

**ANNUAL STATEMENT**

**OF THE**

**EMPLOYERS INSURANCE COMPANY OF WAUSAU**

**of WAUSAU**

**in the state of WISCONSIN**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF**

**FOR THE YEAR ENDED  
December 31, 2005**

**PROPERTY AND CASUALTY**

**2005**



21458200520100100

ANNUAL STATEMENT

For the Year Ended December 31, 2005

OF THE CONDITION AND AFFAIRS OF THE

Employers Insurance Company of Wausau

NAIC Group Code

0111

(Current Period)

0111

(Prior Period)

NAIC Company Code

21458

Employer's ID Number

39-0264050

Organized under the Laws of

Wisconsin

, State of Domicile or Port of Entry

Wisconsin

Country of Domicile

United States of America

Incorporated/Organized:

August 21, 1911

Commenced Business:

September 1, 1911

Statutory Home Office:

2000 Westwood Drive

Wausau, WI

54401

Main Administrative Office:

2000 Westwood Drive

Wausau, WI

54401

715-845-5211

Mail Address:

Post Office Box 8017

Wausau, WI

54402-8017

Primary Location of Books and Records:

175 Berkeley Street

Boston, MA

02117

617-357-9500

Internet Website Address:

www.wausau.com

Statutory Statement Contact:

Douglas Link

617-357-9500

45668

Douglas.Link@LibertyMutual.com

617-574-5955

(E-Mail Address)

(Fax Number)

Policyowner Relations Contact:

2000 Westwood Drive

Wausau, WI

54401

715-845-5211

6570

OFFICERS

Name	Title
1. Mark Edward Fiebrink #	President and Chief Operating Officer
2. James Stanley Hoffert	Vice President-General Counsel and Secretary
3. Laurance Henry Soyer Yahia	Vice President and Treasurer

Vice-Presidents

Name	Title	Name	Title
Susan Marie Doyle	EVP GM Field Operations	George Juzdan	Sr Vice President GM Eastern Div.
David Lee Lancaster	Sr Vice President GM Signature Div.	Michael Lynn Parker	Sr Vice President GM Western Div.
Richard Vincent Poirier	Sr Vice President GM Claims	Mark Alan Steinberg	Sr Vice President WSA
Timothy Charlers Mulloy #	Sr Vice President GM National Broker Div.		

DIRECTORS OR TRUSTEES

Anthony Alexander Fontanes	Mark Edward Fiebrink #	Gary Richard Gregg	Edmund Francis Kelly
Dennis James Langwell	Christopher Charles Mansfield	Stuart Michael McGuigan	

State of Wisconsin  
County of Marathon 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)
Mark Edward Fiebrink	James Stanley Hoffert	Laurance Henry Soyer Yahia
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Operating Officer	Vice President-General Counsel and Secretary	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this

26th

day of

January

, 2006

a. Is this an original filing?

YES [ X ] NO [ ]

b. If no:

1. State the amendment number

2. Date filed

3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	3,644,055,575		3,644,055,575	3,341,408,657
2. Stocks (Schedule D):				
2.1 Preferred stocks	976,800		976,800	995,204
2.2 Common stocks	1,927,643		1,927,643	340,474
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)	22,088,639		22,088,639	20,676,155
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 13,115,691 , Schedule E-Part 1), cash equivalents (\$ 0				
Schedule E-Part 2) and short-term investments (\$ 30,825,982 , Schedule DA)	43,941,673		43,941,673	45,236,274
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	70,028,317		70,028,317	75,622,640
8. Receivables for securities	3,562,286		3,562,286	45,892,678
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	3,786,580,933		3,786,580,933	3,530,172,082
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	39,027,201		39,027,201	36,188,359
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	150,890,599	4,591,900	146,298,699	167,082,617
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	331,165,209		331,165,209	306,524,530
13.3 Accrued retrospective premiums	125,324,701	12,668,591	112,656,110	122,692,679
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	56,401,816		56,401,816	56,704,478
14.2 Funds held by or deposited with reinsured companies	28,080		28,080	
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	564,795	564,795		
16.1 Current federal and foreign income tax recoverable and interest thereon	5,373,925		5,373,925	2,466,908
16.2 Net deferred tax asset	225,636,000	122,836,100	102,799,900	86,583,900
17. Guaranty funds receivable or on deposit	9,059,607		9,059,607	9,005,006
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )	214,355	214,355		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	10,090,494		10,090,494	27,343,099
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	93,579,255	5,900,896	87,678,359	78,484,806
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	4,833,936,970	146,776,637	4,687,160,333	4,423,248,464
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	4,833,936,970	146,776,637	4,687,160,333	4,423,248,464

DETAILS OF WRITE-INS				
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	12,608,224	4,412,342	8,195,882	6,281,906
2302. Cash surrender value - life insurance	34,413,524		34,413,524	30,305,469
2303. Equities and deposits in pools and associations	5,036,324		5,036,324	4,830,513
2398. Summary of remaining write-ins for Line 23 from overflow page	41,521,183	1,488,554	40,032,629	37,066,918
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	93,579,255	5,900,896	87,678,359	78,484,806

LIABILITIES, SURPLUS AND OTHER FUNDS	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 34, Column 8)	2,273,141,941	2,142,438,623
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	16,537,792	34,973,048
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	465,559,373	408,643,122
4. Commissions payable, contingent commissions and other similar charges	22,601,040	21,766,179
5. Other expenses (excluding taxes, licenses and fees)	64,735,742	78,516,561
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	47,953,481	48,569,366
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 372,962,226 and including warranty reserves of \$ 0 )	671,888,149	645,427,117
10. Advance premium	8,230,712	6,000,285
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	558,533	1,761,834
12. Ceded reinsurance premiums payable (net of ceding commissions)	61,939,547	36,185,777
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	72,856,185	49,300,100
14. Amounts withheld or retained by company for account of others	8,536,954	42,929,988
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	7,332,488	5,184,685
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	75,487,146	58,891,593
19. Payable to parent, subsidiaries and affiliates	12,876,080	9,766,732
20. Payable for securities	13,892,535	48,923,371
21. Liability for amounts held under uninsured accident and health plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(207,629,819)	(211,178,884)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	3,616,497,879	3,428,099,497
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	3,616,497,879	3,428,099,497
27. Aggregate write-ins for special surplus funds	187,963,303	182,299,236
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		220,000,000
32. Gross paid in and contributed surplus	340,000,000	120,000,000
33. Unassigned funds (surplus)	537,699,151	467,849,731
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)	1,070,662,454	995,148,967
36. TOTALS (Page 2, Line 26, Col. 3)	4,687,160,333	4,423,248,464

DETAILS OF WRITE-INS		
2301. Other liabilities	39,672,513	34,334,212
2302. Retroactive reinsurance reserve	(361,172,264)	(353,626,508)
2303. Amounts held under uninsured plans	113,869,932	107,701,214
2398. Summary of remaining write-ins for Line 23 from overflow page		412,198
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(207,629,819)	(211,178,884)
2701. Special surplus from retroactive reinsurance	187,963,303	182,299,236
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	187,963,303	182,299,236
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	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	1,657,550,542	1,552,027,819
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	1,057,149,962	1,031,818,266
3. Loss expenses incurred (Part 3, Line 25, Column 1)	312,433,469	253,238,877
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	413,382,466	386,287,396
5. Aggregate write-ins for underwriting deductions		(299,494)
6. Total underwriting deductions (Lines 2 through 5)	1,782,965,897	1,671,045,045
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(125,415,355)	(119,017,226)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	184,389,273	172,448,628
10. Net realized capital gains (losses) less capital gains tax of \$ 9,930,745 (Exhibit of Capital Gains (Losses))	18,439,451	62,516,095
11. Net investment gain (loss) (Lines 9 + 10)	202,828,724	234,964,723
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 270,296 amount charged off \$ 6,033,779 )	(5,763,482)	(7,474,620)
13. Finance and service charges not included in premiums	9,070,754	9,513,228
14. Aggregate write-ins for miscellaneous income	(22,527,416)	(31,586,463)
15. Total other income (Lines 12 through 14)	(19,220,144)	(29,547,855)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	58,193,225	86,399,642
17. Dividends to policyholders	5,777,263	6,309,201
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)	52,415,962	80,090,441
19. Federal and foreign income taxes incurred	(6,813,745)	(20,373,104)
20. Net income (Line 18 minus Line 19) (to Line 22)	59,229,707	100,463,545
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	995,148,967	750,821,329
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	59,229,707	100,463,545
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (860,522)	(1,542,970)	2,073,140
25. Change in net unrealized foreign exchange capital gain (loss)	702,306	1,522,847
26. Change in net deferred income tax	(20,144,522)	(63,101,250)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	37,793,729	76,877,081
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(2,147,803)	3,171,686
29. Change in surplus notes	(220,000,000)	
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	220,000,000	120,000,000
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	1,623,040	3,320,589
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	75,513,487	244,327,638
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	1,070,662,454	995,148,967

DETAILS OF WRITE-INS		
0501. North Carolina Private Passenger Auto Escrow		(299,494)
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		(299,494)
1401. Miscellaneous income / (expense)	(27,491,748)	(35,366,969)
1402. Retroactive reinsurance gain (loss)	4,964,332	3,780,506
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	(22,527,416)	(31,586,463)
3701. Change in accumulated translation adjustment	1,623,040	1,913,750
3702. Other surplus items		1,406,839
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)	1,623,040	3,320,589

CASH FLOW		
Cash from Operations		
	1	2
	Current Year	Prior Year
1. Premiums collected net of reinsurance	1,720,659,991	1,549,473,740
2. Net investment income	186,139,331	181,222,227
3. Miscellaneous income	(27,780,523)	68,382,168
4. Total (Lines 1 through 3)	1,879,018,799	1,799,078,135
5. Benefit and loss related payments	926,964,619	987,820,693
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	669,547,597	639,987,734
8. Dividends paid to policyholders	6,980,564	5,108,673
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	6,019,933	(3,908,215)
10. Total (Lines 5 through 9)	1,609,512,713	1,629,008,885
11. Net cash from operations (Line 4 minus Line 10)	269,506,086	170,069,250
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,110,725,905	1,630,169,330
12.2 Stocks	3,155,161	13,679,813
12.3 Mortgage loans		
12.4 Real estate		12,671,282
12.5 Other invested assets	39,341,218	21,174,777
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	7,214,767	11,332,667
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,160,437,051	1,689,027,869
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,401,306,520	2,079,564,760
13.2 Stocks	3,450,315	3,666,535
13.3 Mortgage loans		
13.4 Real estate	2,450,482	1,365,023
13.5 Other invested assets	23,182,381	23,744,422
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,430,389,698	2,108,340,740
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(269,952,647)	(419,312,871)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(220,000,000)	
16.2 Capital and paid in surplus, less treasury stock	220,000,000	120,000,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(848,040)	145,002,416
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(848,040)	265,002,416
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(1,294,601)	15,758,795
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	45,236,274	29,477,479
19.2 End of year (Line 18 plus Line 19.1)	43,941,673	45,236,274

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	35,230,872	14,924,664	20,033,065	30,122,471
2. Allied lines	11,330,752	5,457,754	6,483,354	10,305,152
3. Farmowners multiple peril	1,184			1,184
4. Homeowners multiple peril	203,928,732	110,405,755	118,702,383	195,632,104
5. Commercial multiple peril	24,491,232	13,560,692	16,896,304	21,155,620
6. Mortgage guaranty				
8. Ocean marine	4,000,421	6,720,471	2,046,290	8,674,602
9. Inland marine	25,355,485	5,753,845	5,342,279	25,767,051
10. Financial guaranty				
11.1 Medical malpractice - occurrence	588	155		743
11.2 Medical malpractice - claims-made				
12. Earthquake	4,035,382	2,256,847	1,953,716	4,338,513
13. Group accident and health	10			10
14. Credit accident and health (group and individual)				
15. Other accident and health	31,598	1,401	10,481	22,518
16. Workers' compensation	563,762,604	(41,652,069)	(19,611,265)	541,721,800
17.1 Other liability - occurrence	80,995,621	24,627,813	27,789,148	77,834,286
17.2 Other liability - claims-made	28,932,241	10,514,968	12,733,204	26,714,005
18.1 Products liability - occurrence	18,583,382	1,410,078	7,338,338	12,655,122
18.2 Products liability - claims-made	557,462		419	557,043
19.1, 19.2 Private passenger auto liability	352,604,224	186,701,377	178,660,206	360,645,395
19.3, 19.4 Commercial auto liability	72,589,924	21,916,078	20,751,851	73,754,151
21. Auto physical damage	212,546,971	125,452,424	124,358,398	213,640,997
22. Aircraft (all perils)	10,623,125	2,990,650	2,655,771	10,958,004
23. Fidelity	726,858	294,628	347,472	674,014
24. Surety	31,188,506	15,886,517	18,032,389	29,042,634
26. Burglary and theft	109,631	46,906	51,401	105,136
27. Boiler and machinery	619,208	176,736	267,295	528,649
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	4,441,928	418,281	788,951	4,071,258
31. Reinsurance-Nonproportional Assumed Liability	8,686,476	1,145,492	931,998	8,899,970
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	1,695,374,417	509,011,463	546,563,448	1,657,822,432

DETAILS OF WRITE-INS				
3301.				
3302.				
3303.				
3398. Summary of remaining write-ins for Line 33 from overflow page				
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)				

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1A - RECAPITULATION OF ALL PREMIUMS

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience.

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	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	18,146,653	1,886,412			20,033,065
2. Allied lines	6,042,510	440,844			6,483,354
3. Farmowners multiple peril					
4. Homeowners multiple peril	118,157,480	544,903			118,702,383
5. Commercial multiple peril	16,831,366	64,938			16,896,304
6. Mortgage guaranty					
8. Ocean marine	1,900,263	146,027			2,046,290
9. Inland marine	5,022,226	320,053			5,342,279
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	1,857,928	95,788			1,953,716
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	10,481				10,481
16. Workers' compensation	81,100,057	4,902,044		(105,613,366)	(19,611,265)
17.1 Other liability - occurrence	28,728,091	6,633,315		(7,572,258)	27,789,148
17.2 Other liability - claims-made	10,752,309	1,980,895			12,733,204
18.1 Products liability - occurrence	5,462,732	4,858,263		(2,982,657)	7,338,338
18.2 Products liability - claims-made	419				419
19.1, 19.2 Private passenger auto liability	178,158,740	501,466			178,660,206
19.3, 19.4 Commercial auto liability	30,162,179	25,567		(9,435,895)	20,751,851
21. Auto physical damage	123,787,678	571,038		(318)	124,358,398
22. Aircraft (all perils)	2,765,467	(109,696)			2,655,771
23. Fidelity	325,187	22,285			347,472
24. Surety	10,238,250	7,514,346		279,793	18,032,389
26. Burglary and theft	51,401				51,401
27. Boiler and machinery	266,885	410			267,295
28. Credit	(11,931)	11,931			
29. International					
30. Reinsurance-Nonproportional Assumed Property	788,431	520			788,951
31. Reinsurance-Nonproportional Assumed Liability	918,093	13,905			931,998
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	641,462,895	30,425,254		(125,324,701)	546,563,448
35. Accrued retrospective premiums based on experience					125,324,701
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through 36)					671,888,149

DETAILS OF WRITE-INS					
3301.					
3302.					
3303.					
3398. Summary of remaining write-ins for Line 33 from overflow page					
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)					

- (a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.  
Are they so returned in this statement?      Yes [ X ] No [   ]
- (b) State here basis of computation used in each case      Daily pro rata



UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees  
Written and Renewed During Year

Line of Business	1  Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6  Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2  From Affiliates	3  From Non- Affiliates	4  To Affiliates	5  To Non- Affiliates	
1. Fire	15,537,230	35,777,664	126,602	(3,711)	16,214,335	35,230,872
2. Allied lines	6,763,721	12,000,950	106,404	2,449,343	5,090,980	11,330,752
3. Farmowners multiple peril		1,184				1,184
4. Homeowners multiple peril	653,690	203,928,732	192,881	836,017	10,554	203,928,732
5. Commercial multiple peril	34,805,821	85,183,598	1,244,320	88,863,152	7,879,355	24,491,232
6. Mortgage guaranty						
8. Ocean marine		4,000,421				4,000,421
9. Inland marine	559,696	25,361,485		(470,794)	1,036,490	25,355,485
10. Financial guaranty						
11.1 Medical malpractice - occurrence		588				588
11.2 Medical malpractice - claims-made						
12. Earthquake	2,556,784	4,857,253		1,715,439	1,663,216	4,035,382
13. Group accident and health		10				10
14. Credit accident and health (group and individual)						
15. Other accident and health		31,598				31,598
16. Workers' compensation	366,284,364	1,125,272,892	72,725,332	893,545,076	106,974,910	563,762,602
17.1 Other liability - occurrence	30,242,152	109,257,437	279	53,169,270	5,334,977	80,995,621
17.2 Other liability - claims-made	923,856	28,932,241		241,597	682,259	28,932,241
18.1 Products liability - occurrence	5,643,263	37,660,451		24,604,129	116,203	18,583,382
18.2 Products liability - claims-made		557,462				557,462
19.1, 19.2 Private passenger auto liability	113	352,604,224		113		352,604,224
19.3, 19.4 Commercial auto liability	37,362,233	125,793,989	1,386,902	86,432,653	5,520,547	72,589,924
21. Auto physical damage	6,869,336	225,163,796	86,451	19,470,176	102,436	212,546,971
22. Aircraft (all perils)		10,623,125				10,623,125
23. Fidelity	133,441	726,858		133,441		726,858
24. Surety	61,112	31,188,506		40,533	20,579	31,188,506
26. Burglary and theft	111,787	110,196	249	60,245	52,356	109,631
27. Boiler and machinery	789,613	619,208		367,543	422,070	619,208
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	4,441,928				4,441,928
31. Reinsurance-Nonproportional Assumed Liability	X X X	8,686,476	14,491		14,491	8,686,476
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	509,298,212	2,432,782,272	75,883,911	1,171,454,222	151,135,758	1,695,374,415

DETAILS OF WRITE-INS						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)						

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

If yes:    1. The amount of such installment premiums \$    335,723,519

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$    320,712,211

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	44,330,347	12,825,504	44,498,202	12,657,649	17,681,416	11,496,784	18,842,281	62.552
2. Allied lines	43,444,768	13,216,827	43,769,514	12,892,081	9,737,290	6,546,528	16,082,843	156.066
3. Farmowners multiple peril								
4. Homeowners multiple peril	254,931	128,483,425	374,283	128,364,073	40,854,346	49,473,701	119,744,718	61.209
5. Commercial multiple peril	33,213,978	54,867,782	68,350,120	19,731,640	37,203,515	40,856,598	16,078,557	76.001
6. Mortgage guaranty								
8. Ocean marine	32,954	2,404,197	32,954	2,404,197	7,114,159	10,242,627	(724,271)	(8.349)
9. Inland marine	262,482	13,022,732	262,482	13,022,732	14,919,534	6,859,137	21,083,129	81.822
10. Financial guaranty								
11.1 Medical malpractice - occurrence	500,000	21,627	500,000	21,627	(10,379)	17,629	(6,381)	(858.816)
11.2 Medical malpractice - claims - made								
12. Earthquake	246	98,758	246	98,758	104,815	205,796	(2,223)	(0.051)
13. Group accident and health	1,778,955	123,887	1,778,955	123,887	593,954	620,949	96,892	968,920.000
14. Credit accident and health (group and individual)								
15. Other accident and health		110,056		110,056	550,245	578,029	82,272	365.361
16. Workers' compensation	273,575,502	519,806,996	525,371,981	268,010,517	1,254,231,807	1,123,768,984	398,473,340	73.557
17.1 Other liability - occurrence	86,537,336	74,522,428	99,522,704	61,537,060	277,952,152	274,471,163	65,018,049	83.534
17.2 Other liability - claims - made	5,257,628	327,932	5,257,628	327,932	45,908,764	33,945,054	12,291,642	46.012
18.1 Products liability - occurrence	47,410,893	17,170,136	54,610,149	9,970,880	66,295,821	89,457,988	(13,191,287)	(104.237)
18.2 Products liability - claims - made	29,288	107,078	29,288	107,078	1,183,420	864,504	425,994	76.474
19.1, 19.2 Private passenger auto liability	221	220,662,560	222	220,662,559	311,432,844	319,141,886	212,953,517	59.048
19.3, 19.4 Commercial auto liability	31,723,167	68,577,093	63,006,707	37,293,553	104,106,421	96,223,854	45,176,120	61.252
21. Auto physical damage	3,183,240	114,927,725	9,669,500	108,441,465	(6,195,401)	(7,846,617)	110,092,681	51.532
22. Aircraft (all perils)		3,757,130		3,757,130	10,639,486	10,119,769	4,276,847	39.029
23. Fidelity	(88,724)	4,137	(88,724)	4,137	1,623,716	1,187,313	440,540	65.361
24. Surety	1,700,340	8,267,464	1,700,340	8,267,464	9,496,153	10,515,324	7,248,293	24.957
26. Burglary and theft	12,616	20,909	12,677	20,848	322,542	306,757	36,633	34.843
27. Boiler and machinery	48,020	91,419	53,228	86,211	(80,126)	16,655	(10,570)	(1.999)
28. Credit					2,247	2,397	(150)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	6,595,386		6,595,386	22,472,718	18,997,477	10,070,627	247.359
31. Reinsurance-Nonproportional Assumed Liability	X X X	46,242,117	35,367,888	10,874,229	44,627,133	44,069,605	11,431,757	128.447
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	15,113		15,113	373,349	298,732	89,730	
33. Aggregate write-ins for other lines of business								
34. TOTALS	573,208,188	1,306,270,418	954,080,344	925,398,262	2,273,141,941	2,142,438,623	1,056,101,580	63.704

DETAILS OF WRITE-INS								
3301.								
3302.								
3303.								
3398. Summary of remaining write-ins for Line 33 from overflow page								
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)								

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

Line of Business		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
		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)	Unpaid Loss Adjustment Expenses
1.	Fire	40,019,833	12,187,727	40,072,500	12,135,060	14,085,963	7,495,257	16,034,864	17,681,416	1,634,977
2.	Allied lines	16,833,049	8,894,432	16,880,374	8,847,107	14,682,267	1,987,774	15,779,858	9,737,290	1,064,024
3.	Farmowners multiple peril									14,150
4.	Homeowners multiple peril	288,954	14,101,838	347,896	14,042,896		26,819,358	7,908	40,854,346	11,433,567
5.	Commercial multiple peril	101,026,059	90,299,438	159,000,054	32,325,443	38,316,851	62,220,609	95,659,388	37,203,515	13,644,322
6.	Mortgage guaranty									
8.	Ocean marine	100,000	5,344,221	124,022	5,320,199	2,045,872	1,793,960	2,045,872	7,114,159	1,611,152
9.	Inland marine	262,085	5,355,260	262,085	5,355,260	4,525,031	9,676,504	4,637,261	14,919,534	1,443,982
10.	Financial guaranty									
11.1	Medical malpractice - occurrence	900,000	42,484	900,000	42,484		(7,537)	45,326	(10,379)	881
11.2	Medical malpractice - claims - made									
12.	Earthquake	6,817	38,293	6,817	38,293	115,723	66,524	115,724	104,816	15,777
13.	Group accident and health	9,538,093	293,238	9,538,093	293,238	15,000	300,715	15,000	(a) 593,953	45,828
14.	Credit accident and health (group and individual)									
15.	Other accident and health		133,804		133,804		416,441		(a) 550,245	18,447
16.	Workers' compensation	1,068,727,060	1,486,707,310	1,714,479,706	840,954,664	354,201,984	816,960,332	757,885,176	1,254,231,804	147,698,388
17.1	Other liability - occurrence	132,629,695	194,541,070	161,400,437	165,770,328	765,475,706	157,965,108	811,258,990	277,952,152	123,530,871
17.2	Other liability - claims - made	5,187,381	15,577,745	5,187,381	15,577,745	936,354	30,331,019	936,354	45,908,764	13,886,009
18.1	Products liability - occurrence	163,493,940	34,501,775	175,401,220	22,594,495	63,473,927	57,758,043	77,530,644	66,295,821	39,323,104
18.2	Products liability - claims - made	82,225	530,052	82,225	530,052	83,795	653,368	83,795	1,183,420	748,164
19.1, 19.2	Private passenger auto liability	60	206,355,112	128,982	206,226,190		105,206,656	1	311,432,845	74,484,365
19.3, 19.4	Commercial auto liability	37,550,448	80,205,510	68,234,249	49,521,709	90,274,609	95,936,327	131,626,223	104,106,422	15,702,557
21.	Auto physical damage		(52,958)	5,838	(58,796)		(6,049,303)	87,303	(6,195,402)	11,316,545
22.	Aircraft (all perils)		6,554,590	34,214	6,520,376	57,787	4,119,110	57,787	10,639,486	1,906,065
23.	Fidelity	81,436	146,223	81,436	146,223	2,133,900	1,716,647	2,373,053	1,623,717	370,065
24.	Surety	1,107,667	1,984,408	1,107,667	1,984,408	(257,688)	7,511,689	(257,744)	9,496,153	3,785,206
26.	Burglary and theft	91,286	43,092	91,324	43,054	494,964	298,745	514,220	322,543	36,038
27.	Boiler and machinery		1,126		1,126	2,836,333	467,972	3,385,557	(80,126)	74,944
28.	Credit						2,247		2,247	118
29.	International									
30.	Reinsurance-Nonproportional Assumed Property	X X X	23,511,394	9,333,532	14,177,862	X X X	8,294,856		22,472,718	381,462
31.	Reinsurance-Nonproportional Assumed Liability	X X X	176,626,329	142,377,807	34,248,522	X X X	412,009,852	401,631,241	44,627,133	1,381,492
32.	Reinsurance-Nonproportional Assumed Financial Lines	X X X	380,040		380,040	X X X	(6,691)		373,349	6,873
33.	Aggregate write-ins for other lines of business									
34.	TOTALS	1,577,926,088	2,364,303,553	2,505,077,859	1,437,151,782	1,353,498,378	1,803,945,582	2,321,453,801	2,273,141,941	465,559,373

DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398.	Summary of remaining write-ins for Line 33 from overflow page								
3399.	Totals (Lines 3301 through 3303 + 3398) (Line 33 above)								

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	319,072,060			319,072,060
1.2 Reinsurance assumed	235,719,343			235,719,343
1.3 Reinsurance ceded	382,640,563			382,640,563
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	172,150,840			172,150,840
2. Commission and brokerage:				
2.1 Direct, excluding contingent		27,790,858		27,790,858
2.2 Reinsurance assumed, excluding contingent		85,791,442		85,791,442
2.3 Reinsurance ceded, excluding contingent		87,846,918		87,846,918
2.4 Contingent-direct		(2,000,000)		(2,000,000)
2.5 Contingent-reinsurance assumed		14,202,737		14,202,737
2.6 Contingent-reinsurance ceded		(2,000,000)		(2,000,000)
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)		39,938,119		39,938,119
3. Allowances to manager and agents		26		26
4. Advertising	1,524,626	14,499,902	3,922	16,028,450
5. Boards, bureaus and associations	358,770	3,840,312		4,199,082
6. Surveys and underwriting reports	987	3,739,530		3,740,517
7. Audit of assureds' records	812	114		926
8. Salary and related items:				
8.1 Salaries	84,650,653	158,117,538	920,202	243,688,393
8.2 Payroll taxes	4,108,591	11,196,827	35,302	15,340,720
9. Employee relations and welfare	13,712,419	37,069,273	46,677	50,828,369
10. Insurance	14,285,006	1,191,943	1,046	15,477,995
11. Directors' fees	494	35,248		35,742
12. Travel and travel items	5,642,812	12,310,678	13,206	17,966,696
13. Rent and rent items	5,133,212	13,673,907	14,251	18,821,370
14. Equipment	4,320,052	11,188,028	15,820	15,523,900
15. Cost or depreciation of EDP equipment and software	878,634	4,712,402	9,675	5,600,711
16. Printing and stationery	1,328,797	3,289,355	2,092	4,620,244
17. Postage, telephone and telegraph, exchange and express	3,478,169	9,976,988	44,887	13,500,044
18. Legal and auditing	588,658	3,191,793	81,848	3,862,299
19. Totals (Lines 3 to 18)	140,012,692	288,033,864	1,188,928	429,235,484
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 1,743,750		61,805,901		61,805,901
20.2 Insurance department licenses and fees		1,441,962		1,441,962
20.3 Gross guaranty association assessments		4,119,556		4,119,556
20.4 All other (excluding federal and foreign income and real estate)		4,523,118		4,523,118
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		71,890,537		71,890,537
21. Real estate expenses			3,536,482	3,536,482
22. Real estate taxes			999,463	999,463
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	269,937	13,519,944	127,610	13,917,491
25. Total expenses incurred	312,433,469	413,382,464	5,852,483	(a) 731,668,416
26. Less unpaid expenses-current year	465,559,373	134,408,919	881,344	600,849,636
27. Add unpaid expenses-prior year	408,643,122	148,970,650	(118,543)	557,495,229
28. Amounts receivable relating to uninsured accident and health plans, prior year				
29. Amounts receivable relating to uninsured accident and health plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	255,517,218	427,944,195	4,852,596	688,314,009

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	(10,976,216)			(10,976,216)
2402. Other expenses	11,246,153	13,519,944	127,610	24,893,707
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	269,937	13,519,944	127,610	13,917,491

(a) Includes management fees of \$ 1,307,476 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 20,436,256	20,365,571
1.1 Bonds exempt from U.S. tax	(a) 4,320,944	10,216,359
1.2 Other bonds (unaffiliated)	(a) 157,125,254	154,068,049
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 75,000	75,000
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	573	573
3. Mortgage loans	(c)	
4. Real estate	(d) 6,434,421	6,434,421
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 2,070,997	2,084,588
7. Derivative instruments	(f)	
8. Other invested assets	1,266,140	1,266,140
9. Aggregate write-ins for investment income	28,475	28,475
10. Total gross investment income	191,758,060	194,539,176
11. Investment expenses		(g) 5,852,483
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 3,259,422
14. Depreciation on real estate and other invested assets		(i) 1,037,998
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		10,149,903
17. Net investment income (Line 10 minus Line 16)		184,389,273
DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	28,475	28,475
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	28,475	28,475
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		
(a) Includes \$ 2,921,878 accrual of discount less \$ 6,385,442 amortization of premium and less \$ 5,020,809 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 \$ 6,361,965 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.		
(e) Includes \$ 185,498 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 \$ 3,259,422 interest on surplus notes and \$ 0 interest on capital notes.		
(i) Includes \$ 1,037,998 depreciation on real estate and \$ 0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1. U.S. Government bonds	713,190			713,190
1.1 Bonds exempt from U.S. tax	1,438			1,438
1.2 Other bonds (unaffiliated)	17,711,013		(4,294,402)	13,416,611
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)			(18,404)	(18,404)
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	1,409,105	(1,216)	(115,872)	1,292,017
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	11,916,173	(3,379,507)	2,025,187	10,561,853
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	31,750,919	(3,380,723)	(2,403,491)	25,966,705
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)				

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. 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	4,591,900	5,844,133	1,252,233
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due		320,712	320,712
13.3 Accrued retrospective premiums	12,668,591	13,722,975	1,054,384
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	564,795	606,574	41,779
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	122,836,100	158,336,100	35,500,000
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	214,355	352,429	138,074
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivable from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	5,900,896	5,446,096	(454,800)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	146,776,637	184,629,019	37,852,382
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	146,776,637	184,629,019	37,852,382

DETAILS OF WRITE-INS			
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	4,412,342	4,440,676	28,334
2302. Amounts billed and receivable under high deductible policies	1,488,554	1,005,420	(483,134)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	5,900,896	5,446,096	(454,800)

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

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

Effective December 31, 1998, the Company entered into a reinsurance treaty with Nationwide Indemnity Company, with Nationwide Mutual Insurance Company as guarantor of the recoverables ceded under the treaty. The Wisconsin Insurance Commissioner has issued a Permitted Practice Decision allowing the guarantee to be used as credit for reinsurance collateral, reducing the provision for reinsurance by \$46,726,347.

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 for direct business and are based on reports received from ceding companies for reinsurance assumed. 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.

Investment grade short-term investments are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2.

Investment grade bonds are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3.

Common stocks are carried at market value.
4.

Preferred stocks are carried at cost or market in accordance with the SVO Manual.
5.

The Company does not own mortgage loans.
6.

Mortgage-backed/asset backed securities are stated at amortized value. Prepayment assumptions for single class mortgage-backed/asset backed securities and multi-class securities were obtained from internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all single class mortgage-backed/asset-backed securities and multi-class securities. Non-investment grade mortgage-backed/asset backed securities are stated at the lower of amortized value or fair value.
7.

The Company has no investments in subsidiaries, controlled, and affiliated (SCA) companies.
8.

Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9.

Derivative instruments, 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 2005.

Note 2- Accounting Changes and Correction of Errors

- A. There were no material changes in accounting principles or corrections of errors during the year.

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

Not applicable

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available
2. Prepayment assumptions for single class and multi-class mortgages backed/asset-backed securities were based upon 1-month historical constant prepayment rates.
3. The Company used IDSI, Bloomberg, and Lehman Index data in determining the market value of the vast majority of its loan-backed securities. A small number of securities are priced in other ways, such as contacting brokers.
4. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

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

F. Real Estate

1. The Company did not incur any impairments on real estate during the year.
2. The Company does not engage in retail land sale operations

**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. The Company invests in various limited partnerships that are reported in accordance with SSAP No. 48. The partnerships are valued using traditional private equity valuation metrics. Poor performance within the partnerships may lead to impairment losses being recognized by management. The Company realized impairment losses of \$3,379,507 during the year.

**Note 7- Investment Income**

A. Accrued Investment Income

All investment income due and accrued over 90 days past due is excluded from Surplus.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2005.

**Note 8- Derivative Instruments**

The Company’s investment strategy does not include derivative instruments. However, the Company does acquire fixed maturities which have derivative features which are ancillary to the overall investment and immaterial to the underlying investment portfolio.

During the third quarter of 2005, the New York Department of Insurance approved a Derivative Use Policy submitted by the Company. As of December 31, 2005, no transactions had been executed under this policy.



NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Taxes

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

	December 31, 2005	December 31, 2004	Change
Total of gross deferred tax assets	256,435,000	268,088,720	(11,653,720)
Total of deferred tax liabilities	(30,799,000)	(23,168,720)	(7,630,280)
Net deferred tax asset	225,636,000	244,920,000	(19,284,000)
Net deferred tax asset non-admitted	(122,836,100)	(158,336,100)	35,500,000
Net admitted deferred tax asset	102,799,900	86,583,900	16,216,000

B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.

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

	2005	2004
Federal tax on operations	17,599,428	(1,066,026)
Net operating loss benefit	(24,414,950)	(41,002,500)
Foreign tax on operations	1,777	(185,211)
Income tax incurred on operations	(6,813,745)	(42,253,737)
Tax on capital gains	9,930,745	21,880,633
Total income tax incurred	3,117,000	(20,373,104)

The Company’s deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred compensation, investment impairments, statutory non-admitted assets, and net operating losses.

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

	2005
Change in net deferred income tax (without unrealized gain or loss)	(20,144,522)
Tax effect of unrealized (gains) losses	860,522
Total change in net deferred income tax	(19,284,000)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, non-deductible penalties, officer's life insurance, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$9,321,000 from the current year and \$148,000 from the preceding year.

The amount of net losses carried forward and available to offset future net income subject to Federal income taxes are as follows:

Year Generated	Amount	Expiration
2001	39,846,620	2020
1998	7,698,882	2017

The company also had a minimum tax credit available of \$488,000 which does not expire.

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

Access Insurance Services, Co.	Liberty International Holdings, Inc.
Ambco Capital Corporation	Liberty Life Assurance Company of Boston
America First Insurance Company	Liberty Life Holdings, Inc.
America First Lloyds Insurance Company	Liberty Lloyds of Texas Insurance Company
American Ambassador Casualty Company	Liberty Management Services, Inc.
Berkeley Holding Company Associates, Inc.	Liberty Mexico Holdings, Inc.
Berkeley Management Corporation	Liberty Mutual Fire Insurance Company
Bridgefield Casualty Insurance Company	Liberty Mutual Group Inc.
Bridgefield Employers Insurance Company	Liberty Mutual Holding Company, Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Insurance Company
Capitol Agency, Inc. (Ohio corporation)	Liberty Mutual Managed Care, Inc.
Capitol Agency, Inc. (Tennessee corporation)	Liberty Northwest Insurance Corporation
Cascade Disability Management, Inc.	Liberty Personal Insurance Company
Colorado Casualty Insurance Company	Liberty RE (Bermuda) Limited
Companies Agency Insurance Services of California	Liberty Real Estate Corporation
Companies Agency of Alabama, Inc.	Liberty Sponsored Insurance (Vermont) Inc.
Companies Agency of Georgia, Inc.	Liberty Surplus Insurance Corporation
Companies Agency of Kentucky, Inc.	Liberty-USA Corporation
Companies Agency of Massachusetts, Inc.	LIH-Re of America Corporation
Companies Agency of Michigan, Inc.	LIH U.S. P&C Corporation
Companies Agency of New York, Inc.	LIIA Insurance Agency, Inc.

NOTES TO FINANCIAL STATEMENTS

Companies Agency of Pennsylvania, Inc.	LIU Specialty Agency, Inc.
Companies Agency of Phoenix, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency, Inc.	LM Insurance Corporation
Companies Annuity Agency of Texas, Inc.	LMHC Massachusetts Holding, Inc.
Consolidated Insurance Company	LRE Properties, Inc.
Copley Venture Capital, Inc.	Mid-American Agency, Inc.
Countrywide Services Corporation	Mid-American Fire and Casualty Company
Diversified Settlements, Inc.	Missouri Agency, Inc.
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	Oregon Automobile Insurance Company
First State Agency, Inc.	Peerless Indemnity Insurance Company
Florida State Agency, Inc.	Peerless Insurance Company
Globe American Casualty Company	LM Personal Insurance Company
Golden Eagle Insurance Corporation	LM General Insurance Company
Gulf States AIF, Inc.	LM Property and Casualty Insurance Company
Hawkeye-Security Insurance Company	San Diego Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	State Agency, Inc. (Indiana corporation)
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Wisconsin corporation)
Heritage-Summit Healthcare of Florida, Inc.	St. James Insurance Company
Indiana Insurance Company	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty Assignment Corporation	Summit Holding Southeast, Inc.
Liberty Energy Corporation	The First Liberty Insurance Corporation
Liberty Financial Services, Inc.	The Midwestern Indemnity Company
Liberty Hospitality Group, Inc.	The National Corporation
Liberty Insurance Company of America	The Netherlands Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty International Asia Pacific Holdings, Inc.	Wausau Underwriters Insurance Company

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

**Note 10- Information concerning Parent, Subsidiaries and Affiliates**

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group, Inc. (“LMGI”). LMGI is owned 100% by LMHC Massachusetts Holdings, Inc. (“LMHC MHI”) and LMHC MHI is owned 100% by Liberty Mutual Holding Company, Inc. (“LMHCI”).
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- C. There were no material changes in the terms of any intercompany agreements during 2005.
- D. At December 31, 2005, the Company reported \$2,785,586 net due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. See Note 26 for information regarding intercompany pooling arrangement.

There is a “Service Agreement” between the Company and an affiliate, Liberty Mutual insurance Company (LMIC), under which LMIC provides the Company with services of personnel employed by the LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company also has an investment services agreement with LMIC. LMIC is reimbursed for the costs of all services which it provides under these agreements.

- 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 an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies.
- J. Not applicable

**Note 11- Debt**

Not applicable

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

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of an intercompany cost-sharing arrangement as described in note 10 F.

NOTES TO FINANCIAL STATEMENTS

**Note 13- Capital and Surplus, Dividend restrictions and Quasi-Reorganizations**

1. The Company has 5,000,000 shares authorized, issued, and outstanding as of December 31, 2005. All shares have a stated par value of \$1.00.
2. Preferred Stock  
  
Not applicable
3. Dividend Restrictions  
  
There are no dividend restrictions.
4. The maximum amount of dividends which can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of policyholder surplus, or (b) adjusted net income. The maximum dividend payout which may be made without prior approval in 2006 is \$86,335,922.
5. As of December 31, 2005, the Company has restricted surplus of \$187,963,303 resulting from retroactive reinsurance contracts.
6. The Company had no advances to surplus.
7. Stock held for special purpose  
  
The Company did not hold stock for special purposes.
8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2005.
9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is (\$1,022,287).
10. Surplus Notes  
  
On March 30, 2005, EICOW retired its \$220,000,000 Surplus Note owed to an affiliate, Liberty Mutual Insurance Company.
11. Quasi re-organization (dollar impact)  
  
Not applicable
12. Quasi re-organization (effective date)  
  
Not applicable

**Note 14- Contingencies**

- A. Contingent Commitments  
  
The Company has made no commitments, contingent commitments or guarantees on behalf of affiliates or other entities except as indicated in Note 10E.
- B. Assessments  
  
The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments 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 \$47,408,709 that is offset by future premium tax credits of \$9,068,288. 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 ten years.  
  
During 2005 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.
- C. Gain Contingencies  
  
Not applicable
- D. 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

NOTES TO FINANCIAL STATEMENTS

Note 15- Leases

A. Aside from certain sale-leaseback transactions disclosed below, the Company is not involved in material lease arrangements.

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:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2006	\$8,282,328	\$16,978,495
2007	5,163,592	13,539,991
2008	4,760,099	10,001,768
2009	3,941,717	7,382,543
2010	2,510,298	5,247,876
2011 & thereafter	0	25,469,859
Total	\$24,658,034	\$78,620,532

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 have any transfers of receivables reported as sales.

B. Transfers and servicing of financial assets:

The Company participates in Securities lending program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company’s portfolio to qualifying third parties, via a lending agent. 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. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company, however, the Company records a liability for the amount of collateral held, representing its obligation to return the collateral related to the loaned securities. At December 31, 2005, the total market value of fixed maturities loaned was \$189,588, with corresponding collateral value at \$193,380.

C. Wash Sales

1. In the course of the Company’s asset management, securities are sold and reacquired within 30 days of the sale date. The details by NAIC designation 3 or below of securities sold during the year, and reacquired within 30 days of the sale date are:

	<u>Number of Transactions</u>	<u>Book Value of Securities Sold</u>	<u>Cost of Securities Repurchased</u>	<u>Gains / (Loss)</u>
Bonds:				
A. NAIC 3	7	\$1,105,891	\$1,026,250	\$79,641

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

A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and the net gain was \$75,532. Claim payment volume was \$4,773,715.

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

NOTES TO FINANCIAL STATEMENTS

**Note 20 – September 11 Events**

The Company has material exposure to losses arising from the World Trade Center disaster of September 11, 2001. The exposure arises from the property, workers’ compensation, auto, and surety policies and reinsurance contracts written by member companies of the Liberty Mutual Group. The Company shares in the losses via the inter-company pooling agreement. Although uncertainty about the final loss amount still exists, the losses are reasonably estimable and such estimate has been recorded. The Company believes that its reinsurers are financially sound and that reinsurance collectibility is not a significant issue or concern. The amounts recorded by the Company to date are as follows:

	Direct	Assumed	Gross	Ceded	Net
Paid Loss and ALAE	\$42,281,194	\$17,498,208	\$59,779,402	\$51,980,301	\$7,799,101
Loss and ALAE Reserves	21,810,740	3,315,509	25,126,249	17,989,978	7,136,271
Incurred Loss and ALAE	\$64,091,934	\$20,813,717	\$84,905,651	\$69,970,279	\$14,935,372

**Note 21- Other Items**

- A. The Company has no extraordinary items to report.
- B. Troubled Debt Restructuring for Debtors
- Not applicable
- C. Other Disclosures
- 1) Florida Special Disability Trust Fund
- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2005 and 2004.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$2,137,536 and \$534,633, in 2005 and 2004, respectively.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$924,571 and \$1,010,112, in 2005 and 2004, respectively.
- 2) Assets in the amount of \$355,560,614 and \$404,456,058 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.
- D. The Company routinely assesses the collectibility 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. Additional Pension and Postretirement Disclosure Requirements
- Refer to Note 12.

**Note 22- Events Subsequent**

There were no events subsequent to December 31, 2005 which would require disclosure.

NOTES TO FINANCIAL STATEMENTS

Note 23- Reinsurance

A. Excluding amounts arising pursuant to the intercompany pooling agreement, as described in Note 26, the unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus are listed below.

Reinsurer	Naic No.	Federal ID No.	Recoverable Amount
Nationwide Group			
Nationwide Indemnity Insurance Company	10070	31-1399201	
Nationwide Mutual Insurance Company	23787	31-4177100	
National Casualty Company	11991	38-0865250	
Farmland Mutual Insurance Company	13838	42-0618271	
Total Nationwide Group			\$1,877,897,000
National Workers' Compensation Reins Pool		AA-9992118	190,904,000
U.S. Aircraft Insurance Group		AA-9995043	161,469,000
Swiss Re Group			
Swiss Reinsurance Life and Health America	82627	06-0839705	
Swiss Reinsurance America Corporation	25364	13-1675535	
Total Swiss Re Group			124,470,000
Minnesota WCRA		AA-9991423	86,223,000
Lloyd's Underwriters	00010	AA-1122000	52,659,000
General Reinsurance Corporation	22039	13-2673100	49,832,000
GE Reins Corp	22969	36-2667627	32,460,000
American Re-Insurance Co	10227	13-4924125	32,163,000

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

C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2005.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$881,586,215	\$48,105,485	\$336,651,246	\$18,370,037	\$544,934,969	\$29,735,448
All Other	22,823,585	7,760,019	36,310,980	7,988,416	(13,487,395)	(228,397)
Total	\$904,409,800	\$55,865,504	\$372,962,226	\$26,358,453	\$531,447,574	\$29,507,051

Direct Unearned Premium Reserve: \$140,440,576

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2005 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$2,000,000	\$10,718,687	(\$2,000,000)	\$10,718,687
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(31,200,000)	0	(31,200,000)
Totals	\$2,000,000	\$(20,481,313)	(\$2,000,000)	\$(20,481,313)

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

D. The Company has not written off any uncollectible balances in the current year.

E. The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an increase in loss and loss adjustment expense of \$8,501,821. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$8,501,821
Loss Adjustment Expenses Incurred	0
Premiums Earned	0
Other	0
Total	\$8,501,821
Reinsurer	Amount
Converium Reinsurance North American 06-1325038	\$8,480,931
Norrmark Ins. Co. Ltd. AA-1080670	20,890
Total	\$8,501,821

F. The Company has two ceded retroactive contracts, in addition to the inter-company pooling arrangement, that transferred liabilities for losses that had already occurred. As a result of the inter-company pooling arrangement, all ceded retroactive contracts are retro ceded, resulting in post-pooled ceded balances of zero. The impact of the inter-company pooling arrangement is also shown.

NOTES TO FINANCIAL STATEMENTS

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$(350,985,031)	\$0
	2. Adjustment – Prior Year(s)	19,892,378	0
	3. Adjustment – Current Year	1,120,389	0
	4. Total	\$(329,972,264)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$(153,448,092)	\$0
	2. Adjustment – Prior Year(s)	(6,231,667)	0
	3. Adjustment – Current Year	(7,227,700)	0
	4. Total	\$(166,907,459)	\$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	\$(4,211,527)	\$0
	2. Adjustment – Prior Year(s)	(15,416,095)	0
	3. Adjustment – Current Year	(7,038,010)	0
	4. Total	\$(26,665,632)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$ 200,296,268	\$0
	2. Adjustment – Prior Year(s)	(10,707,950)	0
	3. Adjustment – Current Year	(1,625,015)	0
	4. Total	\$ 187,963,303	\$0
	5. Cumulative Total Transferred to Unassigned Funds	1,767,134	\$0
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(329,972,264)	\$(7,543,723)
	GE Reins Corp, 22969		4,269,394
	Other		3,274,329

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. There are no contracts recorded as deposit accounting.

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

- A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features 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.

Total accrued retro premium	\$125,324,701
Less: Non-admitted amount	12,668,591
Admitted amount	<u>\$112,656,110</u>

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

Reserves for incurred loss and loss adjustment expenses attributed to insured events of prior years has increased during 2005, primarily as a result of rising loss development trends in workers' compensation and general liability. The increase also reflects the completion of the Company's biennial ground-up asbestos reserve study in the third quarter (refer to Note 33). A portion of the increase in incurred loss and loss adjustment expenses attributed to insured events of prior years was offset by a corresponding increase in premiums earned. Original estimates are revised as additional information becomes known regarding individual claims.

NOTES TO FINANCIAL STATEMENTS

Note 26- Intercompany Pooling Arrangements

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

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	66.5%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	16.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	6.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LM Ins Corp)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FLIC)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (Lloyds)	11041	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the lead company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated company cedes its net underwriting activity to the lead company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (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 and 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.

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$212,864,296 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 \$212,864,296 as of December 31, 2005.



NOTES TO FINANCIAL STATEMENTS

B. A summary of purchased structured settlement annuities exceeding 1% of policyholders’ surplus and whereby the company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company & Location	Licensed in Company’s State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$86,944,056
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$85,786,428
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$26,479,054

**Note 28 - Health Care Receivables**

Not applicable

**Note 29 - Participating Policies**

Not applicable

**Note 30 – Premium Deficiency Reserves**

As of December 31, 2005, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

**Note 31- High Dollar Deductible Policies**

As of December 31, 2005, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$670,203,229 and the amount billed and recoverable on paid claims was \$41,521,183.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2005, liabilities include \$546,935,698 of liabilities carried at a discounted value of \$333,926,555 representing a discount of \$211,009,143.

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

**Note 33 - Asbestos/Environmental Reserves**

The Company has exposure to asbestos and environmental claims 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.

Upon their de-affiliation from the Nationwide Group and re-affiliation with the Liberty Mutual Insurance Company, EICOW, Wausau Business Insurance Company (“WBIC”), Wausau General Insurance Company (“WGIC”), and Wausau Underwriters Insurance Company (“WUIC”) entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

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.

NOTES TO FINANCIAL STATEMENTS

In recent years the Company, as well as the industry generally, has witnessed a significant increase in the number of asbestos claims being filed, due to a number of variables, including more intensive advertising by lawyers seeking asbestos claimants, and the increasing focus by plaintiffs on new and previously peripheral defendants, attempts to broaden the interpretation of compensable loss, and courts expanding the scope of the coverage.

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

During the third quarter of 2005, the Company completed its biennial ground-up asbestos reserve study. As part of that review, a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel completed their comprehensive review of the Company's asbestos exposure on a direct, assumed, and ceded basis including potential exposures of large policyholders that were individually evaluated using the company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. Small policyholders were evaluated using aggregate methods that utilized information developed from the large policyholders. Additionally, a provision of pure IBNR was established for the potential emergence of first-time filers of future asbestos claims. Based on this internal study, the Company increased its asbestos reserves by \$32,480,000.

*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.

<u>Asbestos:</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Direct Basis</b>					
Beginning Reserves	211,138,108	217,015,437	236,649,922	252,548,655	272,393,997
Incurring losses and LAE	40,959,258	66,132,507	68,322,547	65,931,786	88,678,215
Calendar year payments	35,081,929	46,498,022	52,423,814	46,086,444	41,352,187
Ending Reserves	217,015,437	236,649,922	252,548,655	272,393,997	319,720,025
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	12,019,812	17,437,844	29,913,119	41,961,426	78,334,535
Incurring losses and LAE	5,558,923	12,954,442	18,438,413	41,926,428	8,711,102
Calendar year payments	140,891	479,167	6,390,106	5,553,319	4,824,864
Ending Reserves	17,437,844	29,913,119	41,961,426	78,334,535	82,220,773
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	124,638,400	134,874,080	153,602,240	179,934,240	152,234,892
Incurring losses and LAE	28,456,800	46,452,480	50,080,480	565,110	35,099,002
Calendar year payments	18,221,120	27,724,320	23,748,480	28,264,458	20,556,948
Ending Reserves	134,874,080	153,602,240	179,934,240	152,234,892	166,776,946

NOTES TO FINANCIAL STATEMENTS

<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>	
Direct Basis	167,569,699
Assumed Reinsurance Basis	62,466,341
Net of Ceded Reinsurance Basis	71,200,448
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	117,989,662
Assumed Reinsurance Basis	728,858
Net of Ceded Reinsurance Basis	50,774,779

<b><u>Environmental:</u></b>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Direct Basis</b>					
Beginning Reserves	114,865,563	91,242,743	71,440,639	51,472,858	113,628,857
Incurred losses and LAE	(12,677)	7,055,496	(8,780,255)	73,619,748	25,370,576
Calendar year payments	23,610,143	26,857,600	11,187,526	11,463,749	29,239,868
Ending Reserves	91,242,743	71,440,639	51,472,858	113,628,857	109,759,565
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	17,849,957	17,753,417	18,858,720	8,946,661	11,341,598
Incurred losses and LAE	(1,720)	1,382,074	(9,011,585)	3,254,039	(1,956,843)
Calendar year payments	94,820	276,771	900,474	859,102	1,013,667
Ending Reserves	17,753,417	18,858,720	8,946,661	11,341,598	8,371,088
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	71,591,040	68,062,880	49,033,440	41,238,080	84,274,150
Incurred losses and LAE	14,326,560	(1,742,240)	(1,280,000)	50,557,744	81,498
Calendar year payments	17,854,720	17,287,200	6,515,360	7,521,674	16,064,212
Ending Reserves	68,062,880	49,033,440	41,238,080	84,274,150	68,291,436

<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>	
Direct Basis	78,466,555
Assumed Reinsurance Basis	4,992,557
Net of Ceded Reinsurance Basis	43,641,653
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	43,641,588
Assumed Reinsurance Basis	170,465
Net of Ceded Reinsurance Basis	25,326,655

**Note 34- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	212,392,680	5.609	212,392,680	5.609
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	295,448,034	7.803	295,448,034	7.803
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	319,611,307	8.441	319,611,307	8.441
1.43 Revenue and assessment obligations	89,081,743	2.353	89,081,743	2.353
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	194,361,639	5.133	194,361,639	5.133
1.512 Issued or guaranteed by FNMA and FHLMC	961,762,303	25.399	961,762,303	25.399
1.513 All other	134,857,942	3.561	134,857,942	3.561
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	13,316,162	0.352	13,316,162	0.352
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage- backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other	30,766,251	0.813	30,766,251	0.813
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	1,355,810,023	35.806	1,355,810,023	35.806
2.2 Unaffiliated foreign securities	36,647,491	0.968	36,647,491	0.968
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	976,800	0.026	976,800	0.026
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	1,927,643	0.051	1,927,643	0.051
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	22,088,639	0.583	22,088,639	0.583
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	3,562,286	0.094	3,562,286	0.094
8. Cash, cash equivalents and short-term investments	43,941,673	1.160	43,941,673	1.160
9. Other invested assets	70,028,317	1.849	70,028,317	1.849
10. Total invested assets	3,786,580,933	100.000	3,786,580,933	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Wisconsin

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2004

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.

12/31/1999

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).

11/07/2003

3.4

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

4.1

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

4.11

sales of new business?

Yes ☐ No ☒

4.12

renewals?

Yes ☐ No ☒

4.2

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

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

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

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

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? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.)

Yes ☐ No ☒

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 ☒

7.2

If yes,

7.21

State the percentage of foreign control

0 %

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 ☒

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 ☒

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	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? Roy K. Morell  
175 Berkeley Street Boston, MA 02117  
Officer of Liberty Mutual Insurance Company

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes ☐ No ☒

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value

\$

11.2 If yes, provide explanation

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 ☒

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes ☐ No ☒

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes ☐ No ☐ N/A ☒

BOARD OF DIRECTORS

13. 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 ☒ No ☐

14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes ☒ No ☐

15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes ☒ No ☐

FINANCIAL

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

16.11 To directors or other officers

16.12 To stockholders not officers

16.13 Trustees, supreme or grand (Fraternal only)

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

16.21 To directors or other officers

16.22 To stockholders not officers

16.23 Trustees, supreme or grand (Fraternal only)

17.1 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 ☒

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

17.21 Rented from others

17.22 Borrowed from others

17.23 Leased from others

17.24 Other

18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes ☐ No ☒

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

\$

16 . 1

02 / 22 / 2006 11 : 58 a m

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

18.22 Amount paid as expenses

18.23 Other amounts paid

\$

\$

19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [ X ]    No [   ]

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

\$

INVESTMENT

20.1 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, except as shown by Schedule E - Part 3 - Special Deposits?

Yes [ X ]    No [   ]

20.2 If no, give full and complete information, relating thereto

21.1 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, except as shown on Schedule E - Part 3 - Special Deposits, 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 17.1).

Yes [ X ]    No [   ]

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

21.21 Loaned to others

21.22 Subject to repurchase agreements

21.23 Subject to reverse repurchase agreements

21.24 Subject to dollar repurchase agreements

21.25 Subject to reverse dollar repurchase agreements

21.26 Pledged as collateral

21.27 Placed under option agreements

21.28 Letter stock or securities restricted as to sale

21.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

189,588

21.3 For category (21.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [   ]    No [ X ]

22.2 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.

23.1 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 ]

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

\$

24. Excluding items in Schedule E, 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 Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes [ X ]    No [   ]

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

1	2
Name of Custodian(s)	Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245
ROYAL TRUST/RBC	77 King Street West, Toronto, Ontario M5W 1P9

24.02 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	2	3
Name(s)	Location(s)	Complete Explanation(s)

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [   ]    No [ X ]

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

1 Central Registration Depository Number(s)	2 Name	3 Address
39438	Barclays Global Investors	45 Fremont St. San Francisco, CA 94105
107900	Columbian Management Advisors	100 Federal Street, 22nd Floor, Boston, MA 02110
2528	Lazard Asset Management	30 Rockefeller Plaza, New York, NY 10112
106054	Matthews International Capital Mgt	4 Embarcadero Ctr, Suite 550, San Fran, CA 94111
110126	Highland Capital Management LP	2 Galleria, 13455 Noel Rd, Ste 800, Dallas, Tx 75240

25.1 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 [ ☒ ]

25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
25.2999	Total	

25.3 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

26. 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 (+)
26.1 Bonds	3,674,881,558	3,650,298,769	(24,582,789)
26.2 Preferred stocks	976,800	976,800	
26.3 Totals	3,675,858,358	3,651,275,569	(24,582,789)

26.4 Describe the sources or methods utilized in determining the fair values: IDC, Bloomberg, NAIC, SVO, Broker Quotes, Analytically Determined

27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securitties Valuation Office been followed? Yes [ ☒ ] No [ ☐ ]

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 410,827

28.2 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
Wisconsin Compensation Rating Bureau	\$ 135,757
	\$
	\$

29.1 Amount of payments for legal expenses, if any? \$

29.2 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
	\$
	\$



GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1	2
Name	Amount Paid
	\$

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?
- \$
- 30.2 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	2
Name	Amount Paid
	\$
	\$
	\$
	\$

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.

\$

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

\$

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.

\$

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$

1.62 Total incurred claims

\$

1.63 Number of covered lives

\$

All years prior to most current three years:

1.64 Total premium earned

\$

1.65 Total incurred claims

\$

1.66 Number of covered lives

\$

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$

1.72 Total incurred claims

\$

1.73 Number of covered lives

\$

All years prior to most current three years:

1.74 Total premium earned

\$

1.75 Total incurred claims

\$

1.76 Number of covered lives

\$

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 22,609	\$ (1,102,250)
2.2 Premium Denominator	\$ 1,657,550,542	\$ 1,552,027,819
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 1,218,954	\$ 1,270,681
2.5 Reserve Denominator	\$ 3,427,127,255	\$ 3,231,481,910
2.6 Reserve Ratio (2.4/2.5)		

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

\$

3.22 Non-participating policies

\$

4. For Mutual Reporting Entities and Reciprocal Exchange 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?

%

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

\$

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

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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 of loss: In 2005, the Company purchased a Workers' Compensation Catastrophe Treaty with limits of \$450M part of \$600M xs \$100M.

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: For its North American exposures, the Company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v5.0 from RMS and AIR Classic/2 v7.0 from AIR. For WC, the Company utilizes RiskLink v5.0 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? In 2005, the Company purchased a Property Catastrophe Treaty with limits of \$860M part of \$1.15B xs \$250M.

6.4

Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?

YES ☒ NO ☐

6.5

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

7.1

Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

YES ☒ NO ☐

7.2

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

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 ☒ NO ☐

8.1

Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?

YES ☐ NO ☒

8.2

If yes, give full information

9.1

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% 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 3% 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) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

YES ☐ NO ☒

9.2

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), 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.

YES ☒ NO ☐

9.3

If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatroy 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 30 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 ☒

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.

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

YES ☒ NO ☐ N/A ☐

11.1

Has the reporting entity guaranteed policies issued by any other entity and now in force:

YES ☐ NO ☒

11.2

If yes, give full information

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

\$268,737,221

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$42,044,310

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?

\$67,359,629

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

5.500 %

12.42

To

6.000 %

12.5

Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?

YES [ X ] NO [ ]

12.6

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

12.61

Letters of Credit

\$1,181,298,510

12.62

Collateral and other funds

\$92,156,693

13.1

What amount of installment notes is owned and now held by the reporting entity?

\$

13.2

Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year?

YES [ ] NO [ X ]

13.3

If yes, what amount?

\$

14.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$16,249,370

14.2

Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

YES [ X ] NO [ ]

14.3

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

15.1

Is the company a cedant in a multiple cedant reinsurance contract?

YES [ X ] NO [ ]

15.2

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

Premiums were allocated based on exposures; recoverables were based on losses incurred.

15.3

If the answer to 15.1 is yes, are the methods described in item 15.2 entirely contained in the respective multiple cedant reinsurance contracts?

YES [ ] NO [ X ]

15.4

If the answer to 15.3 is no, are all the methods described in 15.2 entirely contained in written agreements?

YES [ ] NO [ X ]

15.5

If the answer to 15.4 is no, please explain:

Premiums were allocated at the inception of the treaties based on exposures. Recoveries were based on actual losses incurred after an event.

16.1

Has the reporting entity guaranteed any financed premium accounts?

YES [ ] NO [ X ]

16.2

If yes, give full information

17.1

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	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
17.11 Home	\$	\$	\$	\$	\$
17.12 Products	\$	\$	\$	\$	\$
17.13 Automobile	\$	\$	\$	\$	\$
17.14 Other*	\$	\$	\$	\$	\$

\* Disclose type of coverage:

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

18.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5.

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

18.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5

18.12 Unfunded portion of Interrogatory 18.11

18.13 Paid losses and loss adjustment expenses portion of Interrogatory 18.11

18.14 Case reserves portion of Interrogatory 18.11

18.15 Incurred but not reported portion of Interrogatory 18.11

18.16 Unearned premium portion of Interrogatory 18.11

18.17 Contingent commission portion of Interrogatory 18.11

YES ☒ NO ☐

\$ 211,000

\$ 135,000

\$

\$

\$ 211,000

\$

\$

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

18.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5

18.19 Unfunded portion of Interrogatory 18.18

18.20 Paid losses and loss adjustment expenses portion of Interrogatory 18.18

18.21 Case reserves portion of Interrogatory 18.18

18.22 Incurred but not reported portion of Interrogatory 18.18

18.23 Unearned premium portion of Interrogatory 18.18

18.24 Contingent commission portion of Interrogatory 18.18

\$

\$

\$

\$

\$

\$

\$

FIVE-YEAR HISTORICAL DATA

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

	1 2005	2 2004	3 2003	4 2002	5 2001
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,294,647,778	2,145,600,933	1,850,548,993	1,605,584,291	1,515,225,800
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	335,989,604	496,504,257	447,470,820	395,192,416	340,274,638
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	342,042,593	342,846,609	361,229,638	354,893,193	323,700,843
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	32,141,525	22,219,858	28,097,983	90,017,877	121,497,217
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	13,142,895	19,379,223	35,630,330	23,354,679	7,152,266
6. Total (Line 34)	3,017,964,395	3,026,550,880	2,722,977,764	2,469,042,456	2,307,850,764
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,118,026,044	1,046,400,647	921,436,786	803,944,075	699,725,981
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	288,609,093	280,116,407	260,918,318	244,794,737	225,648,551
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	243,663,902	220,863,206	230,628,852	188,626,108	163,638,746
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	31,946,972	21,871,690	28,292,276	86,088,043	87,470,002
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	13,128,404	19,353,335	35,427,100	23,288,557	7,263,050
12. Total (Line 34)	1,695,374,415	1,588,605,285	1,476,703,332	1,346,741,520	1,183,746,330
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(125,415,355)	(119,017,226)	(139,897,217)	(110,874,686)	(340,713,731)
14. Net investment gain (loss) (Line 11)	202,828,724	234,964,723	184,330,411	193,003,098	228,429,621
15. Total other income (Line 15)	(19,220,144)	(29,547,855)	(37,320,501)	(20,733,572)	106,926,005
16. Dividends to policyholders (Line 17)	5,777,263	6,309,201	(384,217)	10,380,108	12,361,645
17. Federal and foreign income taxes incurred (Line 19)	(6,813,745)	(20,373,104)	(17,275,869)	2,206,655	(207,773)
18. Net income (Line 20)	59,229,707	100,463,545	24,772,779	48,808,077	(17,511,977)
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	4,687,160,333	4,423,248,464	3,982,482,671	3,694,167,088	3,751,251,825
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	146,298,699	167,082,617	175,902,061	166,284,345	158,511,153
20.2 Deferred and not yet due (Line 13.2)	331,165,209	306,524,530	246,431,816	207,267,997	166,901,934
20.3 Accrued retrospective premiums (Line 13.3)	112,656,110	122,692,679	127,455,084	111,915,298	115,368,144
21. Total liabilities excluding protected cell business (Page 3, Line 24)	3,616,497,879	3,428,099,497	3,231,661,342	2,993,474,130	3,101,456,582
22. Losses (Page 3, Lines 1 and 2)	2,289,679,733	2,177,411,671	2,129,916,987	2,005,806,447	2,091,807,807
23. Loss adjustment expenses (Page 3, Line 3)	465,559,373	408,643,122	417,226,552	379,667,924	400,944,964
24. Unearned premiums (Page 3, Line 9)	671,888,149	645,427,117	613,641,688	516,107,568	440,992,921
25. Capital paid up (Page 3, Lines 28 & 29)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	1,070,662,454	995,148,967	750,821,329	700,692,958	649,795,243
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	1,070,662,454	995,148,967	750,821,329	700,692,958	649,795,243
28. Authorized control level risk-based capital	289,630,426	287,523,360	248,012,590	234,596,075	221,835,068
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	96.2	94.7	95.4	95.1	91.6
30. Stocks (Lines 2.1 & 2.2)	0.1		0.2	0.2	0.3
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)	0.6	0.6	1.0	1.1	1.0
33. Cash, cash equivalents and short-term investments (Line 5)	1.2	1.3	1.0	2.5	3.9
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)	1.8	2.1	2.0	1.1	1.5
36. Receivables for securities (Line 8)	0.1	1.3	0.4		1.8
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)				6,975,913	6,896,053
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)			5,292,681	5,294,721	4,576,651
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44			5,292,681	12,270,634	11,472,704
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)			0.7	1.8	1.8

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	(1,542,970)	2,073,140	24,270,907	1,298,983	(37,700,228)
48. Dividends to stockholders (Line 35)				100,000	(100,000)
49. Change in surplus as regards policyholders for the year (Line 38)	75,513,487	244,327,638	50,128,371	50,897,715	(94,746,809)
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,346,229,885	1,381,992,671	1,323,631,668	1,473,801,729	489,611,748
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	245,346,154	180,111,783	304,589,734	155,496,513	188,268,129
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	223,153,836	199,906,224	179,612,569	195,767,093	182,016,479
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	11,896,115	83,480,871	52,548,022	82,663,318	96,073,647
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	52,852,616	34,312,382	63,678,014	40,116,320	36,346,857
55. Total (Line 34)	1,879,478,606	1,879,803,931	1,924,060,007	1,947,844,973	992,316,860
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	597,931,206	649,722,096	544,569,910	628,220,917	583,597,669
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	147,133,533	124,163,959	121,967,739	122,283,034	140,203,199
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	154,343,251	143,029,466	95,076,196	106,869,722	125,362,697
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	8,505,544	81,376,812	47,274,764	69,435,370	59,726,110
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	17,484,728	795,521	16,288,274	16,898,658	11,526,257
61. Total (Line 34)	925,398,262	999,087,854	825,176,883	943,707,701	920,415,932
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	63.8	66.5	66.4	68.6	86.2
64. Loss expenses incurred (Line 3)	18.8	16.3	19.1	16.4	17.0
65. Other underwriting expenses incurred (Line 4)	24.9	24.9	24.4	23.7	25.9
66. Net underwriting gain (loss) (Line 8)	(7.6)	(7.7)	(10.0)	(8.8)	(29.0)
<b>Other Percentages</b>					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	25.5	26.2	25.7	23.8	16.6
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	82.6	82.8	85.5	85.1	103.2
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	158.3	159.6	196.7	192.2	182.2
<b>One Year Loss Development (000 omitted)</b>					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	81,856	55,061	117,413	97,838	193,403
71. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Col. 1 x 100.0)	8.2	7.3	16.8	15.1	26.0
<b>Two Year Loss Development (000 omitted)</b>					
72. 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)	213,947	263,870	246,499	370,363	253,999
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)	28.5	37.7	37.9	49.7	38.0

**SCHEDULE D - SUMMARY BY COUNTRY**  
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b>  Governments (Including all obligations guaranteed by governments)	1. United States .....	406,754,320	407,309,004	406,909,499	406,378,518
	2. Canada .....	36,647,490	36,569,150	33,954,612	35,712,742
	3. Other Countries .....				
	4. Totals .....	443,401,810	443,878,154	440,864,111	442,091,260
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	294,969,212	295,005,490	294,905,576	297,090,000
	6. Canada .....	478,822	495,000	377,440	473,301
	7. Other Countries .....				
	8. Totals .....	295,448,034	295,500,490	295,283,016	297,563,301
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....	319,611,308	319,779,713	319,577,967	321,545,000
	10. Canada .....				
	11. Other Countries .....				
	12. Totals .....	319,611,308	319,779,713	319,577,967	321,545,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	1,064,160,208	1,040,072,206	1,064,469,377	1,065,845,410
	14. Canada .....				
	15. Other Countries .....				
	16. Totals .....	1,064,160,208	1,040,072,206	1,064,469,377	1,065,845,410
Public Utilities (unaffiliated)	17. United States .....	194,025,595	191,761,241	195,552,655	189,707,000
	18. Canada .....	7,834,160	7,965,360	7,994,000	7,550,000
	19. Other Countries .....				
	20. Totals .....	201,859,755	199,726,601	203,546,655	197,257,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	1,245,476,375	1,245,869,347	1,252,976,213	1,229,909,458
	22. Canada .....	15,410,809	15,240,040	15,491,274	15,632,658
	23. Other Countries .....	58,687,277	59,406,236	58,254,138	58,455,000
	24. Totals .....	1,319,574,461	1,320,515,623	1,326,721,625	1,303,997,116
Parent, Subsidiaries and Affiliates	25. Totals .....				
	<b>26. Total Bonds</b> .....	3,644,055,576	3,619,472,787	3,650,462,751	3,628,299,087
<b>PREFERRED STOCKS</b>  Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
	30. Totals .....				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
	34. Totals .....				
Industrial and Miscellaneous (unaffiliated)	35. United States .....	976,800	976,800	995,204	
	36. Canada .....				
	37. Other Countries .....				
	38. Totals .....	976,800	976,800	995,204	
Parent, Subsidiaries and Affiliates	39. Totals .....				
	<b>40. Total Preferred Stocks</b> .....	976,800	976,800	995,204	
<b>COMMON STOCKS</b>  Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals .....				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals .....				
Industrial and Miscellaneous (unaffiliated)	49. United States .....	1,927,643	1,927,643	1,809,167	
	50. Canada .....				
	51. Other Countries .....				
	52. Totals .....	1,927,643	1,927,643	1,809,167	
Parent, Subsidiaries and Affiliates	53. Totals .....				
	<b>54. Total Common Stocks</b> .....	1,927,643	1,927,643	1,809,167	
	55. Total Stocks .....	2,904,443	2,904,443	2,804,371	
	56. Total Bonds and Stocks .....	3,646,960,019	3,622,377,230	3,653,267,122	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year .....	3,342,744,335	7. Amortization of premium .....	6,385,442
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	1,404,756,835	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	2,921,878	8.1 Column 15, Part 1 .....	2,152,226
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1 .....	
4.1 Columns 12 - 14, Part 1 .....	(4,609,074)	8.3 Column 16, Part 2, Section 2 .....	
4.2 Column 15 - 17, Part 2, Section 1 .....	(18,404)	8.4 Column 15, Part 4 .....	(753,599)
4.3 Column 15, Part 2, Section 2 .....	(117,088)		1,398,627
4.4 Column 11 - 13, Part 4 .....	314,672	9. Book/adjusted carrying value at end of current period .....	3,646,960,019
5. Total gain (loss), Column 19, Part 4 .....	19,834,746	10. Total valuation allowance .....	
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	1,113,881,066	11. Subtotal (Lines 9 plus 10) .....	3,646,960,019
		12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	3,646,960,019



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
				4	5	6	7	8	9			
Direct and Assumed	Ceded	Net (Cols. 1 - 2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	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	116,634	37,453	48,556	19,269	10,331	3,084	1,369	115,715	X X X
2. 1996	1,387,957	205,998	1,181,959	1,001,724	141,224	76,601	6,241	106,044	(741)	34,233	1,037,645	X X X
3. 1997	1,353,407	168,518	1,184,889	1,011,376	133,208	90,489	9,233	109,748	599	33,924	1,068,573	X X X
4. 1998	1,427,018	171,926	1,255,092	1,149,225	143,143	91,866	8,596	122,347	1,173	39,190	1,210,526	X X X
5. 1999	1,416,654	203,790	1,212,864	1,148,386	156,389	95,327	11,840	124,134	1,972	37,744	1,197,646	X X X
6. 2000	1,493,996	241,454	1,252,542	1,126,108	188,665	88,274	11,964	118,269	1,516	28,708	1,130,506	X X X
7. 2001	1,551,606	249,840	1,301,766	1,068,336	232,894	74,276	11,475	111,891	1,114	33,586	1,009,020	X X X
8. 2002	1,771,571	334,680	1,436,891	949,154	146,523	59,311	6,388	126,200	930	52,369	980,824	X X X
9. 2003	1,972,842	448,108	1,524,734	826,492	164,818	48,398	2,810	130,655	906	51,246	837,011	X X X
10. 2004	2,052,269	500,200	1,552,069	696,727	166,006	29,207	3,368	126,110	6,349	45,610	676,321	X X X
11. 2005	2,113,589	456,051	1,657,538	480,095	69,021	11,134	1,319	104,096	6,127	27,796	518,858	X X X
12. Totals	X X X	X X X	X X X	9,574,257	1,579,344	713,439	92,503	1,189,825	23,029	385,775	9,782,645	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		21	22			
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	797,216	236,388	357,860	261,980	43,381	36,191	188,242	79,721	22,992		3,123	795,411	X X X
2. 1996	42,489	7,327	9,435	6,565	618	52	3,000	542	706		212	41,762	X X X
3. 1997	55,244	8,097	10,525	5,300	4,464	2,968	4,475	960	1,004		315	58,387	X X X
4. 1998	76,782	11,149	12,348	8,938	1,278	137	7,043	1,464	4,940		505	80,703	X X X
5. 1999	86,351	20,463	19,436	11,494	2,181	479	8,745	2,834	2,889		851	84,332	X X X
6. 2000	96,125	28,959	28,328	19,626	2,396	559	8,633	2,744	1,673		1,234	85,267	X X X
7. 2001	132,108	69,110	43,401	24,887	4,714	2,623	14,378	5,522	4,009		2,345	96,468	X X X
8. 2002	151,022	77,100	77,955	54,636	3,985	1,166	22,133	4,530	5,575		3,548	123,238	X X X
9. 2003	159,792	41,152	137,857	91,160	5,259	1,320	39,931	8,155	7,867		6,101	208,919	X X X
10. 2004	202,912	60,326	319,467	115,726	6,269	1,628	69,122	14,723	16,715	1	12,406	422,081	X X X
11. 2005	350,408	153,227	622,394	202,702	6,234	1,275	103,390	15,787	36,931	4,236	34,984	742,130	X X X
12. Totals	2,150,449	713,298	1,639,006	803,014	80,779	48,398	469,092	136,982	105,301	4,237	65,624	2,738,698	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	27	28	29	30	31	32	33	Inter-Company Pooling Participation Percentage	35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	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	656,708	138,703
2. 1996	1,240,617	161,210	1,079,407	89,384	78,258	91,324			16,000	38,032	3,730
3. 1997	1,287,325	160,365	1,126,960	95,117	95,162	95,111			16,000	52,372	6,015
4. 1998	1,465,829	174,600	1,291,229	102,720	101,555	102,879			16,000	69,043	11,660
5. 1999	1,487,449	205,471	1,281,978	104,997	100,825	105,698			16,000	73,830	10,502
6. 2000	1,469,806	254,033	1,215,773	98,381	105,210	97,064			16,000	75,868	9,399
7. 2001	1,453,113	347,625	1,105,488	93,652	139,139	84,922			16,000	81,512	14,956
8. 2002	1,395,335	291,273	1,104,062	78,763	87,030	76,837			16,000	97,241	25,997
9. 2003	1,356,251	310,321	1,045,930	68,746	69,251	68,598			16,000	165,337	43,582
10. 2004	1,466,529	368,127	1,098,402	71,459	73,596	70,770			16,000	346,327	75,754
11. 2005	1,714,682	453,694	1,260,988	81,127	99,483	76,076			16,000	616,873	125,257
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,273,143	465,555

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

SCHEDULE P-PART 2-SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	One Year	Two Year
1. Prior	2,156,754	2,168,304	2,117,719	2,026,260	1,985,285	2,088,092	2,162,925	2,241,034	2,340,152	2,423,342	83,190	182,308
2. 1996	988,017	944,334	947,299	953,193	964,344	961,987	961,722	961,597	972,267	980,752	8,485	19,155
3. 1997	X X X	940,286	935,769	970,551	986,293	1,005,024	1,006,016	1,007,687	1,019,559	1,027,952	8,393	20,265
4. 1998	X X X	X X X	1,034,211	1,070,207	1,096,351	1,130,793	1,142,610	1,151,386	1,164,534	1,179,123	14,589	27,737
5. 1999	X X X	X X X	X X X	1,017,884	1,049,725	1,089,436	1,117,487	1,137,710	1,146,721	1,168,367	21,646	30,657
6. 2000	X X X	X X X	X X X	X X X	979,057	1,024,259	1,030,891	1,065,619	1,094,156	1,105,113	10,957	39,494
7. 2001	X X X	X X X	X X X	X X X	X X X	1,008,668	982,709	1,000,136	985,717	994,943	9,226	(5,193)
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	1,000,483	944,391	945,604	976,113	30,509	31,722
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,045,859	941,768	913,660	(28,108)	(132,199)
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,050,066	973,033	(77,033)	X X X
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,144,835	X X X	X X X
12. Totals											81,856	213,947

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss	Number of Claims Closed Without Loss
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Payment	Payment
1. Prior	000	394,876	685,273	859,697	1,000,244	1,082,005	1,213,681	1,317,728	1,422,543	1,531,011	X X X	X X X
2. 1996	412,282	600,190	705,046	784,688	837,842	872,545	893,905	905,034	919,197	930,860	X X X	X X X
3. 1997	X X X	379,224	572,604	702,217	795,543	857,455	897,425	921,898	946,023	959,424	X X X	X X X
4. 1998	X X X	X X X	415,121	666,198	814,837	924,723	987,938	1,031,058	1,064,333	1,089,352	X X X	X X X
5. 1999	X X X	X X X	X X X	412,437	655,568	808,280	916,857	990,036	1,041,749	1,075,484	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	432,571	679,095	807,982	897,026	978,047	1,013,753	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	455,518	687,104	801,978	870,709	898,243	X X X	X X X
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	428,680	656,887	789,978	855,554	X X X	X X X
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	395,548	604,468	707,262	X X X	X X X
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	361,987	556,560	X X X	X X X
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	420,889	X X X	X X X

SCHEDULE P-PART 4-SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1. Prior	926,481	740,831	555,780	370,338	320,448	257,662	193,158	190,949	159,841	211,565
2. 1996	330,163	171,035	97,062	58,929	44,065	29,612	14,750	6,219	9,782	7,809
3. 1997	X X X	310,260	151,815	89,677	59,657	48,238	27,291	13,362	12,402	12,744
4. 1998	X X X	X X X	334,984	150,273	86,008	51,152	37,579	17,419	17,826	14,810
5. 1999	X X X	X X X	X X X	330,761	157,019	78,400	47,817	27,722	21,669	19,602
6. 2000	X X X	X X X	X X X	X X X	271,036	103,794	45,750	31,328	25,116	18,057
7. 2001	X X X	X X X	X X X	X X X	X X X	282,291	115,422	69,064	35,389	28,615
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	301,974	119,255	53,811	40,582
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	433,177	178,065	81,431
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	478,095	266,755
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	520,208

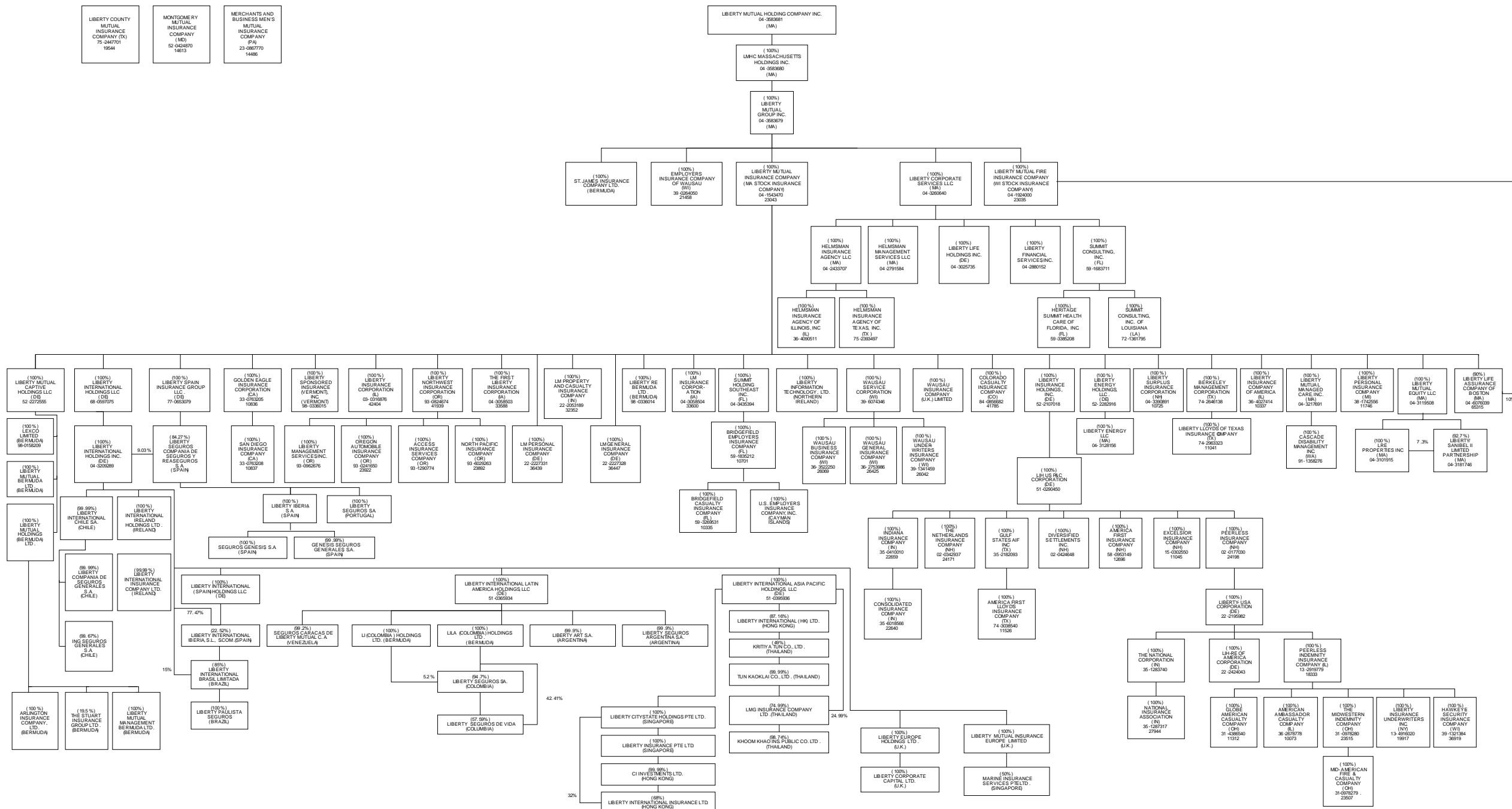
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN  
Allocated by States and Territories

States, Etc.	1 Is Insurer Licen- sed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4  Dividends Paid or Credited to Policyholders on Direct Business	5  Direct Losses Paid (Deducting Salvage)	6  Direct Losses Incurred	7  Direct Losses Unpaid	8  Finance and Service Charges Not Included in Premiums	9  Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2  Direct Premiums Written	3  Direct Premiums Earned						
1. Alabama	AL	YES	8,789,863	5,983,281	(324,311)	5,092,635	4,572,530	39,080,079	
2. Alaska	AK	YES	11,918,698	10,643,548	2,969	7,442,497	11,295,411	43,245,399	
3. Arizona	AZ	YES	2,956,638	4,728,128	117,197	9,906,633	3,960,831	17,124,307	
4. Arkansas	AR	YES	3,844,981	4,951,969	95,149	1,959,628	721,021	11,306,575	
5. California	CA	YES	36,387,638	41,207,463	(117,274)	30,683,179	71,735,209	248,892,751	
6. Colorado	CO	YES	4,616,607	6,992,993	88,792	8,601,492	10,127,798	33,981,695	
7. Connecticut	CT	YES	6,577,738	7,016,025	20,450	8,591,584	11,876,906	48,677,268	
8. Delaware	DE	YES	967,657	1,332,909	2,379	2,410,620	3,957,940	14,303,362	
9. Dist. Columbia	DC	YES	1,343,115	1,989,753	(3,636)	1,020,267	705,902	6,714,611	
10. Florida	FL	YES	30,461,442	33,352,355	518,153	52,694,094	44,802,198	146,096,826	
11. Georgia	GA	YES	13,308,612	15,460,406	28,258	12,463,246	9,146,946	51,290,923	
12. Hawaii	HI	YES	2,145,009	2,407,257	(2,356)	909,847	535,393	4,821,007	
13. Idaho	ID	YES	3,249,049	(3,462,348)	7,242	2,314,633	2,772,038	12,403,208	8,265
14. Illinois	IL	YES	21,209,833	28,489,326	(488,120)	37,562,641	55,633,879	130,846,041	
15. Indiana	IN	YES	17,032,334	18,284,443	161,512	9,715,688	11,791,005	42,970,545	
16. Iowa	IA	YES	4,416,892	6,377,342	45,895	3,074,961	940,466	9,654,377	
17. Kansas	KS	YES	5,491,371	6,676,416	50,012	4,895,660	1,307,819	42,944,835	
18. Kentucky	KY	YES	7,712,805	8,302,029	91,146	9,459,519	15,071,914	76,138,439	
19. Louisiana	LA	YES	6,747,293	7,677,541	37,069	8,327,264	30,064,360	64,489,752	
20. Maine	ME	YES	543,484	1,319,907	5,574	1,734,621	2,447,933	15,289,020	
21. Maryland	MD	YES	7,453,332	8,824,161	(44,987)	7,856,043	8,389,363	25,395,999	
22. Massachusetts	MA	YES	11,384,427	12,895,244	42,264	10,740,442	13,930,253	79,265,140	
23. Michigan	MI	YES	15,169,633	18,035,362	51,479	11,010,102	13,264,079	94,073,053	
24. Minnesota	MN	YES	10,313,709	11,170,347	35,860	8,961,853	24,415,784	136,087,501	
25. Mississippi	MS	YES	5,672,872	6,546,857	58,537	3,461,200	5,581,631	19,457,334	
26. Missouri	MO	YES	10,832,481	11,665,479	47,041	10,285,884	8,476,849	39,653,874	
27. Montana	MT	YES	3,508,526	2,918,921	12,983	1,206,244	1,506,915	6,412,673	
28. Nebraska	NE	YES	6,935,966	8,100,226	60,402	4,144,385	5,633,765	20,098,639	
29. Nevada	NV	YES	2,015,037	2,870,869	9,918	2,487,585	1,296,903	4,043,193	
30. New Hampshire	NH	YES	4,844,038	4,844,383	(95,159)	3,083,160	3,230,301	18,375,318	
31. New Jersey	NJ	YES	7,434,587	8,495,388	193,483	12,485,712	19,227,303	106,084,214	
32. New Mexico	NM	YES	2,243,961	2,571,851	2,849	1,069,323	1,091,217	4,663,553	
33. New York	NY	YES	32,660,184	36,660,706	(3,792,183)	60,846,369	134,185,094	415,160,859	
34. No. Carolina	NC	YES	18,379,508	20,645,688	(9,747)	15,984,903	18,832,562	51,987,691	
35. No. Dakota	ND	YES	449,415	499,042	4,365	32,798	449,096	1,123,265	
36. Ohio	OH	YES	3,352,694	6,899,730	(15,578)	5,264,104	8,967,381	31,319,059	
37. Oklahoma	OK	YES	9,269,026	11,148,385	69,630	4,730,477	3,059,724	18,699,115	
38. Oregon	OR	YES	3,222,800	3,836,480	188,649	3,834,765	(125,390)	28,286,650	
39. Pennsylvania	PA	YES	14,010,002	17,376,217	(23,804)	32,565,169	29,322,566	162,193,830	
40. Rhode Island	RI	YES	877,406	1,539,173	(2,077)	1,385,032	1,414,081	6,614,925	
41. So. Carolina	SC	YES	15,978,204	18,085,416	95,502	21,710,931	13,447,195	28,504,907	
42. So. Dakota	SD	YES	1,217,904	1,212,529	6,983	1,476,841	1,059,952	13,329,017	
43. Tennessee	TN	YES	14,988,918	16,635,183	161,384	16,089,598	11,382,272	37,868,201	
44. Texas	TX	YES	31,505,844	44,997,298	(208,789)	29,302,522	26,739,810	134,142,248	
45. Utah	UT	YES	2,601,278	2,849,074	(11,192)	1,317,338	1,818,697	10,939,957	
46. Vermont	VT	YES	1,989,634	920,690	8,009	1,229,112	406,700	3,032,172	
47. Virginia	VA	YES	10,651,167	10,560,482	(66,717)	6,742,302	4,004,166	35,120,822	
48. Washington	WA	YES	3,321,462	4,646,992	(11,709)	8,414,141	8,105,490	12,676,570	
49. West Virginia	WV	YES	1,139,010	1,349,849	1,171	1,471,338	1,255,485	3,551,638	
50. Wisconsin	WI	YES	65,239,563	74,586,377	2,156	64,069,352	66,325,692	304,501,500	
51. Wyoming	WY	YES	635,629	760,485	496	735,346	430,870	811,559	
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	YES	18,343	30,110	(1)	3,408	25,717		
55. U.S. Virgin Islands	VI	YES		5,608		(7,380)	(8,453)	10,219	
56. Canada	CN	YES	(3,935)	(8,679)	(332)	129,622	2,064,603	8,871,459	
57. Aggregate other alien	OT	X X X	264,535	363,397	(10,813)	230,869	(3,862,639)	8,771,571	
58. Totals	(a) 53		509,298,219	584,270,063	(2,903,827)	573,208,191	728,790,224	2,931,424,462	8,265

DETAILS OF WRITE-INS									
5701. Other alien	X X X	264,535	363,397	(10,813)	230,869	(3,862,639)	8,771,571		
5702.	X X X								
5703.	X X X								
5798. Summary of remaining write-ins for Line 57 from overflow page	X X X								
5799. Totals (Lines 5701 through 5703 + 5798) (Line 57 above)	X X X	264,535	363,397	(10,813)	230,869	(3,862,639)	8,771,571		

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

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



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation  
ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS				
0904.				
0905.				
0906.				
0907.				
0908.				
0909.				
0910.				
0911.				
0912.				
0913.				
0914.				
0915.				
0916.				
0917.				
0918.				
0919.				
0920.				
0921.				
0922.				
0923.				
0924.				
0925.				
0997. Totals (Lines 0904 through 0925) (Page 2, Line 0998)				
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS				
2304. Amounts billed and receivable under high deductible policies	41,521,183	1,488,554	40,032,629	37,066,918
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	41,521,183	1,488,554	40,032,629	37,066,918

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation  
LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES		
2304. Collateral held for securities loaned		412,198
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)		412,198
REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS		
2704.		
2705.		
2706.		
2707.		
2708.		
2709.		
2710.		
2711.		
2712.		
2713.		
2714.		
2715.		
2716.		
2717.		
2718.		
2719.		
2720.		
2721.		
2722.		
2723.		
2724.		
2725.		
2797. Totals (Lines 2704 through 2725) (Page 3, Line 2798)		
REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS		
3004.		
3005.		
3006.		
3007.		
3008.		
3009.		
3010.		
3011.		
3012.		
3013.		
3014.		
3015.		
3016.		
3017.		
3018.		
3019.		
3020.		
3021.		
3022.		
3023.		
3024.		
3025.		
3097. Totals (Lines 3004 through 3025) (Page 3, Line 3098)		