

ANNUAL STATEMENT

OF THE

LIBERTY INSURANCE CORPORATION

of **SCHAUMBURG**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED
December 31, 2005

PROPERTY AND CASUALTY

2005



42404200520100100

ANNUAL STATEMENT
For the Year Ended December 31, 2005
OF THE CONDITION AND AFFAIRS OF THE
Liberty Insurance Corporation

NAIC Group Code	0111	0111	NAIC Company Code	42404	Employer's ID Number	03-0316876
	(Current Period)	(Prior Period)				
Organized under the Laws of	Illinois	, State of Domicile or Port of Entry Illinois				
Country of Domicile	United States of America					
Incorporated/Organized:	October 21, 1988			Commenced Business: November 3, 1988		
Statutory Home Office:	900 National Parkway Suite 300 Schaumburg, IL 60173					
Main Administrative Office:	175 Berkeley Street Boston, MA 02117 617-357-9500					
Mail Address:	175 Berkeley Street Boston, MA 02117					
Primary Location of Books and Records:	175 Berkeley Street Boston, MA 02117 617-357-9500					
Internet Website Address:	www.LibertyMutual.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:	175 Berkeley Street Boston, MA 02117 617-357-9500 41015					

OFFICERS

Name	Title
1. Edmund Francis Kelly	Chairman of the Board, President & CEO
2. Dexter Robert Legg	Vice President & Secretary
3. Laurance Henry Soyer Yahia	Vice President & Treasurer

Vice-Presidents

Name	Title	Name	Title
James Paul Condryn, III	Vice President	Anthony Alexander Fontanes	VP Chief Investment Officer & Asst. Treasurer
David Henry Long #	Vice President	Dennis James Langwell	Vice President & Chief Financial Officer
Christopher Charles Mansfield	VP General Counsel & Assistant Secretary	Gary Jay Ostrow	Vice President
John Derek Doyle	Vice President & Comptroller		

DIRECTORS OR TRUSTEES

James Paul Condryn, III	Dennis James Langwell	Dexter Robert Legg	Anthony Alexander Fontanes
David Henry Long #	Edmund Francis Kelly	Christopher Charles Mansfield	Robert James Brautigam
Mark Ardon Butler #	Marie Anne Ward		

State of Massachusetts
County of Suffolk ss

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

(Signature)	(Signature)	(Signature)
Edmund Francis Kelly	Dexter Robert Legg	Laurance Henry Soyer Yahia
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
Chairman of the Board, President & CEO	Vice President & Secretary	Vice President & Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	YES [X] NO []
_____ day of January, 2006	b. If no:	1. State the amendment number _____
		2. Date filed _____
		3. Number of pages attached _____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	1,177,459,953		1,177,459,953	1,159,666,524
2. Stocks (Schedule D):				
2.1 Preferred stocks				23,483
2.2 Common stocks	67,277,381		67,277,381	64,491,537
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 (\$ 3,124,280 , Schedule E-Part 1), cash equivalents (\$ 34,549,311 Schedule E-Part 2) and short-term investments (\$ 18,858,144 , Schedule DA)	56,531,735		56,531,735	101,849,899
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	35,186,832		35,186,832	31,545,304
8. Receivables for securities	232,127		232,127	10,684,737
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,336,688,028		1,336,688,028	1,368,261,484
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	11,829,755		11,829,755	11,684,425
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	43,682,440	1,721,962	41,960,478	40,283,378
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	124,186,953		124,186,953	114,946,699
13.3 Accrued retrospective premiums	46,996,763	4,750,721	42,246,042	46,009,754
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	211,798	211,798		
16.1 Current federal and foreign income tax recoverable and interest thereon	1,243,150		1,243,150	987,329
16.2 Net deferred tax asset	73,868,000	35,655,600	38,212,400	24,680,500
17. Guaranty funds receivable or on deposit	3,397,353		3,397,353	3,376,877
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	35,214,792	2,139,953	33,074,839	29,547,810
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,677,319,032	44,480,034	1,632,838,998	1,639,778,256
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,677,319,032	44,480,034	1,632,838,998	1,639,778,256

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets	4,850,654	1,581,745	3,268,909	2,471,723
2302. Cash surrender value-life insurance	12,905,072		12,905,072	11,364,551
2303. Equities and deposits in pools and associations	1,888,622		1,888,622	1,811,442
2398. Summary of remaining write-ins for Line 23 from overflow page	15,570,444	558,208	15,012,236	13,900,094
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	35,214,792	2,139,953	33,074,839	29,547,810

LIABILITIES, SURPLUS AND OTHER FUNDS	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 34, Column 8)	852,428,226	803,414,483
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	174,584,763	153,241,171
4. Commissions payable, contingent commissions and other similar charges	8,475,390	8,162,317
5. Other expenses (excluding taxes, licenses and fees)	23,945,399	29,443,710
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	17,982,555	18,213,512
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		(157)
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 434,345,629 and including warranty reserves of \$ 0)	251,958,056	242,035,169
10. Advance premium	3,086,517	2,250,107
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	209,450	660,688
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	33,584,328	22,066,246
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	28,307,680	22,084,347
19. Payable to parent, subsidiaries and affiliates	2,784,379	21,574,053
20. Payable for securities	4,924,008	78,989,043
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	(60,228,723)	(32,593,555)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	1,342,042,028	1,369,541,134
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	1,342,042,028	1,369,541,134
27. Aggregate write-ins for special surplus funds	70,486,239	68,362,213
28. Common capital stock	3,500,000	3,500,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	156,162,500	156,162,500
33. Unassigned funds (surplus)	60,648,231	42,212,409
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)	290,796,970	270,237,122
36. TOTALS (Page 2, Line 26, Col. 3)	1,632,838,998	1,639,778,256

DETAILS OF WRITE-INS		
2301. Amounts held under uninsured plans	42,701,224	40,387,955
2302. Other liabilities	14,618,729	12,950,839
2303. Pooled retroactive reinsurance	(135,439,599)	(132,609,941)
2398. Summary of remaining write-ins for Line 23 from overflow page	17,890,923	46,677,592
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(60,228,723)	(32,593,555)
2701. Special surplus from retroactive reinsurance	70,486,239	68,362,213
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)	70,486,239	68,362,213
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)	621,581,457	582,010,432
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	396,431,180	386,930,938
3. Loss expenses incurred (Part 3, Line 25, Column 1)	117,162,749	94,964,900
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	155,018,505	144,857,893
5. Aggregate write-ins for underwriting deductions		112,310
6. Total underwriting deductions (Lines 2 through 5)	668,612,434	626,866,041
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(47,030,977)	(44,855,609)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	64,585,294	60,147,174
10. Net realized capital gains (losses) less capital gains tax of \$ 2,959,060 (Exhibit of Capital Gains (Losses))	5,495,398	8,154,425
11. Net investment gain (loss) (Lines 9 + 10)	70,080,692	68,301,599
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 101,361 amount charged off \$ 2,262,667)	(2,161,306)	(2,802,452)
13. Finance and service charges not included in premiums	3,401,533	3,567,460
14. Aggregate write-ins for miscellaneous income	(7,771,310)	(11,710,524)
15. Total other income (Lines 12 through 14)	(6,531,083)	(10,945,516)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	16,518,632	12,500,474
17. Dividends to policyholders	2,166,474	2,365,950
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)	14,352,158	10,134,524
19. Federal and foreign income taxes incurred	6,699,434	(163,716)
20. Net income (Line 18 minus Line 19) (to Line 22)	7,652,724	10,298,240
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	270,237,122	257,788,117
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	7,652,724	10,298,240
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (331,345)	(1,406,543)	1,701,388
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	1,820,655	1,536,112
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	12,147,077	(1,924,364)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
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	345,935	837,629
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	20,559,848	12,449,005
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	290,796,970	270,237,122

DETAILS OF WRITE-INS		
0501. NC private passenger auto escrow		112,310
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)		112,310
1401. Other income/(expense)	(9,632,934)	(13,128,214)
1402. Retroactive reinsurance gain/(loss)	1,861,624	1,417,690
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)	(7,771,310)	(11,710,524)
3701. Change in accumulated translation adjustment	345,935	(111,279)
3702. Other surplus adjustments		948,908
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)	345,935	837,629

CASH FLOW		
Cash from Operations		
	1	2
	Current Year	Prior Year
1. Premiums collected net of reinsurance	626,118,630	584,352,489
2. Net investment income	69,192,998	65,188,803
3. Miscellaneous income	5,829,297	17,642,700
4. Total (Lines 1 through 3)	701,140,925	667,183,992
5. Benefit and loss related payments	340,819,827	376,982,119
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	251,080,330	239,657,732
8. Dividends paid to policyholders	2,617,712	1,915,752
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	9,914,315	6,765,782
10. Total (Lines 5 through 9)	604,432,184	625,321,385
11. Net cash from operations (Line 4 minus Line 10)	96,708,741	41,862,607
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,441,700,224	876,526,021
12.2 Stocks	731,513	1,215,728
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	12,171,749	8,062,824
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(2,200)	81,161
12.7 Miscellaneous proceeds		61,599,418
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,454,601,286	947,485,152
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,460,823,926	1,010,033,197
13.2 Stocks	5,280,646	4,642,200
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	9,913,811	11,049,596
13.6 Miscellaneous applications	64,429,110	
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,540,447,493	1,025,724,993
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)	(85,846,207)	(78,239,841)
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	157	(157)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(56,180,855)	92,651,924
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(56,180,698)	92,651,767
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)	(45,318,164)	56,274,533
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	101,849,899	45,575,366
19.2 End of year (Line 18 plus Line 19.1)	56,531,735	101,849,899

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	13,211,577	5,596,749	7,512,400	11,295,926
2. Allied lines	4,249,032	2,046,658	2,431,258	3,864,432
3. Farmowners multiple peril	444			444
4. Homeowners multiple peril	76,473,275	41,402,158	44,513,394	73,362,039
5. Commercial multiple peril	9,184,211	5,085,260	6,336,114	7,933,357
6. Mortgage guaranty				
8. Ocean marine	1,500,158	2,520,177	767,359	3,252,976
9. Inland marine	9,508,307	2,157,692	2,003,355	9,662,644
10. Financial guaranty				
11.1 Medical malpractice - occurrence	220	58		278
11.2 Medical malpractice - claims-made				
12. Earthquake	1,513,268	846,318	732,644	1,626,942
13. Group accident and health	4			4
14. Credit accident and health (group and individual)				
15. Other accident and health	11,849	525	3,930	8,444
16. Workers' compensation	211,410,976	(15,619,526)	(7,354,224)	203,145,674
17.1 Other liability - occurrence	30,373,358	9,235,430	10,420,930	29,187,858
17.2 Other liability - claims-made	10,849,590	3,943,113	4,774,951	10,017,752
18.1 Products liability - occurrence	6,968,768	528,779	2,751,877	4,745,670
18.2 Products liability - claims-made	209,048		157	208,891
19.1, 19.2 Private passenger auto liability	132,226,584	70,013,016	66,997,577	135,242,023
19.3, 19.4 Commercial auto liability	27,221,225	8,218,530	7,781,944	27,657,811
21. Auto physical damage	79,705,114	47,044,659	46,634,399	80,115,374
22. Aircraft (all perils)	3,983,672	1,121,494	995,914	4,109,252
23. Fidelity	272,572	110,485	130,302	252,755
24. Surety	11,695,690	5,957,444	6,762,145	10,890,989
26. Burglary and theft	41,112	17,590	19,276	39,426
27. Boiler and machinery	232,203	66,276	100,236	198,243
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	1,665,723	156,855	295,857	1,526,721
31. Reinsurance-Nonproportional Assumed Liability	3,257,428	429,559	349,499	3,337,488
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	635,765,408	190,879,299	204,961,294	621,683,413

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	6,804,995	707,405			7,512,400
2. Allied lines	2,265,942	165,316			2,431,258
3. Farmowners multiple peril					
4. Homeowners multiple peril	44,309,055	204,339			44,513,394
5. Commercial multiple peril	6,311,762	24,352			6,336,114
6. Mortgage guaranty					
8. Ocean marine	712,599	54,760			767,359
9. Inland marine	1,883,335	120,020			2,003,355
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	696,723	35,921			732,644
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	3,930				3,930
16. Workers' compensation	30,412,521	1,838,267		(39,605,012)	(7,354,224)
17.1 Other liability - occurrence	10,773,034	2,487,493		(2,839,597)	10,420,930
17.2 Other liability - claims-made	4,032,116	742,835			4,774,951
18.1 Products liability - occurrence	2,048,524	1,821,849		(1,118,496)	2,751,877
18.2 Products liability - claims-made	157				157
19.1, 19.2 Private passenger auto liability	66,809,527	188,050			66,997,577
19.3, 19.4 Commercial auto liability	11,310,817	9,588		(3,538,461)	7,781,944
21. Auto physical damage	46,420,379	214,139		(119)	46,634,399
22. Aircraft (all perils)	1,037,050	(41,136)			995,914
23. Fidelity	121,945	8,357			130,302
24. Surety	3,839,343	2,817,880		104,922	6,762,145
26. Burglary and theft	19,276				19,276
27. Boiler and machinery	100,082	154			100,236
28. Credit	(4,474)	4,474			
29. International					
30. Reinsurance-Nonproportional Assumed Property	295,662	195			295,857
31. Reinsurance-Nonproportional Assumed Liability	344,285	5,214			349,499
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	240,548,585	11,409,472		(46,996,763)	204,961,294
35. Accrued retrospective premiums based on experience					46,996,763
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through 36)					251,958,057

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	260,127	13,211,577		260,127		13,211,577
2. Allied lines	310,875	4,249,032		310,875		4,249,032
3. Farmowners multiple peril		444				444
4. Homeowners multiple peril	113,767	76,473,275		113,767		76,473,275
5. Commercial multiple peril	10,900,667	9,184,211		10,900,667		9,184,211
6. Mortgage guaranty						
8. Ocean marine		1,500,158				1,500,158
9. Inland marine	3,240	9,508,307		3,240		9,508,307
10. Financial guaranty						
11.1 Medical malpractice - occurrence	4,478	220		4,478		220
11.2 Medical malpractice - claims-made						
12. Earthquake	71,086	1,513,268		71,086		1,513,268
13. Group accident and health		4				4
14. Credit accident and health (group and individual)						
15. Other accident and health		11,849				11,849
16. Workers' compensation	1,301,096,982	211,410,976		1,301,096,982		211,410,976
17.1 Other liability - occurrence	82,963,124	30,373,358		82,963,124		30,373,358
17.2 Other liability - claims-made		10,849,590				10,849,590
18.1 Products liability - occurrence	6,347,695	6,968,768		6,347,695		6,968,768
18.2 Products liability - claims-made		209,048				209,048
19.1, 19.2 Private passenger auto liability	133,726,150	132,226,584		133,726,150		132,226,584
19.3, 19.4 Commercial auto liability	13,127,584	27,221,225		13,127,584		27,221,225
21. Auto physical damage	73,772,778	79,705,114		73,772,778		79,705,114
22. Aircraft (all perils)		3,983,672				3,983,672
23. Fidelity		272,572				272,572
24. Surety	(37,079)	11,695,690		(37,079)		11,695,690
26. Burglary and theft		41,112				41,112
27. Boiler and machinery		232,203				232,203
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	1,665,723				1,665,723
31. Reinsurance-Nonproportional Assumed Liability	X X X	3,257,428				3,257,428
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	1,622,661,474	635,765,408		1,622,661,474		635,765,408

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

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

If yes: 1. The amount of such installment premiums \$ 1,267,301,260

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 1,300,197,988

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	6,530	4,746,619	6,530	4,746,619	6,630,531	4,311,294	7,065,856	62.552
2. Allied lines	134,433	4,834,530	134,433	4,834,530	3,651,484	2,454,948	6,031,066	156.066
3. Farmowners multiple peril								
4. Homeowners multiple peril	50,504	48,136,527	50,504	48,136,527	15,320,380	18,552,638	44,904,269	61.209
5. Commercial multiple peril	13,614,297	7,399,500	13,614,297	7,399,500	13,951,318	15,321,224	6,029,594	76.003
6. Mortgage guaranty								
8. Ocean marine		901,574		901,574	2,667,809	3,840,985	(271,602)	(8.349)
9. Inland marine		4,883,525		4,883,525	5,594,825	2,572,176	7,906,174	81.822
10. Financial guaranty								
11.1 Medical malpractice - occurrence		8,110		8,110	(3,892)	6,611	(2,393)	(860.791)
11.2 Medical malpractice - claims - made								
12. Earthquake		37,034		37,034	39,306	77,173	(833)	(0.051)
13. Group accident and health		46,458		46,458	222,732	232,856	36,334	908,350.000
14. Credit accident and health (group and individual)								
15. Other accident and health		41,271		41,271	206,342	216,761	30,852	365.372
16. Workers' compensation	311,471,638	100,503,943	311,471,638	100,503,943	470,336,928	421,413,571	149,427,300	73.557
17.1 Other liability - occurrence	25,399,544	23,075,810	25,399,544	23,075,810	104,232,057	102,926,686	24,381,181	83.532
17.2 Other liability - claims - made	19,021,959	122,974	19,021,959	122,974	17,215,786	12,729,395	4,609,365	46.012
18.1 Products liability - occurrence	5,299,734	3,739,080	5,299,734	3,739,080	24,860,933	33,546,745	(4,946,732)	(104.237)
18.2 Products liability - claims - made		40,154		40,154	443,782	324,189	159,747	76.474
19.1, 19.2 Private passenger auto liability	99,066,724	82,748,460	99,066,724	82,748,460	116,787,317	119,678,689	79,857,088	59.048
19.3, 19.4 Commercial auto liability	9,649,706	13,985,083	9,649,706	13,985,083	39,039,908	36,083,945	16,941,046	61.252
21. Auto physical damage	41,730,640	40,665,550	41,730,640	40,665,550	(2,323,275)	(2,942,479)	41,284,754	51.532
22. Aircraft (all perils)		1,408,924		1,408,924	3,989,807	3,794,914	1,603,817	39.029
23. Fidelity		1,551		1,551	608,894	445,242	165,203	65.361
24. Surety		3,100,299		3,100,299	3,561,057	3,942,561	2,718,795	24.964
26. Burglary and theft		7,818		7,818	120,953	115,034	13,737	34.842
27. Boiler and machinery		32,329		32,329	(30,047)	6,245	(3,963)	(1.999)
28. Credit					842	899	(57)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	2,473,270		2,473,270	8,427,269	7,124,055	3,776,484	247.359
31. Reinsurance-Nonproportional Assumed Liability	X X X	4,077,836		4,077,836	16,735,175	16,526,102	4,286,909	128.447
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	5,667		5,667	140,006	112,024	33,649	
33. Aggregate write-ins for other lines of business								
34. TOTALS	525,445,709	347,023,896	525,445,709	347,023,896	852,428,227	803,414,483	396,037,640	63.704

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 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		4,550,647		4,550,647	1,241,646	2,079,884	1,241,646	6,630,531	613,117
2. Allied lines	40,000	3,317,665	40,000	3,317,665	135,150	333,819	135,150	3,651,484	399,009
3. Farmowners multiple peril									5,306
4. Homeowners multiple peril	403,801	5,266,086	403,801	5,266,086	26,724	10,054,294	26,724	15,320,380	4,287,588
5. Commercial multiple peril	14,742,513	12,122,041	14,742,513	12,122,041	(5,090,229)	1,829,277	(5,090,229)	13,951,318	5,116,621
6. Mortgage guaranty									
8. Ocean marine		1,995,075		1,995,075	336	672,735	336	2,667,810	604,182
9. Inland marine		2,008,223		2,008,223	(52,204)	3,586,603	(52,204)	5,594,826	541,493
10. Financial guaranty									
11.1 Medical malpractice - occurrence		15,931		15,931		(19,824)		(3,893)	331
11.2 Medical malpractice - claims - made									
12. Earthquake		14,360		14,360	2,555	24,946	2,555	39,306	5,916
13. Group accident and health		109,964		109,964		112,768		(a) 222,732	17,186
14. Credit accident and health (group and individual)									
15. Other accident and health		50,176		50,176		156,166		(a) 206,342	6,917
16. Workers' compensation	754,858,190	315,358,000	754,858,190	315,358,000	923,855,808	154,978,927	923,855,808	470,336,927	55,386,895
17.1 Other liability - occurrence	145,003,953	62,163,873	145,003,953	62,163,873	91,492,016	42,068,184	91,492,016	104,232,057	46,324,077
17.2 Other liability - claims - made	9,391,591	5,841,654	9,391,591	5,841,654		11,374,132		17,215,786	5,207,253
18.1 Products liability - occurrence	7,998,151	8,472,936	7,998,151	8,472,936	(1,482,947)	16,387,997	(1,482,947)	24,860,933	14,746,164
18.2 Products liability - claims - made		198,770		198,770		245,013		443,783	280,561
19.1, 19.2 Private passenger auto liability	98,708,845	77,334,821	98,708,845	77,334,821	50,563,924	39,452,496	50,563,924	116,787,317	27,931,637
19.3, 19.4 Commercial auto liability	7,529,432	18,570,641	7,529,432	18,570,641	5,772,115	20,469,267	5,772,115	39,039,908	5,888,459
21. Auto physical damage		(22,048)		(22,048)	(2,683,740)	(2,301,227)	(2,683,740)	(2,323,275)	4,243,704
22. Aircraft (all perils)		2,445,141		2,445,141		1,544,666		3,989,807	714,774
23. Fidelity		54,833		54,833	436	554,060	436	608,893	138,774
24. Surety		744,153		744,153	(362)	2,816,904	(362)	3,561,057	1,419,452
26. Burglary and theft		16,145		16,145	142	104,808	142	120,953	13,514
27. Boiler and machinery		422		422	1,040	(30,470)	1,040	(30,048)	28,104
28. Credit						842		842	44
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	5,316,698		5,316,698	X X X	3,110,571		8,427,269	143,048
31. Reinsurance-Nonproportional Assumed Liability	X X X	12,843,196		12,843,196	X X X	3,891,979		16,735,175	518,060
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	142,515		142,515	X X X	(2,509)		140,006	2,577
33. Aggregate write-ins for other lines of business									
34. TOTALS	1,038,676,476	538,931,918	1,038,676,476	538,931,918	1,063,782,410	313,496,308	1,063,782,410	852,428,226	174,584,763

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	105,768,729			105,768,729
1.2 Reinsurance assumed	64,556,760			64,556,760
1.3 Reinsurance ceded	105,768,729			105,768,729
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	64,556,760			64,556,760
2. Commission and brokerage:				
2.1 Direct, excluding contingent		26,911,457		26,911,457
2.2 Reinsurance assumed, excluding contingent		9,650,768		9,650,768
2.3 Reinsurance ceded, excluding contingent		26,911,457		26,911,457
2.4 Contingent-direct		124,117		124,117
2.5 Contingent-reinsurance assumed		5,326,026		5,326,026
2.6 Contingent-reinsurance ceded		124,117		124,117
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)		14,976,794		14,976,794
3. Allowances to manager and agents		10		10
4. Advertising	571,735	5,437,463	1,353	6,010,551
5. Boards, bureaus and associations	134,539	1,440,117		1,574,656
6. Surveys and underwriting reports	370	1,402,324		1,402,694
7. Audit of assureds' records	305	43		348
8. Salary and related items:				
8.1 Salaries	31,743,996	59,294,077	317,333	91,355,406
8.2 Payroll taxes	1,540,722	4,198,810	12,174	5,751,706
9. Employee relations and welfare	5,142,157	13,900,977	16,097	19,059,231
10. Insurance	5,356,877	446,979	361	5,804,217
11. Directors' fees	185	13,218		13,403
12. Travel and travel items	2,116,054	4,616,504	4,554	6,737,112
13. Rent and rent items	1,924,954	5,127,715	4,915	7,057,584
14. Equipment	1,620,019	4,195,511	5,456	5,820,986
15. Cost or depreciation of EDP equipment and software	329,488	1,767,151	3,337	2,099,976
16. Printing and stationery	498,299	1,233,508	721	1,732,528
17. Postage, telephone and telegraph, exchange and express	1,304,313	3,741,370	12,354	5,058,037
18. Legal and auditing	220,747	1,196,922	28,225	1,445,894
19. Totals (Lines 3 to 18)	52,504,760	108,012,699	406,880	160,924,339
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 653,906		23,177,166		23,177,166
20.2 Insurance department licenses and fees		540,736		540,736
20.3 Gross guaranty association assessments		1,544,833		1,544,833
20.4 All other (excluding federal and foreign income and real estate)		1,696,169		1,696,169
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		26,958,904		26,958,904
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	101,229	5,070,106	44,006	5,215,341
25. Total expenses incurred	117,162,749	155,018,503	450,886 (a)	272,632,138
26. Less unpaid expenses-current year	174,584,765	50,403,345		224,988,110
27. Add unpaid expenses-prior year	153,241,171	55,819,540		209,060,711
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)	95,819,155	160,434,698	450,886	256,704,739

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	(4,116,081)			(4,116,081)
2402. Other expenses	4,217,310	5,070,106	44,006	9,331,422
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	101,229	5,070,106	44,006	5,215,341

(a) Includes management fees of \$ 476,716 to affiliates and \$ 12,112 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 7,639,659	6,589,715
1.1 Bonds exempt from U.S. tax	(a) 65,099	65,099
1.2 Other bonds (unaffiliated)	(a) 51,034,642	52,239,782
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	4,984,327	4,984,327
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,381,768	1,371,901
7. Derivative instruments	(f)	
8. Other invested assets	482,376	482,376
9. Aggregate write-ins for investment income	(697,022)	(697,022)
10. Total gross investment income	64,890,849	65,036,178
11. Investment expenses		(g) 450,885
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)		450,885
17. Net investment income (Line 10 minus Line 16)		64,585,293

DETAILS OF WRITE-INS			
0901. Miscellaneous Income //(Expense)		(697,022)	(697,022)
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)		(697,022)	(697,022)

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 \$ 1,745,705 accrual of discount less \$ 5,682,053 amortization of premium and less \$ 3,916,437 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 \$ 1,043,382 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	2	3	4
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1. U.S. Government bonds	170,757			170,757
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)	2,891,155		(455,836)	2,435,319
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)		(23,480)	(3)	(23,483)
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	383,072	(4,226)	(2,142,135)	(1,763,289)
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	(2,200)			(2,200)
7. Derivative instruments				
8. Other invested assets	6,494,758	(1,455,377)	860,085	5,899,466
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	9,937,542	(1,483,083)	(1,737,889)	6,716,570

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	1,721,962	2,191,550	469,588
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due		120,267	120,267
13.3 Accrued retrospective premiums	4,750,721	5,146,116	395,395
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	211,798	227,465	15,667
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	35,655,600	47,035,500	11,379,900
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
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	2,139,953	1,928,053	(211,900)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	44,480,034	56,648,951	12,168,917
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	44,480,034	56,648,951	12,168,917

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	1,581,745	1,551,020	(30,725)
2302. Amounts receivable under high deductible policies	558,208	377,033	(181,175)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,139,953	1,928,053	(211,900)

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 Illinois Insurance Commissioner, the accompanying financial statements of Liberty 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.
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 has no investments in subsidiaries.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Instruments, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property-Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2005.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

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

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. that exceed 10% of its admitted assets.
- B. The Company invests in various limited partnerships that are reported in accordance with SSAP No. 48. The partnerships are valued using traditional private equity valuation metrics. Poor performance within the partnerships may lead to impairment losses being recognized by management. The Company realized impairment losses of \$1,455,377 during the year.

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2005.

Note 8- Derivative Instruments

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

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

NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Taxes

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

	December 31, 2005	December 31, 2004	Change
Total of gross deferred tax assets	93,020,000	88,173,839	4,846,161
Total of deferred tax liabilities	(19,152,000)	(16,457,839)	(2,694,161)
Net deferred tax asset	73,868,000	71,716,000	2,152,000
Net deferred tax asset non-admitted	(35,655,600)	(47,035,500)	11,379,900
Net admitted deferred tax asset	38,212,400	24,680,500	13,531,900

- 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	6,699,434	2,866,085
Net operating loss benefit	0	(5,883,850)
Foreign tax on operations	0	0
Income tax incurred on operations	6,699,434	(3,017,765)
Tax on capital gains	2,959,060	2,854,049
Total income tax incurred	9,658,494	(163,716)

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, loss from partnerships, investment impairments, minimum tax credits, 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)	1,820,655
Tax effect of unrealized (gains) losses	331,345
Total change in net deferred income tax	2,152,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, officer's life insurance, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$10,793,000 from the current year and \$2,308,000 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 \$2,979,990 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.

NOTES TO FINANCIAL STATEMENTS

Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	Oregon Automobile Insurance Company
First State Agency, Inc.	Peerless Indemnity Insurance Company
Florida State Agency, Inc.	Peerless Insurance Company
Globe American Casualty Company	LM Personal Insurance Company
Golden Eagle Insurance Corporation	LM General Insurance Company
Gulf States AIF, Inc.	LM Property and Casualty Insurance Company
Hawkeye-Security Insurance Company	San Diego Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	State Agency, Inc. (Indiana corporation)
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Wisconsin corporation)
Heritage-Summit Healthcare of Florida, Inc.	St. James Insurance Company
Indiana Insurance Company	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty Assignment Corporation	Summit Holding Southeast, Inc.
Liberty Energy Corporation	The First Liberty Insurance Corporation
Liberty Financial Services, Inc.	The Midwestern Indemnity Company
Liberty Hospitality Group, Inc.	The National Corporation
Liberty Insurance Company of America	The Netherlands Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty International Asia Pacific Holdings, Inc.	Wausau Underwriters Insurance Company

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company (“The Parent Company”), a Massachusetts company. Liberty Mutual Insurance Company is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- C. There have been no material changes in the terms of any intercompany agreements during 2005.
- D. At December 31, 2005, the Company reported \$2,784,379 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. See Note 26 for information regarding intercompany pooling arrangement.

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

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies.
- J. Not applicable

Note 11- Debt

Not applicable

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

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

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

1. The Company has 30,000 shares authorized, and 25,000 shares issue, and outstanding as of December 31, 2005. All shares have a stated par value of \$140.
2. Preferred Stock
- Not applicable

NOTES TO FINANCIAL STATEMENTS

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of policyholders’ surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2006 is \$29,079,697.
5. As of December 31, 2005, the Company has restricted surplus of \$70,486,239 resulting from retroactive reinsurance contracts.
6. The Company had no advances to surplus.
7. The Company did not hold stock for special purposes.
8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2005.
9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$3,833,785.

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

Not applicable

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 \$17,778,266 that is offset by future premium tax credits of \$3,400,608. This represents management’s best estimate based on information received from the states in which the Company writes business and may change due to factors including the company’s share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next ten years.

During 2005 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

D. All other Contingencies

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

NOTES TO FINANCIAL STATEMENTS

Note 15- Leases

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

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2006	\$3,105,873	\$6,366,935
2007	1,936,347	5,077,497
2008	1,785,037	3,750,663
2009	1,478,144	2,768,454
2010	941,362	1,967,953
2011& thereafter	0	9,551,197
Total	\$9,246,763	\$29,482,699

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

Not applicable

Note 16- Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

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

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

A. Transfers of Receivables reported as sales:

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

B. Transfers and servicing of financial assets:

The Company participates in Securities lending program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company’s portfolio to qualifying third parties, via a lending agent. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company, however, the Company records a liability for the amount of collateral held, representing its obligation to return the collateral related to the loaned securities. At December 31, 2005, the total market value of fixed maturities loaned was \$17,963,433, with corresponding collateral value at \$18,372,900.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was \$28,325. Claim payment volume was \$1,790,143.

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

NOTES TO FINANCIAL STATEMENTS

Note 20 – September 11 Events

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

	Direct	Assumed	Gross	Ceded	Net
Paid Loss and ALAE	\$15,855,448	\$6,561,828	\$22,417,276	\$19,492,613	\$2,924,663
Loss and ALAE Reserves	8,179,028	1,243,316	9,422,344	6,746,242	2,676,102
Incurred Loss and ALAE	\$24,034,476	\$7,805,144	\$31,839,620	\$26,238,855	\$5,600,765

Note 21- Other Items

- A. The Company has no extraordinary items to report.
- B. Troubled Debt Restructuring for Debtors

Not applicable
- C. Other Disclosures

1) Florida Special Disability Trust Fund

a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2005 and 2004.

b) The Company reported loss recoveries from the Special Disability Trust Fund of \$352,294 and \$259,906, in 2005 and 2004, respectively.

c) The amount the Company was assessed by the Special Disability Trust Fund was \$3,091,184 and \$1,658,863, in 2005 and 2004, respectively.

2) Assets in the amount of \$96,306,514 and \$123,004,148 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.
- D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.
- E. Business Interruption Insurance Recoveries

The Company does not purchase Business Interruption coverage.
- F. Additional Pension and Postretirement Disclosure Requirements

Refer to Note 12.

Note 22- Events Subsequent

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

Note 23- Reinsurance

- A. Excluding amounts arising pursuant to the intercompany pooling 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 exceeds 5% of the Company’s surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company’s surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company’s assumed and ceded reinsurance were canceled as of December 31, 2005.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$251,958,056	\$4,178,665	\$434,345,629	\$7,203,520	(\$182,387,573)	(\$3,024,855)
All Other	0	0	0	0	0	0
Total	\$251,958,056	\$4,178,665	\$434,345,629	\$7,203,520	(\$182,387,573)	(\$3,024,855)

Direct Unearned Premium Reserve: \$434,345,629

NOTES TO FINANCIAL STATEMENTS

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$0	\$4,019,508	\$0	\$4,019,508
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(11,700,000)	0	(11,700,000)
Totals	\$0	(\$7,680,492)	\$0	(\$7,680,492)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.
- F. The Company has one assumed retroactive contract as a result of the intercompany pooling arrangement with Liberty Mutual Insurance Company.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	(\$131,619,387)	\$0
	2. Adjustment – Prior Year(s)	7,459,642	0
	3. Adjustment – Current Year	420,146	0
	4. Total	(\$123,739,599)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	(\$57,543,034)	\$0
	2. Adjustment – Prior Year(s)	(2,336,875)	0
	3. Adjustment – Current Year	(2,710,388)	0
	4. Total	(\$62,590,297)	\$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	(\$1,579,323)	\$0
	2. Adjustment – Prior Year(s)	(5,781,036)	0
	3. Adjustment – Current Year	(2,639,253)	0
	4. Total	(\$9,999,612)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$75,111,100	\$0
	2. Adjustment – Prior Year(s)	(4,015,481)	0
	3. Adjustment – Current Year	(609,380)	0
	4. Total	\$70,486,239	\$0
	5. Cumulative total transferred to Unassigned Funds	\$662,675	
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	(\$123,739,599)	\$0

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

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.
- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

Total accrued retro premium	\$46,996,763
Less: Non-admitted amount	4,750,721
Admitted amount	<u>\$42,246,042</u>

NOTES TO FINANCIAL STATEMENTS

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred loss and loss adjustment expenses attributed to insured events of prior years has increased during 2005 primarily as a result of rising loss development trends in workers’ compensation and general liability. The increase also reflects the completion of the Company’s biennial ground-up asbestos reserve study in the third quarter. Refer to Note 33 for further details. Original estimates are revised as additional information becomes known regarding individual claims.

Note 26- Intercompany Pooling Arrangements

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

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

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the lead company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated company cedes its net underwriting activity to the lead company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the lead company records 100% of its external assumed and ceded reinsurance activity.
- (d) The lead company’s remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company’s pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the lead company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$79,824,111 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 \$79,824,111 as of December 31, 2005.

NOTES TO FINANCIAL STATEMENTS

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

Life Insurance Company & Location	Licensed in Company’s State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$32,604,021
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$32,169,910
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$9,929,645

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

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

Note 31- High Dollar Deductible Policies

As of December 31, 2005, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$251,326,211 and the amount billed and recoverable on paid claims was \$15,570,444.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2005, liabilities include \$205,100,887 of liabilities carried at a discounted value of \$125,972,458 representing a discount of \$79,128,429.

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.

NOTES TO FINANCIAL STATEMENTS

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

Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

During the third quarter of 2005, the Company completed its biennial ground-up asbestos reserve study. As part of that review, a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel completed their comprehensive review of the Company's asbestos exposure on a direct, assumed, and ceded basis including potential exposures of large policyholders that were individually evaluated using the company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. Small policyholders were evaluated using aggregate methods that utilized information developed from the large policyholders. Additionally, a provision of pure IBNR was established for the potential emergence of first-time filers of future asbestos claims. Based on this internal study, the Company increased its asbestos reserves by \$12,180,000.

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

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

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

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

<u>Asbestos:</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct Basis					
Beginning Reserves	79,176,790	81,380,789	88,743,721	94,705,746	102,147,749
Incurred losses and LAE	15,359,722	24,799,690	25,620,955	24,724,420	33,254,331
Calendar year payments	13,155,723	17,436,758	19,658,930	17,282,417	15,507,070
Ending Reserves	81,380,789	88,743,721	94,705,746	102,147,749	119,895,010
Assumed Reinsurance Basis					
Beginning Reserves	4,507,430	6,539,192	11,217,420	15,735,535	29,375,451
Incurred losses and LAE	2,084,596	4,857,916	6,914,405	15,722,411	3,266,663
Calendar year payments	52,834	179,688	2,396,290	2,082,495	1,809,324
Ending Reserves	6,539,192	11,217,420	15,735,535	29,375,451	30,832,790
Net of Ceded Reinsurance Basis					
Beginning Reserves	46,739,400	50,577,780	57,600,840	67,475,340	57,088,085
Incurred losses and LAE	10,671,300	17,419,680	18,780,180	211,916	13,162,126
Calendar year payments	6,832,920	10,396,620	8,905,680	10,599,172	7,708,856
Ending Reserves	50,577,780	57,600,840	67,475,340	57,088,085	62,541,355

NOTES TO FINANCIAL STATEMENTS

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	62,838,637
Assumed Reinsurance Basis	23,424,878
Net of Ceded Reinsurance Basis	26,700,168
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	44,246,123
Assumed Reinsurance Basis	273,322
Net of Ceded Reinsurance Basis	19,040,542

<u>Environmental:</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct Basis					
Beginning Reserves	43,074,586	34,216,028	26,790,239	19,302,321	42,610,821
Incurred losses and LAE	(4,754)	2,645,811	(3,292,596)	27,607,406	9,513,966
Calendar year payments	8,853,804	10,071,600	4,195,322	4,298,906	10,964,950
Ending Reserves	34,216,028	26,790,239	19,302,321	42,610,821	41,159,837
Assumed Reinsurance Basis					
Beginning Reserves	6,693,734	6,657,532	7,072,021	3,354,999	4,253,101
Incurred losses and LAE	(645)	518,278	(3,379,344)	1,220,265	(733,816)
Calendar year payments	35,557	103,789	337,678	322,163	380,125
Ending Reserves	6,657,532	7,072,021	3,354,999	4,253,101	3,139,160
Net of Ceded Reinsurance Basis					
Beginning Reserves	26,846,640	25,523,580	18,387,540	15,464,280	31,602,806
Incurred losses and LAE	5,372,460	(653,340)	(480,000)	18,959,154	30,562
Calendar year payments	6,695,520	6,482,700	2,443,260	2,820,628	6,024,080
Ending Reserves	25,523,580	18,387,540	15,464,280	31,602,806	25,609,288

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	29,424,958
Assumed Reinsurance Basis	1,872,209
Net of Ceded Reinsurance Basis	16,365,620
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	16,365,596
Assumed Reinsurance Basis	63,924
Net of Ceded Reinsurance Basis	9,497,496

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	110,654,241	8.278	110,654,241	8.278
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	48,734	0.004	48,734	0.004
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	638,002	0.048	638,002	0.048
1.43 Revenue and assessment obligations	52,992,417	3.964	52,992,417	3.964
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	30,114,096	2.253	30,114,096	2.253
1.512 Issued or guaranteed by FNMA and FHLMC	449,290,270	33.612	449,290,270	33.612
1.513 All other	71,101,644	5.319	71,101,644	5.319
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	509,272	0.038	509,272	0.038
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	19,424,507	1.453	19,424,507	1.453
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	442,686,769	33.118	442,686,769	33.118
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	67,277,380	5.033	67,277,380	5.033
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				
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	232,127	0.017	232,127	0.017
8. Cash, cash equivalents and short-term investments	56,531,735	4.229	56,531,735	4.229
9. Other invested assets	35,186,832	2.632	35,186,832	2.632
10. Total invested assets	1,336,688,026	100.000	1,336,688,026	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

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

Yes ☒ No ☐

1.2

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

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Illinois

2.1

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

Yes ☐ No ☒

2.2

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

3.1

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

12/31/2004

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/1999

3.3

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

03/08/2002

3.4

By what department or departments? Illinois Department of Financial and Professional Regulation Division of Insurance

4.1

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

4.11

sales of new business?

Yes ☐ No ☒

4.12

renewals?

Yes ☐ No ☒

4.2

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

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒

5.1

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

Yes ☐ No ☒

5.2

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

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

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.)

Yes ☐ No ☒

6.2

If yes, give full information

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,

7.21

State the percentage of foreign control

0 %

7.22

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

1	2
Nationality	Type of Entity

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ☐ No ☒

8.2

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

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes ☐ No ☒

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Robert T. Muleski
175 Berkeley St. Boston, MA 02117
Officer of Liberty Mutual Insurance Company

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

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value

Yes [] No [X]

\$

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?

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

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

Yes [] No [X]

Yes [] No [X]

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?

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

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 []

Yes [X] No []

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?

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?

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

Yes [] No [X]

\$

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

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

\$

\$

\$

\$

\$

\$

\$

\$

\$

17,963,433

21.3 For category (21.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

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

Yes [] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [] No [] N/A [X]

If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

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

\$

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No []

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

1	2
Name of Custodian(s)	Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245

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

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

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

Yes [] No [X]

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

1 Central Registration Depository Number(s)	2 Name	3 Address

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 [X] 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	67,277,381
25.2999 Total		67,277,381

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	3,155,309	12/31/2005
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CRP	1,258,087	12/31/2005
LMIA HIGH YIELD FUND	PIERRE FOODS INC	941,883	12/31/2005
LMIA HIGH YIELD FUND	VALENT PHARMACEUTICALS	921,700	12/31/2005
LMIA HIGH YIELD FUND	SUPERIOR ENTERGY SERV	854,423	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	1,230,867,408	1,231,088,235	220,845
26.2 Preferred stocks			
26.3 Totals	1,230,867,408	1,231,088,235	220,845

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

27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securitties Valuation Office been followed? Yes [X] 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? \$

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
	\$
	\$
	\$

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

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

1 Name	2 Amount Paid
	\$
	\$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1	2
Name	Amount Paid
	\$

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$
- 30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
	\$
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

YES [] NO [X]

1.2

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

\$

1.3

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

\$

1.31

Reason for excluding

1.4

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

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

\$

All years prior to most current three years:

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

\$

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

\$

All years prior to most current three years:

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

\$

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$

8,478

\$

(413,344)

2.2

Premium Denominator

\$

621,581,457

\$

582,010,432

2.3

Premium Ratio (2.1/2.2)

2.4

Reserve Numerator

\$

457,108

\$

476,505

2.5

Reserve Denominator

\$

1,278,971,049

\$

1,198,690,823

2.6

Reserve Ratio (2.4/2.5)

3.1

Does the reporting entity issue both participating and non-participating policies?

YES [X] NO []

3.2

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

3.21

Participating policies

\$

1,512,189,491

3.22

Non-participating policies

\$

110,471,983

4.

For Mutual Reporting Entities and Reciprocal Exchange only:

4.1

Does the reporting entity issue assessable policies?

YES [] NO [X]

4.2

Does the reporting entity issue non-assessable policies?

YES [] NO [X]

4.3

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

%

4.4

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

\$

5.

For Reciprocal Exchanges Only:

5.1

Does the exchange appoint local agents?

YES [] NO [X]

5.2

If yes, is the commission paid:

5.21

Out of Attorney's-in-fact compensation

YES [] NO [] N/A [X]

5.22

As a direct expense of the exchange

YES [] NO [] N/A [X]

5.3

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

5.4

Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?

YES [] NO [X]

5.5

If yes, give full information

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

6.1

What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2005, the Company purchased a Workers' Compensation Catastrophe Treaty with limits of \$450M part of \$600M xs \$100M.

6.2

Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: For its North American exposures, the Company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v5.0 from RMS and AIR Classic/2 v7.0 from AIR. For WC, the Company utilizes RiskLink v5.0 from RMS.

6.3

What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In 2005, the Company purchased a Property Catastrophe Treaty with limits of \$860M part of \$1.15B xs \$250M.

6.4

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

YES ☒ NO ☐

6.5

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

7.1

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

YES ☒ NO ☐

7.2

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

1

7.3

If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?

YES ☒ NO ☐

8.1

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

YES ☐ NO ☒

8.2

If yes, give full information

9.1

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

YES ☐ NO ☒

9.2

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.

YES ☐ NO ☒

9.3

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

9.4

Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

YES ☐ NO ☒

9.5

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

10.

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

YES ☒ NO ☐ N/A ☐

11.1

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

YES ☐ NO ☒

11.2

If yes, give full information

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

12.11 Unpaid losses

12.12 Unpaid underwriting expenses (including loss adjustment expenses)

\$100,776,429

\$15,766,625

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?

\$25,259,861

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

YES [X] NO [] N/A []

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

12.41 From

12.42 To

5.500 %

6.000 %

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

YES [X] NO []

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

12.61 Letters of Credit

12.62 Collateral and other funds

\$442,986,941

\$34,558,760

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):

\$6,093,514

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

YES [X] NO []

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

1

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

YES [X] NO []

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

Premiums 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 [☒]

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)	1,956,525,782	1,350,320,294	866,802,610	850,236,850	771,087,456
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	182,646,516	190,412,545	181,943,110	177,279,055	165,024,781
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	102,388,397	92,416,672	96,410,793	80,602,477	74,570,699
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	11,943,036	8,295,364	10,609,704	32,283,117	32,801,251
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	4,923,151	7,257,501	13,285,164	8,733,208	2,723,644
6. Total (Line 34)	2,258,426,882	1,648,702,376	1,169,051,381	1,149,134,707	1,046,207,831
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)	419,259,769	392,400,242	345,538,794	301,479,030	262,397,241
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	108,228,410	105,043,653	97,844,369	91,798,026	84,618,207
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	91,373,963	82,823,702	86,485,819	70,734,817	61,364,530
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	11,980,115	8,201,884	10,609,604	32,283,017	32,801,251
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	4,923,151	7,257,501	13,285,164	8,733,208	2,723,644
12. Total (Line 34)	635,765,408	595,726,982	553,763,750	505,028,098	443,904,873
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(47,030,977)	(44,855,609)	(52,461,456)	(41,578,006)	(140,989,634)
14. Net investment gain (loss) (Line 11)	70,080,692	68,301,599	60,818,804	71,309,609	89,212,431
15. Total other income (Line 15)	(6,531,083)	(10,945,516)	(13,661,202)	(8,727,279)	40,577,155
16. Dividends to policyholders (Line 17)	2,166,474	2,365,950	(144,081)	3,892,541	4,635,617
17. Federal and foreign income taxes incurred (Line 19)	6,699,434	(163,716)	(4,057,092)	5,820,511	(5,987,196)
18. Net income (Line 20)	7,652,724	10,298,240	(1,102,681)	11,291,272	(9,848,469)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,632,838,998	1,639,778,256	1,486,134,853	1,418,988,703	1,486,456,760
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	41,960,478	40,283,378	53,124,118	52,550,770	46,909,399
20.2 Deferred and not yet due (Line 13.2)	124,186,953	114,946,699	92,411,931	77,725,499	62,588,225
20.3 Accrued retrospective premiums (Line 13.3)	42,246,042	46,009,754	47,795,657	41,968,237	43,263,054
21. Total liabilities excluding protected cell business (Page 3, Line 24)	1,342,042,028	1,369,541,134	1,228,346,736	1,163,151,083	1,238,824,504
22. Losses (Page 3, Lines 1 and 2)	852,428,226	803,414,483	791,239,066	747,041,357	774,529,756
23. Loss adjustment expenses (Page 3, Line 3)	174,584,763	153,241,171	156,459,955	142,375,470	150,354,360
24. Unearned premiums (Page 3, Line 9)	251,958,056	242,035,169	230,115,633	193,540,338	165,372,345
25. Capital paid up (Page 3, Lines 28 & 29)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	290,796,970	270,237,122	257,788,117	255,837,620	247,632,256
Risk-Based Capital Analysis					
27. Total adjusted capital	290,796,970	270,237,122	257,788,117	255,837,620	247,632,256
28. Authorized control level risk-based capital	79,068,997	82,031,736	76,173,036	70,529,370	63,829,930
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)	88.1	84.8	88.8	83.1	88.4
30. Stocks (Lines 2.1 & 2.2)	5.0	4.7	5.1	4.4	0.1
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)	4.2	7.4	3.9	9.2	7.7
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)	2.6	2.3	2.1	3.3	3.5
36. Receivables for securities (Line 8)		0.8			0.4
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)					
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					
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)					

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)	(1,406,543)	1,701,388	8,086,932	(3,266,400)	(14,713,693)
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	20,559,848	12,449,005	1,950,497	8,205,364	(29,520,517)
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)	694,132,919	644,065,173	617,065,297	676,710,037	708,403,923
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	97,046,679	88,325,580	88,614,354	92,183,003	106,448,603
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	71,543,655	68,723,829	51,383,979	63,077,581	97,776,952
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	3,189,579	30,516,303	17,728,037	26,038,264	22,397,292
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	6,556,773	298,321	6,108,103	6,336,997	4,322,346
55. Total (Line 34)	872,469,605	831,929,206	780,899,770	864,345,882	939,349,116
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)	224,223,614	243,645,095	204,213,717	235,582,843	231,820,771
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	55,175,076	46,561,485	45,737,902	45,856,139	52,576,199
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	57,878,854	53,636,174	35,653,573	40,076,141	47,011,012
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	3,189,579	30,516,303	17,728,037	26,038,264	22,397,292
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	6,556,773	298,321	6,108,103	6,336,997	4,322,346
61. Total (Line 34)	347,023,896	374,657,378	309,441,332	353,890,384	358,127,620
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)	63.8	66.5	66.4	68.6	89.1
64. Loss expenses incurred (Line 3)	18.8	16.3	19.1	16.4	17.0
65. Other underwriting expenses incurred (Line 4)	24.9	24.9	24.4	100.2	25.9
66. Net underwriting gain (loss) (Line 8)	(7.6)	(7.7)	(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)	25.4	26.2	25.7	24.0	16.6
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	82.6	82.8	85.5	85.1	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)	218.6	220.4	214.8	197.4	179.3
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)	30,695	20,648	44,030	36,686	72,526
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)	11.4	8.0	17.2	14.8	26.1
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)	80,229	98,952	92,439	138,884	95,250
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)	31.1	38.7	37.3	50.0	38.0

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	140,768,337	142,802,490	141,417,872	134,677,866
	2. Canada				
	3. Other Countries				
	4. Totals	140,768,337	142,802,490	141,417,872	134,677,866
States, Territories and Possessions (Direct and guaranteed)	5. United States	48,734	50,885	46,375	50,000
	6. Canada				
	7. Other Countries				
	8. Totals	48,734	50,885	46,375	50,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	638,003	630,720	656,376	600,000
	10. Canada				
	11. Other Countries				
	12. Totals	638,003	630,720	656,376	600,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	502,791,959	498,483,747	502,851,470	500,985,169
	14. Canada				
	15. Other Countries				
	16. Totals	502,791,959	498,483,747	502,851,470	500,985,169
Public Utilities (unaffiliated)	17. United States	57,013,864	55,898,491	57,230,630	55,164,000
	18. Canada				
	19. Other Countries				
	20. Totals	57,013,864	55,898,491	57,230,630	55,164,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	452,174,735	453,661,665	454,330,447	448,678,224
	22. Canada				
	23. Other Countries	24,024,321	26,152,800	23,945,560	24,000,000
	24. Totals	476,199,056	479,814,465	478,276,007	472,678,224
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	1,177,459,953	1,177,680,798	1,180,478,730	1,164,155,259
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			3	
	36. Canada				
	37. Other Countries				
	38. Totals			3	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks			3	
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	67,277,381	67,277,381	65,419,970	
	50. Canada				
	51. Other Countries				
	52. Totals	67,277,381	67,277,381	65,419,970	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	67,277,381	67,277,381	65,419,970	
	55. Total Stocks	67,277,381	67,277,381	65,419,973	
	56. Total Bonds and Stocks	1,244,737,334	1,244,958,179	1,245,898,703	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	1,224,181,544	7. Amortization of premium	5,682,053
2. Cost of bonds and stocks acquired, Column 7, Part 3	1,466,104,572	8. Foreign Exchange Adjustment:	
3. Accrual of discount	1,745,705	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	(455,836)	8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1	(23,483)	8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2	(2,158,217)	9. Book/adjusted carrying value at end of current period	1,244,737,334
4.4 Column 11 - 13, Part 4	11,857	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	3,444,983	11. Subtotal (Lines 9 plus 10)	1,244,737,334
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	1,442,431,738	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	1,244,737,334

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY
(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred		Premiums Earned			Loss and Loss Expense Payments								12
		1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
					4	5	6	7	8	9			
		Direct and Assumed	Ceded	Net (Cols. 1 - 2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1.	Prior	X X X	X X X	X X X	43,738	14,045	18,208	7,226	3,874	1,157	513	43,392	X X X
2.	1996	520,484	77,249	443,235	375,647	52,959	28,725	2,340	39,766	(278)	12,837	389,117	X X X
3.	1997	507,528	63,194	444,334	379,266	49,953	33,934	3,462	41,155	225	12,721	400,715	X X X
4.	1998	535,132	64,472	470,660	430,959	53,679	34,450	3,223	45,880	440	14,696	453,947	X X X
5.	1999	531,245	76,421	454,824	430,645	58,646	35,747	4,440	46,550	739	14,154	449,117	X X X
6.	2000	560,249	90,545	469,704	422,291	70,749	33,103	4,486	44,351	569	10,766	423,941	X X X
7.	2001	581,852	93,690	488,162	400,626	87,335	27,854	4,303	41,959	418	12,595	378,383	X X X
8.	2002	664,339	125,505	538,834	355,933	54,946	22,242	2,395	47,325	349	19,638	367,810	X X X
9.	2003	739,816	168,040	571,776	309,935	61,807	18,149	1,054	48,995	340	19,217	313,878	X X X
10.	2004	769,601	187,575	582,026	261,272	62,252	10,953	1,263	47,291	2,381	17,104	253,620	X X X
11.	2005	792,596	171,019	621,577	180,036	25,883	4,175	494	39,036	2,298	10,423	194,572	X X X
12.	Totals	X X X	X X X	X X X	3,590,348	592,254	267,540	34,686	446,182	8,638	144,664	3,668,492	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	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1. Prior	298,956	88,646	134,197	98,243	16,268	13,572	70,591	29,895	8,622		1,171	298,278	X X X
2. 1996	15,933	2,748	3,538	2,462	232	20	1,125	203	265		79	15,660	X X X
3. 1997	20,717	3,036	3,947	1,988	1,674	1,113	1,678	360	377		118	21,896	X X X
4. 1998	28,793	4,181	4,630	3,352	479	51	2,641	549	1,853		189	30,263	X X X
5. 1999	32,382	7,674	7,289	4,310	818	179	3,279	1,063	1,084		319	31,626	X X X
6. 2000	36,047	10,860	10,623	7,360	899	210	3,237	1,029	627		463	31,974	X X X
7. 2001	49,540	25,916	16,275	9,333	1,768	984	5,392	2,071	1,504		879	36,175	X X X
8. 2002	56,633	28,913	29,233	20,489	1,495	437	8,300	1,699	2,091		1,331	46,214	X X X
9. 2003	59,922	15,432	51,696	34,185	1,972	495	14,974	3,058	2,950		2,288	78,344	X X X
10. 2004	76,092	22,622	119,800	43,397	2,351	610	25,921	5,521	6,268		4,652	158,282	X X X
11. 2005	131,403	57,460	233,398	76,013	2,338	478	38,771	5,920	13,849	1,589	13,119	278,299	X X X
12. Totals	806,418	267,488	614,626	301,132	30,294	18,149	175,909	51,368	39,490	1,589	24,608	1,027,011	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	246,264	52,014
2. 1996	465,231	60,454	404,777	89,384	78,259	91,323			6,000	14,261	1,399
3. 1997	482,748	60,137	422,611	95,118	95,163	95,111			6,000	19,640	2,256
4. 1998	549,685	65,475	484,210	102,720	101,556	102,879			6,000	25,890	4,373
5. 1999	557,794	77,051	480,743	104,998	100,824	105,699			6,000	27,687	3,939
6. 2000	551,178	95,263	455,915	98,381	105,211	97,064			6,000	28,450	3,524
7. 2001	544,918	130,360	414,558	93,652	139,140	84,922			6,000	30,566	5,609
8. 2002	523,252	109,228	414,024	78,763	87,031	76,837			6,000	36,464	9,750
9. 2003	508,593	116,371	392,222	68,746	69,252	68,597			6,000	62,001	16,343
10. 2004	549,948	138,046	411,902	71,459	73,595	70,770			6,000	129,873	28,409
11. 2005	643,006	170,135	472,871	81,127	99,483	76,076			6,000	231,328	46,971
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	852,424	174,587

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	808,783	813,113	794,144	759,847	744,482	783,035	811,097	840,388	877,557	908,752	31,195	68,364
2. 1996	370,506	354,125	355,237	357,447	361,629	360,745	360,646	360,599	364,600	367,782	3,182	7,183
3. 1997	X X X	352,607	350,914	363,957	369,860	376,884	377,256	377,883	382,335	385,484	3,149	7,601
4. 1998	X X X	X X X	387,829	401,328	411,132	424,047	428,479	431,770	436,700	442,170	5,470	10,400
5. 1999	X X X	X X X	X X X	381,706	393,647	408,539	419,058	426,641	430,021	438,138	8,117	11,497
6. 2000	X X X	X X X	X X X	X X X	367,146	384,097	386,584	399,607	410,309	414,418	4,109	14,811
7. 2001	X X X	X X X	X X X	X X X	X X X	378,250	368,516	375,051	369,644	373,103	3,459	(1,948)
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	375,181	354,147	354,602	366,043	11,441	11,896
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	392,197	353,163	342,622	(10,541)	(49,575)
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	393,775	364,889	(28,886)	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	429,315	X X X	X X X
12. Totals											30,695	80,229

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss	Number of Claims Closed Without Loss
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Payment	Payment
1. Prior	000	148,078	256,977	322,386	375,092	405,752	455,130	494,148	533,454	574,129	X X X	X X X
2. 1996	154,606	225,071	264,392	294,258	314,191	327,204	335,214	339,388	344,699	349,073	X X X	X X X
3. 1997	X X X	142,209	214,727	263,331	298,329	321,545	336,534	345,712	354,759	359,785	X X X	X X X
4. 1998	X X X	X X X	155,670	249,824	305,564	346,771	370,477	386,647	399,125	408,507	X X X	X X X
5. 1999	X X X	X X X	X X X	154,664	245,838	303,105	343,821	371,263	390,656	403,306	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	162,214	254,660	302,993	336,385	366,767	380,159	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	170,819	257,664	300,742	326,516	336,842	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	160,755	246,333	296,242	320,834	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	148,330	226,676	265,223	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	135,745	208,710	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	157,834	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	347,430	277,812	208,418	138,877	120,168	96,623	72,434	71,606	59,941	79,336
2. 1996	123,811	64,138	36,398	22,098	16,524	11,105	5,531	2,332	3,668	2,928
3. 1997	X X X	116,348	56,931	33,629	22,371	18,089	10,234	5,011	4,651	4,779
4. 1998	X X X	X X X	125,619	56,352	32,253	19,182	14,092	6,532	6,685	5,553
5. 1999	X X X	X X X	X X X	124,035	58,882	29,400	17,931	10,396	8,126	7,351
6. 2000	X X X	X X X	X X X	X X X	101,638	38,923	17,156	11,748	9,419	6,771
7. 2001	X X X	X X X	X X X	X X X	X X X	105,859	43,283	25,899	13,271	10,730
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	113,240	44,720	20,179	15,217
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	162,441	66,775	30,536
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	179,286	100,034
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	195,078

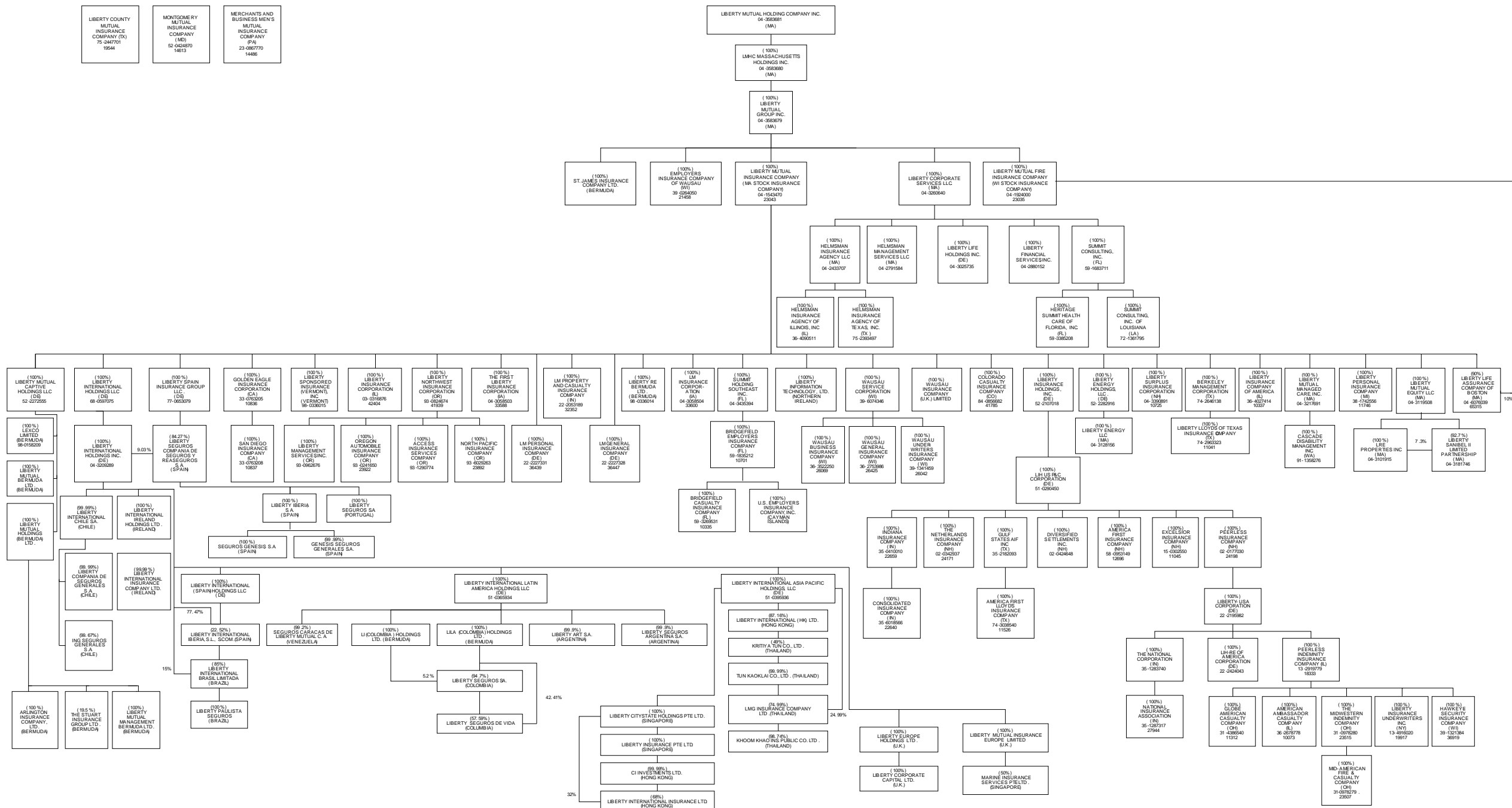
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
Allocated by States and Territories

States, Etc.		1 Is Insurer Licen- sed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
			2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	YES	22,030,023	16,506,357	8,350	4,281,933	9,034,307	21,032,369	8,946	
2. Alaska	AK	YES	5,712,103	5,637,937	5	896,360	4,842,192	7,137,371		
3. Arizona	AZ	YES	11,690,006	11,499,000	9,097	2,661,495	8,170,553	14,206,766	4,319	
4. Arkansas	AR	YES	5,932,711	5,766,531	(5,987)	2,092,831	1,402,242	23,990,234	2,223	
5. California	CA	YES	124,247,702	124,403,603	(106,794)	34,803,610	98,613,173	237,459,229	5	
6. Colorado	CO	YES	35,958,308	34,361,046	72,565	9,277,215	28,038,726	45,507,321	11,234	
7. Connecticut	CT	YES	44,067,499	45,489,811	10,613	33,099,596	35,979,239	63,439,244	53,002	
8. Delaware	DE	YES	8,453,194	7,787,698	8,043	4,133,148	5,930,339	11,629,787	27,817	
9. Dist. Columbia	DC	YES	4,088,875	3,834,096	(11,732)	3,273,084	(2,546,954)	10,481,655	6,954	
10. Florida	FL	YES	90,943,812	85,361,346	(257,497)	31,789,640	55,072,875	118,630,166	171,990	
11. Georgia	GA	YES	45,820,728	43,291,221	11,319	18,393,423	24,233,113	44,884,269	109,234	
12. Hawaii	HI	YES	3,781,681	3,761,890		1,321,853	1,933,782	3,448,880	13,764	
13. Idaho	ID	YES	2,784,476	3,025,864	74	1,224,681	2,570,196	4,040,103	4,510	
14. Illinois	IL	YES	107,694,702	70,411,615	32,293	18,371,870	49,837,731	64,968,020	16,365	
15. Indiana	IN	YES	47,828,314	52,801,261	1,348	20,633,057	985,388	46,108,612	10,907	
16. Iowa	IA	YES	3,862,417	3,787,785	(22,580)	1,917,479	2,906,623	11,304,415	4,866	
17. Kansas	KS	YES	11,624,073	32,717,839	1,803	20,856,177	13,158,458	47,206,945	5,184	
18. Kentucky	KY	YES	38,014,837	34,222,550	631	10,451,179	28,581,184	42,817,116	12,671	
19. Louisiana	LA	YES	23,128,337	21,743,677	1,855	5,347,245	13,891,048	30,954,075	11,714	
20. Maine	ME	YES	7,221,254	7,366,654	(113,474)	4,264,624	4,509,977	10,368,687	36,006	
21. Maryland	MD	YES	18,611,284	18,010,938	36,777	7,799,944	13,883,637	31,476,190	47,349	
22. Massachusetts	MA	YES	34,585,498	31,544,006	141,659	21,706,441	36,845,849	89,213,498	(47)	
23. Michigan	MI	YES	19,993,906	20,328,566	177,428	5,238,034	15,142,710	25,406,456	117	
24. Minnesota	MN	YES	13,065,349	12,540,735	26,056	3,922,950	8,554,837	21,386,378	10,918	
25. Mississippi	MS	YES	8,237,197	7,740,782	6,622	1,855,557	3,499,360	11,544,861	2,320	
26. Missouri	MO	YES	23,533,601	21,617,406	7,253	5,186,291	15,805,478	34,763,877	7,071	
27. Montana	MT	YES	3,359,948	3,229,847	(7,880)	502,727	1,368,530	1,927,611	6,275	
28. Nebraska	NE	YES	11,051,546	10,821,513	(26,103)	2,776,053	11,691,193	17,386,580	2,603	
29. Nevada	NV	YES	8,376,177	8,555,272	(1,078)	2,853,927	5,668,737	9,281,649	18,087	
30. New Hampshire	NH	YES	10,763,828	10,741,604	89,322	12,069,675	15,952,150	66,297,692	21,953	
31. New Jersey	NJ	YES	251,202,772	181,838,827	196,704	62,377,440	168,960,245	204,070,067	496,592	
32. New Mexico	NM	YES	6,991,303	6,326,056	119	2,551,591	3,590,281	9,073,895	2,831	
33. New York	NY	YES	187,982,889	182,082,606	(434,822)	55,018,669	128,092,270	239,885,377	346,928	
34. No. Carolina	NC	YES	32,233,625	28,783,697	98,940	5,009,869	26,397,469	37,528,474	164	
35. No. Dakota	ND	YES	143,884	139,303		68,910	98,307	45,948	341	
36. Ohio	OH	YES	17,053,818	16,667,270	(86)	5,504,699	12,703,964	36,497,908	42,933	
37. Oklahoma	OK	YES	9,856,020	8,934,516	1,182	2,265,655	6,327,274	13,250,543	10,168	
38. Oregon	OR	YES	28,553,622	24,042,878	(8,272)	9,209,809	24,980,514	28,639,869	9,876	
39. Pennsylvania	PA	YES	62,197,633	62,740,052	(80,019)	25,694,020	41,512,389	87,838,316	121,177	
40. Rhode Island	RI	YES	4,875,544	4,421,192	2,192	2,004,469	3,413,339	9,398,953	17,710	
41. So. Carolina	SC	YES	19,060,585	18,328,923	3,455	9,148,644	14,293,999	17,857,793	37,088	
42. So. Dakota	SD	YES	1,287,978	1,206,206	(37)	(169,028)	422,642	1,948,771	71	
43. Tennessee	TN	YES	14,115,262	14,425,089	(6,011)	3,268,131	8,271,221	16,152,921	12,686	
44. Texas	TX	YES	84,752,528	73,355,966	(14,195)	16,272,910	48,646,285	127,297,480	946	
45. Utah	UT	YES	8,260,103	7,807,158	4,765	2,240,985	5,756,932	7,313,453	6,345	
46. Vermont	VT	YES	2,928,207	2,653,348	(4,329)	1,255,759	2,902,717	6,004,781	7,219	
47. Virginia	VA	YES	28,587,699	25,055,607	13,772	8,047,964	16,457,368	21,863,301	66,146	
48. Washington	WA	YES	8,042,690	8,242,402	(17)	3,599,903	4,598,064	7,495,179	29,126	
49. West Virginia	WV	YES	2,310,142	2,281,855	4	1,705,226	1,962,973	1,915,011	6,824	
50. Wisconsin	WI	YES	53,668,461	46,771,779	227,247	17,320,335	46,282,190	57,599,618	7,564	
51. Wyoming	WY	YES	202,910	213,307		46,271	34,606	41,171	705	
52. American Samoa	AS	NO								
53. Guam	GU	YES	20,540	20,610			5,510	6,676		
54. Puerto Rico	PR	YES	10,775	9,204			(6,154)	14,263		
55. U.S. Virgin Islands	VI	NO	7,378	7,727			3,521	5,153		
56. Canada	CN	NO								
57. Aggregate other alien	OT	X X X	1,851,720	1,498,859	(294)	1,379	101,836	2,413,909		
58. Totals	(a)	53	1,622,661,474	1,476,762,887	90,286	525,445,709	1,081,366,435	2,102,458,886	1,851,797	

DETAILS OF WRITE-INS									
5701. Other alien	X X X	1,851,720	1,498,859	(294)	1,379	101,836	2,413,909		
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	1,851,720	1,498,859	(294)	1,379	101,836	2,413,909		

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

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



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation
ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS				
0904.				
0905.				
0906.				
0907.				
0908.				
0909.				
0910.				
0911.				
0912.				
0913.				
0914.				
0915.				
0916.				
0917.				
0918.				
0919.				
0920.				
0921.				
0922.				
0923.				
0924.				
0925.				
0997. Totals (Lines 0904 through 0925) (Page 2, Line 0998)				
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS				
2304. Amounts receivable under high deductible policies	15,570,444	558,208	15,012,236	13,900,094
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	15,570,444	558,208	15,012,236	13,900,094

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation
LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES		
2304. Collateral held for securities loaned	17,890,923	46,677,592
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	17,890,923	46,677,592
REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS		
2704.		
2705.		
2706.		
2707.		
2708.		
2709.		
2710.		
2711.		
2712.		
2713.		
2714.		
2715.		
2716.		
2717.		
2718.		
2719.		
2720.		
2721.		
2722.		
2723.		
2724.		
2725.		
2797. Totals (Lines 2704 through 2725) (Page 3, Line 2798)		
REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS		
3004.		
3005.		
3006.		
3007.		
3008.		
3009.		
3010.		
3011.		
3012.		
3013.		
3014.		
3015.		
3016.		
3017.		
3018.		
3019.		
3020.		
3021.		
3022.		
3023.		
3024.		
3025.		
3097. Totals (Lines 3004 through 3025) (Page 3, Line 3098)		