12,072	1,426	739	2	5,570	226	2,514	2	1,078	42,114	X X X
10. 2008	33,813	829	25,283	3,283	890	3	8,841	434	4,296	3	2,548	68,571	X X X
11. 2009	48,747	2,000	50,754	1,193	617	7	10,901	133	10,197	1	7,451	117,882	X X X
12. Totals	181,614	19,192	131,529	11,942	4,843	192	39,670	1,794	24,770	157	14,450	349,149	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	38,334	8,214
2. 2000	214,850	14,235	200,615	83.511	90.553	83.052			3.000	4,267	905
3. 2001	204,179	14,064	190,115	78.945	90.056	78.231			3.000	4,734	1,179
4. 2002	193,716	18,080	175,636	68.319	67.242	68.432			3.000	5,530	1,288
5. 2003	191,386	15,245	176,141	61.580	61.129	61.619			3.000	5,655	1,588
6. 2004	196,540	8,198	188,342	58.182	46.241	58.843			3.000	7,267	1,999
7. 2005	205,121	8,080	197,041	57.624	59.591	57.546			3.000	11,876	3,126
8. 2006	208,686	6,298	202,388	58.150	42.181	58.843			3.000	19,533	5,087
9. 2007	217,552	6,289	211,263	60.014	37.738	61.087			3.000	33,521	8,593
10. 2008	247,753	8,996	238,757	69.206	71.053	69.139			3.000	54,984	13,587
11. 2009	226,471	9,736	216,735	67.749	48.721	68.959			3.000	96,308	21,574
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	282,009	67,140

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

	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)										DEVELOPMENT	
Years in Which Losses Were Incurred	1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009	11 One Year	12 Two Year
1. Prior	142,244	148,177	152,909	159,592	161,212	166,175	168,822	170,611	170,723	176,361	5,638	5,750
2. 2000	170,527	176,794	178,646	181,713	181,503	181,920	181,722	181,875	181,025	181,807	782	(68)
3. 2001	XXX	169,356	168,525	169,663	170,366	170,688	169,755	170,570	169,441	170,635	1,194	65
4. 2002	XXX	XXX	164,097	162,977	161,459	158,075	157,811	156,652	155,980	156,826	846	174
5. 2003	XXX	XXX	XXX	163,677	160,312	156,340	155,657	156,512	155,306	154,865	(441)	(1,647)
6. 2004	XXX	XXX	XXX	XXX	186,157	180,384	177,689	170,043	168,413	166,474	(1,939)	(3,569)
7. 2005	XXX	XXX	XXX	XXX	XXX	195,177	187,974	177,947	175,872	173,765	(2,107)	(4,182)
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	194,557	188,853	182,933	178,960	(3,973)	(9,893)
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	207,208	199,934	187,234	(12,700)	(19,974)
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	221,489	211,050	(10,439)	XXX
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	189,775	XXX	XXX
										12. Totals	(23,139)	(33,344)

SCHEDULE P – PART 3 – SUMMARY

	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)										11	12
Years in Which Losses Were Incurred	1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	42,651	71,491	89,417	100,854	109,393	116,543	122,065	127,471	130,638	XXX	XXX
2. 2000	87,614	127,902	146,976	159,599	166,824	171,274	173,461	174,955	175,875	176,683	XXX	XXX
3. 2001	XXX	83,961	121,252	138,558	149,740	156,014	159,752	161,973	163,819	164,900	XXX	XXX
4. 2002	XXX	XXX	73,395	108,450	125,367	137,146	143,186	146,764	148,959	150,169	XXX	XXX
5. 2003	XXX	XXX	XXX	74,702	108,295	124,878	135,528	142,711	145,908	147,862	XXX	XXX
6. 2004	XXX	XXX	XXX	XXX	77,909	117,634	136,531	147,737	154,277	157,537	XXX	XXX
7. 2005	XXX	XXX	XXX	XXX	XXX	80,554	120,130	139,382	151,726	159,520	XXX	XXX
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	82,084	123,177	141,252	155,602	XXX	XXX
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	84,911	127,561	147,368	XXX	XXX
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	97,790	146,502	XXX	XXX
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	81,921	XXX	XXX

SCHEDULE P – PART 4 – SUMMARY

	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)									
Years in Which Losses Were Incurred	1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009
1. Prior	55,801	40,962	33,468	31,659	24,966	22,839	20,736	18,539	20,160	21,978
2. 2000	35,135	17,102	10,397	7,626	5,494	4,326	3,990	3,049	2,055	2,153
3. 2001	XXX	40,129	19,187	10,922	8,057	5,617	4,910	3,239	2,882	2,524
4. 2002	XXX	XXX	51,299	26,159	15,154	8,947	6,431	4,210	3,180	2,856
5. 2003	XXX	XXX	XXX	47,613	23,763	13,762	9,646	7,060	5,342	3,727
6. 2004	XXX	XXX	XXX	XXX	60,666	30,314	20,170	11,446	8,222	4,683
7. 2005	XXX	XXX	XXX	XXX	XXX	67,261	33,880	18,218	11,235	6,625
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	60,686	32,183	19,549	10,003
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	65,138	33,694	16,254
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	68,832	30,678
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	60,497

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken: 2 Direct Premiums Written	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken: 3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	N								
2. Alaska AK	N								
3. Arizona AZ	L	578,077	615,205		564,686	(114,967)	329,544	3,033	
4. Arkansas AR	N								
5. California CA	L	162,195,465	136,201,639		71,990,096	49,679,285	147,271,559	850,966	
6. Colorado CO	N				12,500	12,500			
7. Connecticut CT	N								
8. Delaware DE	N								
9. District of Columbia DC	N								
10. Florida FL	N								
11. Georgia GA	N								
12. Hawaii HI	N								
13. Idaho ID	N								
14. Illinois IL	N								
15. Indiana IN	N								
16. Iowa IA	N								
17. Kansas KS	N								
18. Kentucky KY	N								
19. Louisiana LA	N								
20. Maine ME	N								
21. Maryland MD	N								
22. Massachusetts MA	N								
23. Michigan MI	N								
24. Minnesota MN	N								
25. Mississippi MS	N								
26. Missouri MO	N								
27. Montana MT	N								
28. Nebraska NE	N								
29. Nevada NV	N								
30. New Hampshire NH	L								
31. New Jersey NJ	N								
32. New Mexico NM	N								
33. New York NY	N								
34. North Carolina NC	N								
35. North Dakota ND	N								
36. Ohio OH	N								
37. Oklahoma OK	N								
38. Oregon OR	N								
39. Pennsylvania PA	N								
40. Rhode Island RI	N								
41. South Carolina SC	N								
42. South Dakota SD	N								
43. Tennessee TN	N								
44. Texas TX	N								
45. Utah UT	N								
46. Vermont VT	N								
47. Virginia VA	N								
48. Washington WA	N								
49. West Virginia WV	N								
50. Wisconsin WI	N								
51. Wyoming WY	N								
52. American Samoa AS	N								
53. Guam GU	N								
54. Puerto Rico PR	N								
55. U.S. Virgin Islands VI	N								
56. Northern Mariana Islands MP	N								
57. Canada CN	N								
58. Aggregate Other Alien OT	XXX								
59. Totals	(a) 3	162,773,542	136,816,844		72,567,282	49,576,818	147,601,103	853,999	

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

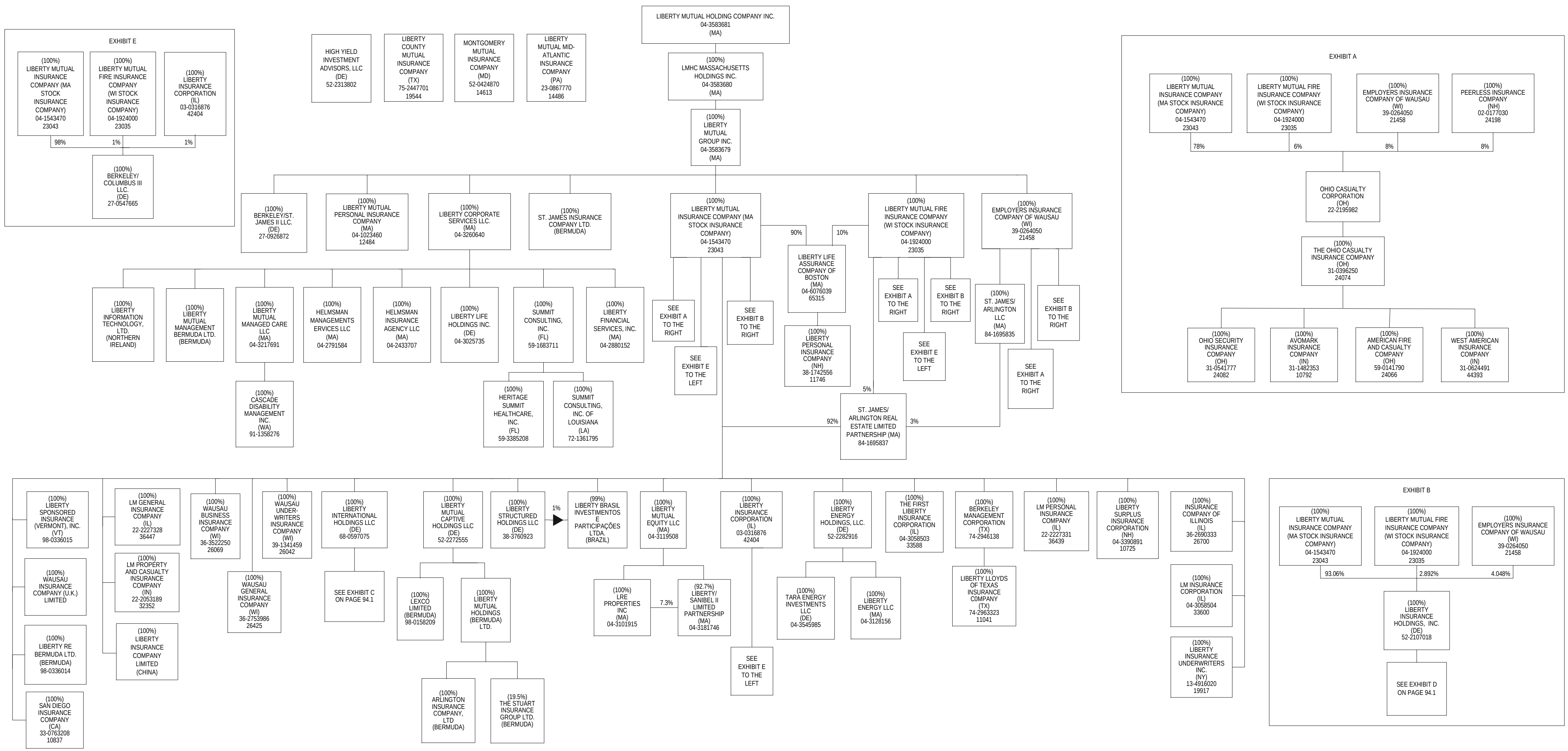
Explanation of basis of allocation of premiums by states, etc.

*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
*State of employee's main work place - Worker's Compensation
*Location of 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.

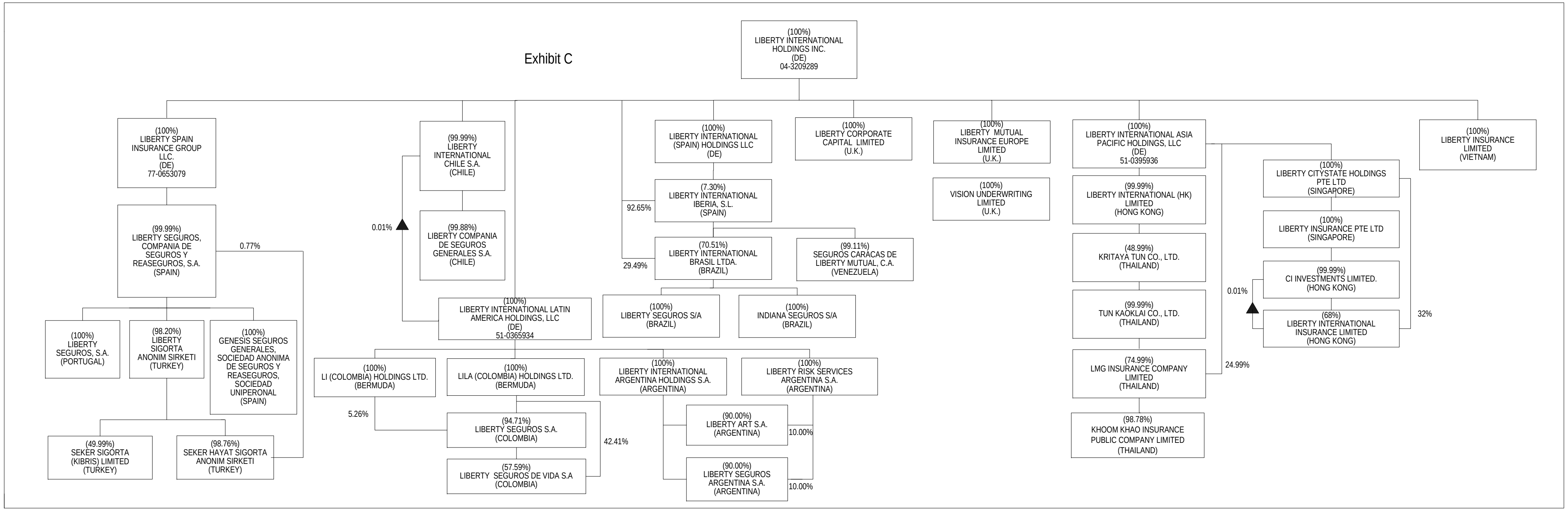
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

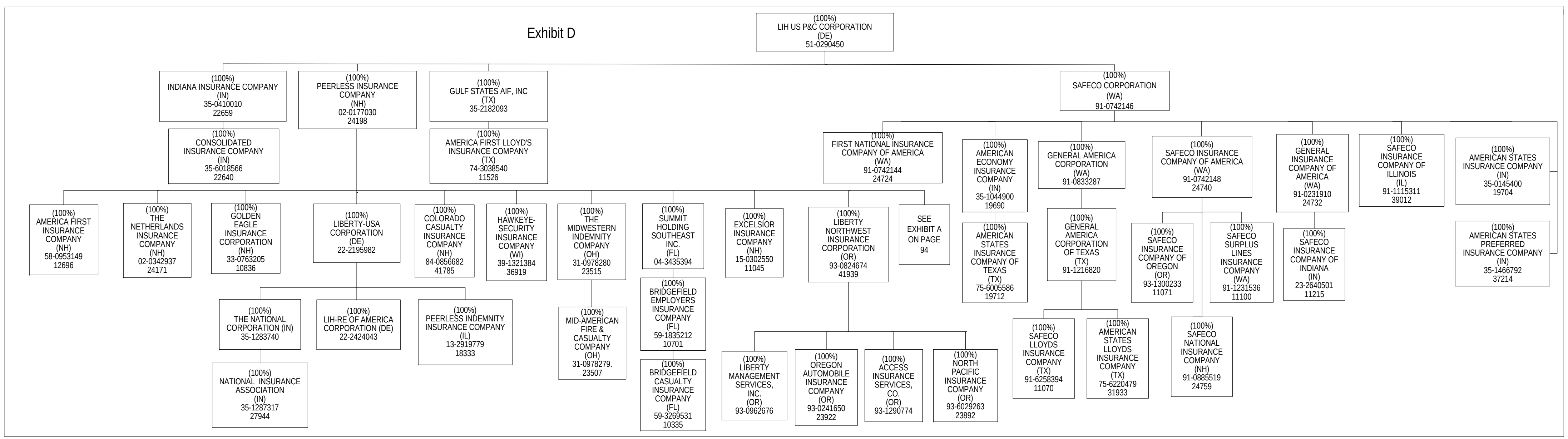
PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART





OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES	1 Current Year	2 Prior Year
2304. Amounts held under uninsured plans	2,175,088	
2305. Accrued return retrospective premiums	372,177	
2306. Private passenger auto escrow	49,033	
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	2,596,298	

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