

ANNUAL STATEMENT

OF THE

GOLDEN EAGLE INSURANCE CORPORATION

of **SAN DIEGO**

in the state of **CALIFORNIA**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2005



10836200520100100

ANNUAL STATEMENT

For the Year Ended December 31, 2005

OF THE CONDITION AND AFFAIRS OF THE

Golden Eagle Insurance Corporation

NAIC Group Code 0111 0111 NAIC Company Code 10836 Employer's ID Number 33-0763205

Organized under the Laws of California, State of Domicile or Port of Entry California

Country of Domicile United States of America

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

Statutory Home Office: 525 B Street San Diego, CA 92101

Main Administrative Office: 525 B Street San Diego, CA 92101 619-744-6000

Mail Address: 525 B Street San Diego, CA 92101

Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500

Internet Website Address: www.goldeneagle-ins.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: 525 B Street San Diego, CA 92101 619-744-6600

OFFICERS

Chairman of the Board Gary Richard Gregg #

Table with 2 columns: Name, Title. Rows for Gary Richard Gregg #, Edmund Campion Kenealy #, James Francis Dore #.

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Rows for Anthony Alexander Fontanes #, Scott Rhodes Goodby #, Joseph Anthony Gilles #.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows for James Francis Dore, Gary Richard Gregg #, John Derek Doyle, Christopher Charles Mansfield, Joseph Anthony Gilles #, Scott Rhodes Goodby #.

State of Massachusetts County of Suffolk ss

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

(Signature) Gary Richard Gregg (Printed Name) 1. President and Chief Executive Officer (Title) (Signature) Edmund Campion Kenealy (Printed Name) 2. Secretary (Title) (Signature) James Francis Dore (Printed Name) 3. Treasurer and Chief Financial Officer (Title)

Subscribed and sworn to before me this 27th day of January, 2006

a. Is this an original filing? YES [] NO [X] b. If no: 1. State the amendment number 1 2. Date filed 03/06/2006 3. Number of pages attached 2

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)	571,888,339		571,888,339	450,451,112
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	95,476,230		95,476,230	92,357,524
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 4,949,478, Schedule E-Part 1), cash equivalents (\$ 7,096,567, Schedule E-Part 2) and short-term investments (\$ 26,413,944, Schedule DA)	38,459,989		38,459,989	23,852,851
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				1,976,186
8. Receivables for securities	971,360		971,360	10,751
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	706,795,918		706,795,918	568,648,424
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	6,094,645		6,094,645	5,380,064
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	47,808,443	1,541,180	46,267,263	17,162,216
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,981,897 earned but unbilled premiums)	103,130,923	373,698	102,757,225	98,836,764
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	4,451,680		4,451,680	(203,589)
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				7,466,633
16.2 Net deferred tax asset	30,773,000	6,235,213	24,537,787	17,522,096
17. Guaranty funds receivable or on deposit	706,033		706,033	730,611
18. Electronic data processing equipment and software	44,661	8,264	36,397	94,226
19. Furniture and equipment, including health care delivery assets (\$ 0)	990,564	990,564		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				34,869,343
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	3,015,846	564,235	2,451,611	1,744,828
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	903,811,713	9,713,154	894,098,559	752,251,616
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	903,811,713	9,713,154	894,098,559	752,251,616

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	1,633,269	564,235	1,069,034	896,217
2302. Equities and deposits in pools and associations	1,382,577		1,382,577	848,611
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,015,846	564,235	2,451,611	1,744,828

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	261,185,658	228,017,584
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	19,017,813	
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	67,096,397	54,666,850
4. Commissions payable, contingent commissions and other similar charges	16,502,487	13,309,934
5. Other expenses (excluding taxes, licenses and fees)	6,610,991	1,622,997
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	4,412,680	5,376,495
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	5,194,282	
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 \$ 31,434,799 and including warranty reserves of \$ 0)	186,991,678	179,590,789
10. Advance premium	564,325	692,257
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	4,528,222	9,790
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	256,828	258,722
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		680
19. Payable to parent, subsidiaries and affiliates	3,021,059	
20. Payable for securities	2,503,438	
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	28,958,619	4,818,270
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	606,844,477	488,364,368
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	606,844,477	488,364,368
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	2,600,000	2,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	221,633,333	221,633,333
33. Unassigned funds (surplus)	63,020,749	39,653,915
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)	287,254,082	263,887,248
36. TOTALS (Page 2, Line 26, Col. 3)	894,098,559	752,251,616

DETAILS OF WRITE-INS		
2301. Collateral held for securities loaned	28,256,863	4,151,108
2302. Amounts held under uninsured plans		(84,636)
2303. Other liabilities	701,756	751,798
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	28,958,619	4,818,270
2701.		
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)		
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)		382,281,290	348,149,170
DEDUCTIONS			
2. Losses incurred (Part 2, Line 34, Column 7)		188,604,386	186,528,859
3. Loss expenses incurred (Part 3, Line 25, Column 1)		50,297,779	44,831,111
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		137,277,577	117,501,810
5. Aggregate write-ins for underwriting deductions			(856,049)
6. Total underwriting deductions (Lines 2 through 5)		376,179,742	348,005,731
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		6,101,548	143,439
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		31,252,827	30,521,696
10. Net realized capital gains (losses) less capital gains tax of \$ 1,170,152 (Exhibit of Capital Gains (Losses))		2,173,139	3,869,974
11. Net investment gain (loss) (Lines 9 + 10)		33,425,966	34,391,670
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 501,138)		(501,138)	(927,624)
13. Finance and service charges not included in premiums		637,667	646,537
14. Aggregate write-ins for miscellaneous income		(691,593)	486,477
15. Total other income (Lines 12 through 14)		(555,064)	205,390
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		38,972,450	34,740,499
17. Dividends to policyholders		631,528	479,018
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)		38,340,922	34,261,481
19. Federal and foreign income taxes incurred		23,248,363	10,224,164
20. Net income (Line 18 minus Line 19) (to Line 22)		15,092,559	24,037,317
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		263,887,248	234,984,726
GAINS AND (LOSSES) IN SURPLUS			
22. Net income (from Line 20)		15,092,559	24,037,317
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (104,928)		347,430	5,303,600
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax		2,967,073	(2,364,910)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		4,726,072	2,625,552
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)			673,000
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
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		233,701	(1,372,037)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)		23,366,835	28,902,522
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		287,254,083	263,887,248
DETAILS OF WRITE-INS			
0501. NC private passenger auto escrow			(856,049)
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)			(856,049)
1401. Other income / (expense)		(691,593)	486,477
1402.			
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)		(691,593)	486,477
3701. Other surplus adjustments		233,701	(1,372,037)
3702.			
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)		233,701	(1,372,037)

CASH FLOW		1	2
Cash from Operations		Current Year	Prior Year
1. Premiums collected net of reinsurance		361,148,787	395,975,321
2. Net investment income		30,198,581	31,173,624
3. Miscellaneous income		(1,114,858)	(7,668,292)
4. Total (Lines 1 through 3)		390,232,510	419,480,653
5. Benefit and loss related payments		141,074,449	292,632,320
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions		167,929,071	174,476,562
8. Dividends paid to policyholders		631,527	566,723
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)		11,757,601	19,369,268
10. Total (Lines 5 through 9)		321,392,648	487,044,873
11. Net cash from operations (Line 4 minus Line 10)		68,839,862	(67,564,220)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds		151,309,790	318,073,355
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets		2,159,920	1,040,410
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		(13,352)	
12.7 Miscellaneous proceeds		1,542,829	
12.8 Total investment proceeds (Lines 12.1 to 12.7)		154,999,187	319,113,765
13. Cost of investments acquired (long-term only):			
13.1 Bonds		269,293,125	263,357,885
13.2 Stocks		2,817,522	2,486,957
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications			1,003,049
13.7 Total investments acquired (Lines 13.1 to 13.6)		272,110,647	266,847,891
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)		(117,111,460)	52,265,874
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)		62,878,736	(5,262,363)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		62,878,736	(5,262,363)
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)		14,607,138	(20,560,709)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year		23,852,851	44,413,560
19.2 End of year (Line 18 plus Line 19.1)		38,459,989	23,852,851

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	4,283,631	2,145,962	2,212,089	4,217,504
2. Allied lines	3,813,357	1,917,248	1,959,286	3,771,319
3. Farmowners multiple peril	2,937,949	1,677,420	1,534,156	3,081,213
4. Homeowners multiple peril	32,251,979	17,832,253	17,075,750	33,008,482
5. Commercial multiple peril	132,104,300	57,385,707	62,666,653	126,823,354
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	11,833,971	4,789,880	5,231,825	11,392,026
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	1,298,726	668,229	686,568	1,280,387
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	50,477,296	18,071,701	20,752,150	47,796,847
17.1 Other liability - occurrence	22,032,115	9,262,626	10,303,524	20,991,217
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	443,722	214,803	222,888	435,637
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	31,509,909	16,759,375	14,587,125	33,682,159
19.3, 19.4 Commercial auto liability	55,187,208	24,471,836	26,208,094	53,450,950
21. Auto physical damage	40,433,848	20,761,367	19,294,296	41,900,919
22. Aircraft (all perils)				
23. Fidelity	1,682	(95,761)	23,039	(117,118)
24. Surety	181,873	344,550	160,842	365,581
26. Burglary and theft	119,468	22,727	24,841	117,354
27. Boiler and machinery	97,287	52,827	66,655	83,459
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	389,008,321	176,282,750	183,009,781	382,281,290

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	2,212,089				2,212,089
2. Allied lines	1,959,286				1,959,286
3. Farmowners multiple peril	1,534,156				1,534,156
4. Homeowners multiple peril	17,075,750				17,075,750
5. Commercial multiple peril	64,179,596		(1,512,943)		62,666,653
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	5,231,825				5,231,825
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	686,568				686,568
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	22,568,449		(1,816,299)		20,752,150
17.1 Other liability - occurrence	10,956,179		(652,655)		10,303,524
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	222,888				222,888
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	14,587,125				14,587,125
19.3, 19.4 Commercial auto liability	26,208,094				26,208,094
21. Auto physical damage	19,294,296				19,294,296
22. Aircraft (all perils)					
23. Fidelity	9,214	13,825			23,039
24. Surety	118,710	42,132			160,842
26. Burglary and theft	24,841				24,841
27. Boiler and machinery	66,655				66,655
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	186,935,721	55,957	(3,981,897)		183,009,781
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					3,981,897
37. Balance (Sum of Line 34 through 36)					186,991,678

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	72,009	4,283,631		72,009		4,283,631
2. Allied lines	106,505	3,813,357		106,505		3,813,357
3. Farmowners multiple peril		2,937,949				2,937,949
4. Homeowners multiple peril		32,251,979				32,251,979
5. Commercial multiple peril	38,826,733	132,104,300		38,826,733		132,104,300
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	282,831	11,833,971		282,831		11,833,971
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	341,860	1,298,726		341,860		1,298,726
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	13,489	50,477,296		13,489		50,477,296
17.1 Other liability - occurrence	18,153,897	22,032,115		18,153,897		22,032,115
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	4,220	443,722		4,220		443,722
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability		31,509,909				31,509,909
19.3, 19.4 Commercial auto liability	3,726,215	55,187,208	31,645	3,757,860		55,187,208
21. Auto physical damage	1,285,976	40,433,848		1,285,976		40,433,848
22. Aircraft (all perils)						
23. Fidelity		1,682				1,682
24. Surety		181,873				181,873
26. Burglary and theft	503	119,468		503		119,468
27. Boiler and machinery	5,609	97,287		5,609		97,287
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	62,819,847	389,008,321	31,645	62,851,492		389,008,321

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 [] No [X]
 If yes: 1. The amount of such installment premiums \$ 0
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	591,634	1,493,799	591,634	1,493,799	437,648	609,656	1,321,791	31.341
2. Allied lines	181,596	2,178,732	181,596	2,178,732	1,414,845	305,137	3,288,440	87.196
3. Farmowners multiple peril	(42,554)	1,246,391	(42,554)	1,246,391	663,669	785,164	1,124,896	36.508
4. Homeowners multiple peril	887,781	16,042,271	887,781	16,042,271	6,926,976	7,016,857	15,952,390	48.328
5. Commercial multiple peril	11,558,085	43,101,954	11,558,085	43,101,954	83,581,232	69,257,965	57,425,221	45.280
6. Mortgage guaranty								
8. Ocean marine		238		238	(707,193)	66,568	(773,523)	
9. Inland marine	46,344	2,946,195	46,344	2,946,195	1,170,785	961,643	3,155,337	27.698
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake					13	21,665	(21,652)	(1.691)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	28,160,973	24,107,993	31,586,201	20,682,765	63,920,200	53,329,809	31,273,156	65.429
17.1 Other liability - occurrence	7,803,751	3,826,866	7,803,751	3,826,866	20,566,907	17,383,565	7,010,208	33.396
17.2 Other liability - claims - made								
18.1 Products liability - occurrence		55,765		55,765	(179,064)	350,364	(473,663)	(108.729)
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability		24,443,686		24,443,686	31,586,176	35,256,521	20,773,341	61.675
19.3, 19.4 Commercial auto liability	2,846,870	21,056,585	2,984,084	20,919,371	48,468,521	40,308,150	29,079,742	54.405
21. Auto physical damage	552,329	18,560,724	552,329	18,560,724	1,317,015	924,227	18,953,512	45.234
22. Aircraft (all perils)								
23. Fidelity		3,267		3,267	3,749	10,962	(3,946)	3.369
24. Surety		91,817		91,817	474,411	143,339	422,889	115.676
26. Burglary and theft		6,037		6,037	(7,116)	465,073	(466,152)	(397.219)
27. Boiler and machinery		(163,566)		(163,566)	802,406	76,441	562,399	673.863
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X				744,478	744,478		
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	52,586,809	158,998,754	56,149,251	155,436,312	261,185,658	228,017,584	188,604,386	49.337

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 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	97,880	349,250	97,880	349,250	2,846	88,398	2,846	437,648	16,162
2. Allied lines	2,999	1,157,601	2,999	1,157,601	2,549	257,243	2,549	1,414,844	(40,446)
3. Farmowners multiple peril	75,000	537,728	75,000	537,728		125,941		663,669	157,578
4. Homeowners multiple peril	305,101	5,410,315	305,101	5,410,315		1,516,661		6,926,976	1,566,130
5. Commercial multiple peril	10,221,957	49,658,520	10,221,957	49,658,520	7,632,540	33,922,711	7,632,539	83,581,232	34,777,912
6. Mortgage guaranty									
8. Ocean marine						(707,193)		(707,193)	(6,417)
9. Inland marine	6,000	998,707	6,000	998,707	8,699	172,078	8,699	1,170,785	303,565
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake		13		13				13	(46,846)
13. Group accident and health								(a)	305
14. Credit accident and health (group and individual)								(a)	22
15. Other accident and health									
16. Workers' compensation	90,927,395	49,526,575	104,740,254	35,713,716	61,201,221	32,798,537	65,793,275	63,920,199	9,871,925
17.1 Other liability - occurrence	7,925,362	6,847,047	7,925,361	6,847,048	19,587,308	13,719,861	19,587,309	20,566,908	4,763,927
17.2 Other liability - claims - made									
18.1 Products liability - occurrence		83,159		83,159	28,996	(262,223)	28,996	(179,064)	110,376
18.2 Products liability - claims - made									147
19.1, 19.2 Private passenger auto liability		21,890,535		21,890,535		9,695,641		31,586,176	7,170,801
19.3, 19.4 Commercial auto liability	1,452,474	23,753,620	1,452,474	23,753,620	1,236,930	24,714,901	1,236,930	48,468,521	7,902,753
21. Auto physical damage	96,813	1,293,734	96,813	1,293,734		23,282		1,317,016	306,195
22. Aircraft (all perils)									
23. Fidelity		3,444		3,444		305		3,749	12,312
24. Surety	103,000	300,002	103,000	300,002		174,409		474,411	184,682
26. Burglary and theft		1,384		1,384	(23,235)	(8,500)	(23,235)	(7,116)	57,874
27. Boiler and machinery		1,033		1,033	(196,888)	801,373	(196,888)	802,406	(12,560)
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	72,226		72,226	X X X	672,252		744,478	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	111,213,981	161,884,893	125,026,839	148,072,035	89,480,966	117,705,677	94,073,020	261,185,658	67,096,397

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 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	6,749,227			6,749,227
1.2 Reinsurance assumed	23,629,321			23,629,321
1.3 Reinsurance ceded	6,678,876			6,678,876
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	23,699,672			23,699,672
2. Commission and brokerage:				
2.1 Direct, excluding contingent		9,923,269		9,923,269
2.2 Reinsurance assumed, excluding contingent		57,888,626		57,888,626
2.3 Reinsurance ceded, excluding contingent		9,925,790		9,925,790
2.4 Contingent-direct		(1,024,648)		(1,024,648)
2.5 Contingent-reinsurance assumed		15,424,626		15,424,626
2.6 Contingent-reinsurance ceded		(1,024,648)		(1,024,648)
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)		73,310,731		73,310,731
3. Allowances to manager and agents		110,660		110,660
4. Advertising	285,538	1,077,862	676	1,364,076
5. Boards, bureaus and associations	357,916	453,062		810,978
6. Surveys and underwriting reports	5,966	1,829,865		1,835,831
7. Audit of assureds' records	8	22		30
8. Salary and related items:				
8.1 Salaries	12,035,902	25,871,801	158,575	38,066,278
8.2 Payroll taxes	874,902	2,336,847	6,083	3,217,832
9. Employee relations and welfare	2,565,415	7,015,978	8,044	9,589,437
10. Insurance	694,157	219,826	180	914,163
11. Directors' fees	95	1,599		1,694
12. Travel and travel items	756,913	2,370,261	2,276	3,129,450
13. Rent and rent items	889,270	3,116,988	2,456	4,008,714
14. Equipment	1,017,748	2,296,567	2,726	3,317,041
15. Cost or depreciation of EDP equipment and software	1,121,664	1,786,072	1,667	2,909,403
16. Printing and stationery	218,732	592,025	361	811,118
17. Postage, telephone and telegraph, exchange and express	523,880	1,538,586	6,174	2,068,640
18. Legal and auditing	211,929	524,863	14,105	750,897
19. Totals (Lines 3 to 18)	21,560,035	51,142,884	203,323	72,906,242
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 111,820		9,479,743		9,479,743
20.2 Insurance department licenses and fees		262,622		262,622
20.3 Gross guaranty association assessments		17,705		17,705
20.4 All other (excluding federal and foreign income and real estate)		311,749		311,749
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		10,071,819		10,071,819
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	5,038,073	2,752,143	21,991	7,812,207
25. Total expenses incurred	50,297,780	137,277,577	225,314 (a)	187,800,671
26. Less unpaid expenses-current year	67,096,397	27,526,158		94,622,555
27. Add unpaid expenses-prior year	54,666,850	20,309,427		74,976,277
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)	37,868,233	130,060,846	225,314	168,154,393

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	3,672,029			3,672,029
2402. Other expenses	1,366,044	2,752,143	21,991	4,140,178
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	5,038,073	2,752,143	21,991	7,812,207

(a) Includes management fees of \$ 225,313 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 4,075,775	4,616,103
1.1 Bonds exempt from U.S. tax	(a) 19,135	628,417
1.2 Other bonds (unaffiliated)	(a) 22,342,108	21,915,380
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		2,840,468
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 893,565	885,265
7. Derivative instruments	(f)	
8. Other invested assets	92,266	92,266
9. Aggregate write-ins for investment income	500,242	500,242
10. Total gross investment income	30,763,559	31,478,141
11. Investment expenses		(g) 225,313
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		225,313
17. Net investment income (Line 10 minus Line 16)		31,252,828
DETAILS OF WRITE-INS		
0901. MISCELLANEOUS INCOME/(EXPENSE)	500,242	500,242
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)	500,242	500,242
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 \$ 779,354 accrual of discount less \$ 453,888 amortization of premium and less \$ 1,270,491 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 106,959 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	15,666			15,666
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)	3,171,443		(58,681)	3,112,762
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)			(1,223,168)	(1,223,168)
2.21 Common stocks of affiliates			1,524,351	1,524,351
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	(13,352)			(13,352)
7. Derivative instruments				
8. Other invested assets	169,534			169,534
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	3,343,291		242,502	3,585,793

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	1,541,180	1,688,935	147,755
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	373,698	327,559	(46,139)
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	6,235,213	10,178,904	3,943,691
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	8,264	19,397	11,133
19. Furniture and equipment, including health care delivery assets	990,564	1,437,185	446,621
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	564,235	787,246	223,011
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	9,713,154	14,439,226	4,726,072
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	9,713,154	14,439,226	4,726,072

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	564,235	787,246	223,011
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	564,235	787,246	223,011

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

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

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

C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods 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, except that investments in stocks of subsidiaries and affiliates are carried according to Note 1 C(7).
4. The Company does not own preferred stocks.
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 carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 88, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. The Company has no investments in joint ventures, partnerships or limited liability companies.
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.

B. Statutory Mergers

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

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not hold any mortgage loans as investments.

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

The Company does not own real estate.

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

Not applicable

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 was not a party to any derivative financial instruments during the year.

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	44,802,000	31,722,861	13,079,139
Total of deferred tax liabilities	(14,029,000)	(4,021,861)	(10,007,139)
Net deferred tax asset	30,773,000	27,701,000	3,072,000
Net deferred tax asset non-admitted	(6,235,213)	(10,178,904)	3,943,691
Net admitted deferred tax asset	24,537,787	17,522,096	7,015,691

NOTES TO FINANCIAL STATEMENTS

- 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	23,248,363	11,888,423
Net operating loss benefit	0	(3,018,750)
Foreign tax on operations	0	0
Income tax incurred on operations	23,248,363	8,869,673
Tax on capital gains	1,170,152	1,354,491
Total income tax incurred	24,418,515	10,224,164

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, allowance for doubtful accounts, unrealized gains, nondeductible accrued expenses, fixed asset depreciation differences, minimum tax credit carryforward, and statutory non-admitted assets.

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

	2005
Change in net deferred income tax (without unrealized gain or loss)	2,967,073
Tax effect of unrealized (gains) losses	104,928
Total change in net deferred income tax	3,072,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to tax exempt income, revisions to prior year estimates and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses are \$15,594,000 from the current year and none from the preceding year.

The Company has no net loss carryforward available to offset future net income subject to Federal income taxes .

The Company has minimum tax credit available of \$1,372,000 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.
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.

NOTES TO FINANCIAL STATEMENTS

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 Insurance Company (the "Parent Company"), a Massachusetts company. Liberty Mutual Insurance Company is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company. The Company owns 100% of the stock of San Diego Insurance Company (SDIC).
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. See Note 26.
- D. At December 31, 2005, the Company reported \$3,021,059 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

The Company entered into a management services agreement, effective August 27, 1997, with Liberty Mutual Insurance Company (LMIC). Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

The Company is party to a services agreement with SDIC effective August 21, 1997.

The Company entered into a services agreement (the "Agreement"), effective April 1, 2001, with Peerless Insurance Company (PIC) and other affiliates. The Agreement allows all parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into an investment management agreement effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Under this agreement, LMIA provides investment management services to the Company.

The Company entered into a cash management agreement with LMIA effective January 1, 2000.

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

- 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 greater than 10% of admitted assets.
- J. The Company did not recognize any impairment write down for its subsidiary, controlled, or affiliated companies during the statement period.

Note 11- Debt

- A. The Company has no capital notes.
- B. The Company has no outstanding borrowed money.

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, Shareholders' Dividend restrictions and Quasi-Reorganizations

1. The Company has 26,000 shares authorized, issued, and outstanding as of December 31, 2005. All shares have a stated par value of \$100.
2. Preferred Stock
Not applicable
3. Dividend restrictions
There are no dividend restrictions.
4. The maximum amount of dividends which can be paid by California-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2006 is \$28,725,408.
5. The Company does not have restricted surplus.
6. The Company had no advances to surplus.
7. The Company did not hold stock for special purposes.
8. The Company does not have special surplus funds.
9. The portion of unassigned funds represented by cumulative unrealized gains and (losses) is \$2,524,238.
10. Surplus Notes
Not applicable
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 no commitments or contingent commitments to affiliates or other entities and as indicated in Note 10E, the Company has made no guarantees on behalf of affiliates.

B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of \$2,543,350 that is offset by future premium tax credits of \$706,033. 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. The following is a schedule of the Company's minimum lease obligations under these agreements for the next five years:

2006	\$1,345,887
2007	1,138,926
2008	990,737
2009	617,582
2010	513,224
2011 & thereafter	1,231,801
Total	<u>\$5,838,157</u>

- 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 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 \$66,204,782, with corresponding collateral value at \$67,698,339.

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Not applicable

- B. Administrative Services Contract (ASC) Plans

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.

Note 20 – September 11 Events

The Company did not have material exposure to losses arising from the World Trade Center disaster of September 11, 2001.

Note 21- Other Items

- A. The Company has no extraordinary items to report.

- B. Troubled Debt Restructuring for Debtors

Not applicable

- C. Other Disclosures

- Assets in the amount of \$44,808,818 and \$44,555,539 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.

NOTES TO FINANCIAL STATEMENTS

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.

Note 23- Reinsurance

A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.

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

C. Reinsurance Assumed & Ceded

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

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$186,991,678	\$29,537,936	\$31,434,799	\$4,965,564	\$155,556,879	\$24,572,372
All Other	0	0	0	0	0	0
Total	<u>\$186,991,678</u>	<u>\$29,537,936</u>	<u>\$31,434,799</u>	<u>\$4,965,564</u>	<u>\$155,556,879</u>	<u>\$24,572,372</u>

Direct unearned premium reserve of \$31,434,799

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

Direct	\$0
Assumed	15,972,117
Ceded	0
Net	<u>\$15,972,117</u>

D. The Company did not write off any uncollectible balances in 2005.

E. The Company has not recorded any commutations in the current year.

F. The Company does not have any retroactive reinsurance agreements.

G. There are no contracts recorded as deposit accounting.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not write loss responsive policies or policies subject to redetermination.

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 decreased during 2005 as a result of improving loss trends in General Liability and Personal Auto Liability. Prior 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 Peerless Insurance Company (PIC) Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company	Peerless Insurance Company (PIC)	24198	70.93%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	0.30%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	13.25%	All Lines
				(Except WC)
	Indiana Insurance Company (IIC)	22659	12.25%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.27%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	Merchants and Business Men's Mutual Insurance Company (M&B)	14486	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	National Insurance Association (NIA)	27944	0.00%	All Lines
	Mid-America Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the lead company.
- (b) Each 100% Quota Share Affiliated Company cedes its net underwriting activity to PIIC.
- (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.

Pursuant to the approval of the appropriate State Insurance Departments, effective January 1, 2005:

The PIC pool participation percentages were revised as follows:

	2005	2004
Peerless Insurance Company	70.93%	41.59%
Peerless Indemnity Insurance Company	0.30%	27.36%
Montgomery Mutual Insurance Company	0.00%	2.28%

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$3,178,979 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$3,178,979 as of December 31, 2005.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

The Company does not have high deductible policies.

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 3.5%. The December 31, 2005 liabilities of \$66,776,823 are carried at a discounted value of \$63,920,200 representing a discount of \$2,856,623.

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 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

emergence, as well as the other uncertainties noted above, cannot now be reasonably estimated, but could have a material impact on the Company's future operating results, and financial condition.

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of all Liberty Insurance Holdings pooled companies. Net reserves for asbestos and environmental are allocated based on the Company's Intercompany Reinsurance Agreement as discussed in Note 26.

Asbestos:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct Basis					
Beginning Reserves	1,416,747	1,485,286	2,015,091	2,284,282	2,396,435
Incurring losses and LAE	203,009	761,875	455,726	428,310	319,530
Calendar year payments	134,470	232,070	186,535	316,157	329,552
Ending Reserves	1,485,286	2,015,091	2,284,282	2,396,435	2,386,413

Assumed Reinsurance Basis

Beginning Reserves	345,010	265,227	177,222	125,695	39,883
Incurring losses and LAE	-	-	-	-	-
Calendar year payments	79,783	88,005	51,527	85,812	-
Ending Reserves	265,227	177,222	125,695	39,883	39,883

Net of Ceded Reinsurance Basis

Beginning Reserves	1,402,566	1,410,103	1,676,760	2,084,466	1,904,587
Incurring losses and LAE	183,750	536,625	645,768	158,034	256,881
Calendar year payments	176,213	269,968	238,062	337,913	329,552
Ending Reserves	1,410,103	1,676,760	2,084,466	1,904,587	1,831,916

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

Direct Basis	1,817,166
Assumed Reinsurance Basis	39,883
Net of Ceded Reinsurance Basis	1,452,419

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

Direct Basis	510,085
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	445,100

Environmental:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct Basis					
Beginning Reserves	3,777,003	2,728,911	1,660,786	1,645,444	1,768,782
Incurring losses and LAE	(444,245)	-	72,526	239,461	1,097,946
Calendar year payments	603,847	1,068,125	87,868	116,123	620,993
Ending Reserves	2,728,911	1,660,786	1,645,444	1,768,782	2,245,735

Assumed Reinsurance Basis

Beginning Reserves	68,378	86,848	99,734	742,713	688,868
Incurring losses and LAE	-	-	662,500	-	18,230
Calendar year payments	(18,470)	(12,886)	19,521	53,845	2,474
Ending Reserves	86,848	99,734	742,713	688,868	704,624

Net of Ceded Reinsurance Basis

Beginning Reserves	2,709,327	2,440,581	1,385,436	2,313,916	1,938,472
Incurring losses and LAE	310,079	-	1,035,870	25,653	573,992
Calendar year payments	578,825	1,055,145	107,390	401,097	623,467
Ending Reserves	2,440,581	1,385,436	2,313,916	1,938,472	1,888,997

NOTES TO FINANCIAL STATEMENTS

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	1,535,323
Assumed Reinsurance Basis	688,868
Net of Ceded Reinsurance Basis	1,743,235
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	623,437
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	544,012

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	85,692,808	12.124	85,692,808	12.124
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	36,555,106	5.172	36,555,106	5.172
1.22 Issued by U.S. government sponsored agencies	20,590,157	2.913	20,590,157	2.913
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	22,268,891	3.151	22,268,891	3.151
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	13,235,123	1.873	13,235,123	1.873
1.43 Revenue and assessment obligations	35,659,929	5.045	35,659,929	5.045
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	2,809,678	0.398	2,809,678	0.398
1.512 Issued or guaranteed by FNMA and FHLMC	66,363,141	9.389	66,363,141	9.389
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	91,679,900	12.971	91,679,900	12.971
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	31,751,530	4.492	31,751,530	4.492
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	153,957,764	21.782	153,957,764	21.782
2.2 Unaffiliated foreign securities	11,324,313	1.602	11,324,313	1.602
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	38,340,031	5.424	38,340,031	5.424
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	57,136,198	8.084	57,136,198	8.084
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				
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	971,360	0.137	971,360	0.137
8. Cash, cash equivalents and short-term investments	38,459,989	5.441	38,459,989	5.441
9. Other invested assets				
10. Total invested assets	706,795,918	100.000	706,795,918	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 [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? California
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No []
- 2.2 If yes, date of change: 08/19/2005
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). 11/19/2001
- 3.4 By what department or departments? California Department 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 [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Company Code | 3
State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
| | | |
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).
- | 1
Nationality | 2
Type of Entity |
|------------------|---------------------|
| | |
| | |
| | |
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

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? William M. Finn, FCAS, MAAA
62 Maple Avenue Keene, NH 03431
Vice President & Chief Reserving Actuary of Liberty Mutual Agency Markets

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 11.11 Name of real estate holding company _____
 11.12 Number of parcels involved _____
 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 [X]
 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

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 [X] 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 [X] 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 [X] 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 [X]
 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 [X]
 18.2 If answer is yes:
 18.21 Amount paid as losses or risk adjustment \$ _____

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 [] No [X]
 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	\$	66,204,782
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	\$	

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 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 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 CHASE METRO TECH CENTER, BROOKLYN NY 11245

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 Name(s)	2 Location(s)	3 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 Old Custodian	2 New Custodian	3 Date of Change	4 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

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
42982#100	LMIA HIGH YIELD FUND	38,340,032
25.2999	Total	38,340,032

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
LMIA HIGH YIELD FUND	JP MORGAN PRIME MONEY MARKET FUND	1,798,148	12/31/2005
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CRP	716,959	12/31/2005
LMIA HIGH YIELD FUND	PIERRE FOODS INC	536,760	12/31/2005
LMIA HIGH YIELD FUND	VALENT PHARMACEUTICALS	525,258	12/31/2005
LMIA HIGH YIELD FUND	SUPERIOR ENERGY SERV	486,918	12/31/2005

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	605,398,849	603,215,862	(2,182,987)
26.2 Preferred stocks			
26.3 Totals	605,398,849	603,215,862	(2,182,987)

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 Securities 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? \$ 419,889

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
Insurance Services Office Inc.	\$ 406,956
	\$
	\$

29.1 Amount of payments for legal expenses, if any? \$ 465,035

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
Brown Law Group LLC	\$ 270,211
	\$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 Name	2 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 Name	2 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	\$ _____	\$ _____
2.2 Premium Denominator	\$ 382,281,290	\$ 348,149,170
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ 327	\$ 327
2.5 Reserve Denominator	\$ 534,291,546	\$ 462,275,223
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 Workers' Compensation Catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$675m xs \$25m.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company tracks aggregate property and WC exposure and reviews quarterly. It uses RiskLink from RMS and AIR from AIR for EQ and wind. It uses RiskLink for WC. Concentrations are in the NE for wind and New Madrid for EQ.
- 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 Property Catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,300m xs. \$50m. The coverage is sufficient to protect against the Company's 250 year event.
- 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.
- 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 Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 - (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 - (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 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 | \$ _____ |
| 12.12 | Unpaid underwriting expenses (including loss adjustment expenses) | \$ _____ |
- 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? \$ _____
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [] NO [X] 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 | _____ % |
| 12.42 | To | _____ % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [] NO [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | |
|-------|----------------------------|----------|
| 12.61 | Letters of Credit | \$ _____ |
| 12.62 | Collateral and other funds | \$ _____ |
- 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): \$ _____ 662,500
- 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 [] NO [X]
- 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. _____ 3
- 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 and recoverables were allocated pursuant to separate intercompany pooling agreements.

- 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 [X] NO []
- 15.5 If the answer to 15.4 is no, please explain:

- 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.

YES [] NO [X]

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	\$ _____

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
Gross Premiums Written (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)	181,579,716	203,325,206	162,570,028	156,391,782	200,447,279
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	63,872,685	70,945,986	42,474,956	44,896,831	53,561,369
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	206,223,857	226,471,074	55,482,402	54,607,099	126,268,556
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	183,555	(2,047,788)	4,420,563	13,483,884	13,994,223
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(373,956)	5,535,484	3,638,837	1,134,852
6. Total (Line 34)	451,859,813	498,320,522	270,483,433	273,018,433	395,406,279
Net Premiums Written (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)	159,650,250	183,383,292	143,974,497	125,616,262	109,332,185
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	61,783,001	69,285,352	40,768,488	38,249,177	35,257,586
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	167,391,515	200,072,142	36,035,758	29,472,823	25,568,555
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	183,555	(2,047,788)	4,420,668	13,451,257	13,667,188
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(373,956)	5,535,484	3,638,837	1,134,852
12. Total (Line 34)	389,008,321	450,319,042	230,734,895	210,428,356	184,960,366
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	6,101,548	143,439	(21,858,941)	(17,331,532)	(58,757,268)
14. Net investment gain (loss) (Line 11)	33,425,966	34,391,670	36,722,471	36,298,500	35,466,895
15. Total other income (Line 15)	(555,064)	205,390	(5,641,860)	(3,144,047)	16,935,293
16. Dividends to policyholders (Line 17)	631,528	479,018	(60,034)	1,621,892	1,931,507
17. Federal and foreign income taxes incurred (Line 19)	23,248,363	10,224,164	(8,183,453)	2,752,737	(3,330,365)
18. Net income (Line 20)	15,092,559	24,037,317	17,465,157	11,448,292	(4,956,222)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	894,098,559	752,251,616	770,675,974	724,746,334	675,575,636
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	46,267,263	17,162,216	22,135,043	21,896,147	19,543,009
20.2 Deferred and not yet due (Line 13.2)	102,757,225	98,836,764	38,504,971	32,385,625	26,078,427
20.3 Accrued retrospective premiums (Line 13.3)			19,914,856	17,486,765	18,026,272
21. Total liabilities excluding protected cell business (Page 3, Line 24)	606,844,476	488,364,368	535,691,248	517,851,345	485,447,236
22. Losses (Page 3, Lines 1 and 2)	280,203,471	228,017,584	329,682,944	311,267,232	322,720,732
23. Loss adjustment expenses (Page 3, Line 3)	67,096,397	54,666,850	65,191,648	59,323,112	62,647,650
24. Unearned premiums (Page 3, Line 9)	186,991,678	179,590,789	95,881,514	80,641,808	68,905,144
25. Capital paid up (Page 3, Lines 28 & 29)	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	287,254,083	263,887,248	234,984,726	206,894,989	190,128,400
Risk-Based Capital Analysis					
27. Total adjusted capital	287,254,083	263,887,248	234,984,726	206,894,989	190,128,400
28. Authorized control level risk-based capital	36,486,937	27,380,153	32,392,384	30,200,961	11,096,533
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	80.9	79.2	79.2	81.0	82.0
30. Stocks (Lines 2.1 & 2.2)	13.5	16.2	13.3	12.1	7.4
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	5.4	4.2	7.0	6.6	10.4
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)		0.3	0.5	0.2	0.3
36. Receivables for securities (Line 8)	0.1				
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
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	57,136,198	55,611,846	50,857,597	44,276,610	40,823,141
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	57,136,198	55,611,846	50,857,597	44,276,610	40,823,141
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)	19.9	21.1	21.6	21.4	21.5

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	347,430	5,303,600	9,899,113	2,465,249	7,139,066
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	23,366,835	28,902,522	28,089,737	16,766,588	3,771,840
Gross Losses Paid (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)	112,302,489	300,278,536	187,471,534	234,892,540	260,753,066
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	26,557,390	25,728,664	22,477,522	25,782,182	32,723,783
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	72,630,600	35,627,401	43,979,268	76,722,946	107,996,863
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	95,084	14,071,861	7,386,681	10,848,746	9,379,939
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)		4,651,884	2,545,043	2,640,415	1,800,978
55. Total (Line 34)	211,585,563	380,358,346	263,860,048	350,886,829	412,654,629
Net Losses Paid (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)	69,928,453	233,243,542	85,089,048	98,159,518	96,591,989
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	25,185,487	24,322,338	19,057,459	19,106,724	21,906,750
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	60,227,288	12,446,049	14,855,654	16,698,396	19,587,921
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	95,084	14,071,861	7,386,681	10,849,277	9,332,204
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)		4,651,884	2,545,043	2,640,415	1,800,978
61. Total (Line 34)	155,436,312	288,735,674	128,933,885	147,454,330	149,219,842
Operating Percentages (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)	49.3	53.6	66.4	68.6	89.1
64. Loss expenses incurred (Line 3)	13.2	12.9	19.1	16.4	17.0
65. Other underwriting expenses incurred (Line 4)	35.9	33.8	24.4	100.2	25.9
66. Net underwriting gain (loss) (Line 8)	1.6		(10.0)	(8.8)	(32.0)
Other Percentages					
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)	35.4	25.9	25.6	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)	62.5	66.5	85.5	85.1	106.1
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)	135.4	170.6	98.2	101.7	97.3
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(8,214)	3,136	18,346	15,286	30,222
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)	(3.1)	1.3	8.9	8.0	16.2
Two Year Loss Development (000 omitted)					
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)	(2,308)	14,917	38,515	57,869	39,690
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)	(1.0)	7.2	20.3	31.0	21.3

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
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	143,852,338	143,344,189	143,799,629	142,966,677
	2. Canada				
	3. Other Countries				
	4. Totals	143,852,338	143,344,189	143,799,629	142,966,677
States, Territories and Possessions (Direct and guaranteed)	5. United States	32,730,176	32,909,413	32,730,243	32,740,000
	6. Canada				
	7. Other Countries				
8. Totals	32,730,176	32,909,413	32,730,243	32,740,000	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	34,435,132	34,682,410	34,433,608	34,650,000
	10. Canada				
	11. Other Countries				
12. Totals	34,435,132	34,682,410	34,433,608	34,650,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	163,837,089	160,971,369	163,896,554	164,283,873
	14. Canada				
	15. Other Countries				
16. Totals	163,837,089	160,971,369	163,896,554	164,283,873	
Public Utilities (unaffiliated)	17. United States	12,965,085	12,693,950	12,965,370	13,000,000
	18. Canada				
	19. Other Countries				
20. Totals	12,965,085	12,693,950	12,965,370	13,000,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	172,744,205	173,713,372	172,845,340	171,889,613
	22. Canada	990,637	977,300	988,510	1,000,001
	23. Other Countries	10,333,677	10,413,350	10,232,391	10,500,000
	24. Totals	184,068,519	185,104,022	184,066,241	183,389,614
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	571,888,339	569,705,353	571,891,645	571,030,164
PREFERRED STOCKS 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				
	36. Canada				
	37. Other Countries				
38. Totals					
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS 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	38,340,032	38,340,032	37,598,238	
	50. Canada				
	51. Other Countries				
52. Totals	38,340,032	38,340,032	37,598,238		
Parent, Subsidiaries and Affiliates	53. Totals	57,136,198	57,136,198	55,400,000	
	54. Total Common Stocks	95,476,230	95,476,230	92,998,238	
	55. Total Stocks	95,476,230	95,476,230	92,998,238	
	56. Total Bonds and Stocks	667,364,569	665,181,583	664,889,883	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	542,808,636	7. Amortization of premium	453,888
2. Cost of bonds and stocks acquired, Column 7, Part 3	272,110,646	8. Foreign Exchange Adjustment:	
3. Accrual of discount	779,355	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1	(58,681)	8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2	301,183		
4.4 Column 11 - 13, Part 4	242,502	9. Book/adjusted carrying value at end of current period	667,364,569
5. Total gain (loss), Column 19, Part 4	3,187,108	10. Total valuation allowance	
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	151,309,790	11. Subtotal (Lines 9 plus 10)	667,364,569
		12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	667,364,569

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	2,744	156	383	3	118	12	47	3,074	X X X
2. 1996	201,142	24,083	177,059	131,981	14,867	11,086	871	12,757	792	5,241	139,294	X X X
3. 1997	229,052	38,743	190,309	143,856	26,492	12,106	1,842	16,678	2,697	6,119	141,609	X X X
4. 1998	266,050	51,862	214,188	171,611	46,287	13,500	2,902	21,866	5,568	6,353	152,220	X X X
5. 1999	246,492	38,555	207,937	167,752	32,660	12,440	1,972	20,987	4,123	6,099	162,424	X X X
6. 2000	235,048	30,312	204,736	159,604	26,775	11,935	1,077	18,661	2,392	5,593	159,956	X X X
7. 2001	251,725	34,593	217,132	148,957	24,505	11,376	693	17,809	2,552	5,215	150,392	X X X
8. 2002	331,763	78,018	253,745	166,462	35,033	10,516	1,982	14,830	3,891	5,104	150,902	X X X
9. 2003	374,886	62,748	312,138	147,729	23,268	8,465	1,060	23,825	4,342	5,179	151,349	X X X
10. 2004	379,965	31,816	348,149	117,243	4,437	3,685	81	19,604	896	5,223	135,118	X X X
11. 2005	401,758	19,476	382,282	76,890	1,339	1,591		17,702	290	2,632	94,554	X X X
12. Totals	X X X	X X X	X X X	1,434,829	235,819	97,083	12,483	184,837	27,555	52,805	1,440,892	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	6,814	314	1,399	105			454	48	262	39	4	8,423	X X X
2. 1996	976	115	505	297			201	10	100	15	11	1,345	X X X
3. 1997	2,510	868	693	543			406	61	134	18	16	2,253	X X X
4. 1998	5,826	3,898	2,793	2,245			693	179	188	24	32	3,154	X X X
5. 1999	5,706	4,047	2,860	2,275			839	168	305	37	85	3,183	X X X
6. 2000	6,609	3,371	2,668	2,182			1,220	157	458	55	165	5,190	X X X
7. 2001	8,523	3,238	3,795	2,296			1,794	183	726	80	453	9,041	X X X
8. 2002	17,076	3,554	9,723	5,173			4,531	441	1,257	130	979	23,289	X X X
9. 2003	19,813	4,974	11,898	4,807			6,238	523	2,474	221	1,403	29,898	X X X
10. 2004	42,570	3,141	37,893	7,147			14,652	1,057	4,052	422	2,467	87,400	X X X
11. 2005	61,320	2,151	70,131	4,173			18,924	85	12,014	871	3,786	155,109	X X X
12. Totals	177,743	29,671	144,358	31,243			49,952	2,912	21,970	1,912	9,401	328,285	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	7,794	629
2. 1996	157,606	16,967	140,639	78.356	70.452	79.431			13.250	1,069	276
3. 1997	176,383	32,521	143,862	77.006	83.940	75.594			13.250	1,792	461
4. 1998	216,477	61,103	155,374	81.367	117.818	72.541			13.250	2,476	678
5. 1999	210,889	45,282	165,607	85.556	117.448	79.643			13.250	2,244	939
6. 2000	201,155	36,009	165,146	85.580	118.795	80.663			13.250	3,724	1,466
7. 2001	192,980	33,547	159,433	76.663	96.976	73.427			13.250	6,784	2,257
8. 2002	224,395	50,204	174,191	67.637	64.349	68.648			13.250	18,072	5,217
9. 2003	220,442	39,195	181,247	58.802	62.464	58.066			13.250	21,930	7,968
10. 2004	239,699	17,181	222,518	63.084	54.001	63.915			13.250	70,175	17,225
11. 2005	258,572	8,909	249,663	64.360	45.743	65.309			13.250	125,127	29,982
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	261,187	67,098

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	85,205	83,600	85,598	86,790	86,186	82,304	87,406	87,094	86,295	86,294	(1)	(800)
2. 1996	130,728	129,006	129,271	128,715	129,008	129,255	129,782	129,517	128,589	128,671	82	(846)
3. 1997	X X X	124,568	128,604	128,676	128,623	128,622	128,844	129,240	129,563	129,836	273	596
4. 1998	X X X	X X X	137,110	136,928	136,912	137,142	136,700	137,420	139,053	138,938	(115)	1,518
5. 1999	X X X	X X X	X X X	137,457	140,634	142,600	144,619	146,369	147,875	148,553	678	2,184
6. 2000	X X X	X X X	X X X	X X X	136,470	142,658	145,312	148,164	148,043	148,766	723	602
7. 2001	X X X	X X X	X X X	X X X	X X X	142,593	139,596	142,172	144,689	143,616	(1,073)	1,444
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	164,116	166,103	164,933	162,934	(1,999)	(3,169)
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	163,521	161,442	159,684	(1,758)	(3,837)
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	205,437	200,413	(5,024)	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	221,160	X X X	X X X
12. Totals											(8,214)	(2,308)

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		
1. Prior	000	4,670	47,268	57,775	63,744	68,024	71,436	73,136	74,172	77,140	X X X	X X X
2. 1996	69,328	97,174	108,924	117,774	122,444	125,769	127,022	127,409	127,096	127,329	X X X	X X X
3. 1997	X X X	62,226	92,994	107,645	116,844	122,235	124,847	126,395	127,457	127,628	X X X	X X X
4. 1998	X X X	X X X	66,499	99,868	115,896	124,485	129,718	132,732	134,923	135,922	X X X	X X X
5. 1999	X X X	X X X	X X X	69,869	105,279	121,980	132,915	138,618	143,384	145,560	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	69,349	107,125	124,257	134,363	140,221	143,687	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	70,591	105,762	120,358	131,116	135,135	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	66,388	105,478	124,906	139,963	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	76,215	113,496	131,866	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	72,584	116,410	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	77,142	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	24,113	15,770	11,648	8,083	6,131	3,926	5,760	9,622	4,853	1,700
2. 1996	30,061	12,508	7,187	2,689	1,820	734	737	794	364	399
3. 1997	X X X	28,716	14,453	6,581	3,881	1,783	1,065	1,003	751	495
4. 1998	X X X	X X X	33,368	12,829	8,076	5,003	2,288	1,675	1,994	1,062
5. 1999	X X X	X X X	X X X	27,836	12,363	7,225	3,846	2,272	2,786	1,256
6. 2000	X X X	X X X	X X X	X X X	25,393	14,126	8,256	5,157	4,151	1,549
7. 2001	X X X	X X X	X X X	X X X	X X X	28,876	15,013	7,115	7,590	3,110
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	57,930	29,736	12,189	8,640
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	38,261	18,824	12,806
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	72,754	44,341
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	84,797

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

States, Etc.	1 Is Insurer Licensed? (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	NO							
2. Alaska	AK	NO							
3. Arizona	AZ	YES	1,222,057	1,163,346	252,990	(878,748)	1,296,109	5,565	
4. Arkansas	AR	NO							
5. California	CA	YES	61,586,866	53,841,621	52,333,819	38,012,950	199,398,838	280,472	
6. Colorado	CO	NO							
7. Connecticut	CT	NO							
8. Delaware	DE	NO							
9. Dist. Columbia	DC	NO							
10. Florida	FL	NO							
11. Georgia	GA	NO							
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	NO							
15. Indiana	IN	NO							
16. Iowa	IA	NO							
17. Kansas	KS	NO							
18. Kentucky	KY	NO							
19. Louisiana	LA	NO							
20. Maine	ME	NO							
21. Maryland	MD	NO							
22. Massachusetts	MA	NO							
23. Michigan	MI	NO							
24. Minnesota	MN	NO							
25. Mississippi	MS	NO							
26. Missouri	MO	NO							
27. Montana	MT	NO							
28. Nebraska	NE	NO							
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	NO							
32. New Mexico	NM	NO							
33. New York	NY	NO							
34. No. Carolina	NC	NO							
35. No. Dakota	ND	NO							
36. Ohio	OH	NO							
37. Oklahoma	OK	NO	5,357	5,469				24	
38. Oregon	OR	NO							
39. Pennsylvania	PA	NO							
40. Rhode Island	RI	NO							
41. So. Carolina	SC	NO							
42. So. Dakota	SD	NO							
43. Tennessee	TN	NO							
44. Texas	TX	NO	5,566	5,566				25	
45. Utah	UT	NO							
46. Vermont	VT	NO							
47. Virginia	VA	NO							
48. Washington	WA	NO							
49. West Virginia	WV	NO							
50. Wisconsin	WI	NO							
51. Wyoming	WY	NO							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Canada	CN	NO							
57. Aggregate other alien	OT	X X X							
58. Totals	(a) 2		62,819,846	55,016,002	52,586,809	37,134,202	200,694,947	286,086	

DETAILS OF WRITE-INS									
5701.	X X X								
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								

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

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

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

PART 1 - ORGANIZATIONAL CHART

