

ANNUAL STATEMENT

OF THE

Liberty Northwest

Insurance Corporation

of **Portland**

in the state of **Oregon**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED
December 31, 2005

PROPERTY AND CASUALTY

2005

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)	930,124,103		930,124,103	805,857,512
2. Stocks (Schedule D):				
2.1 Preferred stocks	1,894,100		1,894,100	2,717,217
2.2 Common stocks	47,250,868		47,250,868	58,722,489
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (4,817,144) , Schedule E-Part 1), cash equivalents (\$ 0				
Schedule E-Part 2) and short-term investments (\$ 11,629,056 , Schedule DA)	6,811,912		6,811,912	13,360,903
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	22,313,942		22,313,942	16,915,596
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,008,394,925		1,008,394,925	897,573,717
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	9,782,890		9,782,890	8,711,637
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	48,038,163		48,038,163	48,677,684
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	10,039,803		10,039,803	7,971,032
13.3 Accrued retrospective premiums	9,797,490	979,749	8,817,741	6,714,740
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	6,618,369		6,618,369	4,935,048
14.2 Funds held by or deposited with reinsured companies	272,868		272,868	344,251
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	669,249		669,249	
16.2 Net deferred tax asset	61,584,665	34,695,258	26,889,407	17,665,607
17. Guaranty funds receivable or on deposit	(34,732)		(34,732)	354,418
18. Electronic data processing equipment and software	21,259		21,259	203,411
19. Furniture and equipment, including health care delivery assets (\$ 0)	3,841,658	3,841,658		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	1,097,650		1,097,650	793,444
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	1,649,834	1,485,857	163,977	154,307
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,161,774,091	41,002,522	1,120,771,569	994,099,296
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,161,774,091	41,002,522	1,120,771,569	994,099,296

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 receivables	1,649,834	1,485,857	163,977	154,307
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,649,834	1,485,857	163,977	154,307

LIABILITIES, SURPLUS AND OTHER FUNDS	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 34, Column 8)	631,577,655	543,633,408
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	3,565,892	3,460,746
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	81,402,284	67,750,754
4. Commissions payable, contingent commissions and other similar charges	7,363,271	6,653,460
5. Other expenses (excluding taxes, licenses and fees)	20,938,263	20,939,711
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	7,805,810	6,666,438
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		7,487,912
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 5,481,824 and including warranty reserves of \$ 0)	92,223,257	85,846,752
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	1,156,700	1,110,360
12. Ceded reinsurance premiums payable (net of ceding commissions)	13,436,062	12,976,761
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	1,092,534	1,335,607
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		
19. Payable to parent, subsidiaries and affiliates	8,289,301	7,086,729
20. Payable for securities	1,442,106	184,728
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	18,721,040	23,941,573
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	889,014,175	789,074,939
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	889,014,175	789,074,939
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,000,000	3,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	58,400,000	58,400,000
33. Unassigned funds (surplus)	170,357,394	143,624,357
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)	231,757,394	205,024,357
36. TOTALS (Page 2, Line 26, Col. 3)	1,120,771,569	994,099,296

DETAILS OF WRITE-INS			
2301. Other accounts payable		5,580,111	8,615,485
2302. Retrospective premiums payable		13,140,929	15,326,088
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)		18,721,040	23,941,573
2701.			
2702.			
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page			
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)			
3001.			
3002.			
3003.			
3098. Summary of remaining write-ins for Line 30 from overflow page			
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)			

STATEMENT OF INCOME		
	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	408,137,912	391,723,405
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	287,200,135	264,339,584
3. Loss expenses incurred (Part 3, Line 25, Column 1)	43,885,083	40,191,266
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	97,406,512	105,695,304
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	428,491,730	410,226,154
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(20,353,818)	(18,502,749)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	48,471,809	46,544,640
10. Net realized capital gains (losses) less capital gains tax of \$ 3,651,012 (Exhibit of Capital Gains (Losses))	6,780,451	5,184,908
11. Net investment gain (loss) (Lines 9 + 10)	55,252,260	51,729,548
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 22,366 amount charged off \$ (1,666,718))	1,689,084	(81,406)
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	4,099	1,472
15. Total other income (Lines 12 through 14)	1,693,183	(79,934)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	36,591,625	33,146,865
17. Dividends to policyholders	5,929,247	9,749,756
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)	30,662,378	23,397,109
19. Federal and foreign income taxes incurred	8,677,569	12,530,921
20. Net income (Line 18 minus Line 19) (to Line 22)	21,984,809	10,866,188
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	205,024,357	192,388,780
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	21,984,809	10,866,188
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (714,280)	(1,326,523)	3,651,381
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	3,469,749	2,039,113
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	2,605,002	(3,921,105)
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		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	26,733,037	12,635,577
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	231,757,394	205,024,357

DETAILS OF WRITE-INS		
0501.		
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)		
1401. Policyholder interest received	4,099	1,472
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	4,099	1,472
3701. Other surplus adjustments		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)		

CASH FLOW			1	2
Cash from Operations			Current Year	Prior Year
1.	Premiums collected net of reinsurance		411,207,800	395,815,634
2.	Net investment income		47,457,615	43,476,760
3.	Miscellaneous income		1,764,564	(79,934)
4.	Total (Lines 1 through 3)		460,429,979	439,212,460
5.	Benefit and loss related payments		200,834,064	190,343,369
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts			
7.	Commissions, expenses paid and aggregate write-ins for deductions		125,403,179	126,766,403
8.	Dividends paid to policyholders		5,882,907	8,906,100
9.	Federal and foreign income taxes paid (recovered) \$ 16,834,730 net of tax on capital gains (losses)		20,485,742	9,046,584
10.	Total (Lines 5 through 9)		352,605,892	335,062,456
11.	Net cash from operations (Line 4 minus Line 10)		107,824,087	104,150,004
Cash from Investments				
12.	Proceeds from investments sold, matured or repaid:			
12.1	Bonds		200,334,759	257,569,598
12.2	Stocks		71,076,436	66,499,049
12.3	Mortgage loans			
12.4	Real estate			
12.5	Other invested assets		6,933,200	5,598,194
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		(2,618)	
12.7	Miscellaneous proceeds		1,257,378	(3,123,583)
12.8	Total investment proceeds (Lines 12.1 to 12.7)		279,599,155	326,543,258
13.	Cost of investments acquired (long-term only):			
13.1	Bonds		320,421,856	359,666,691
13.2	Stocks		57,196,119	71,791,634
13.3	Mortgage loans			
13.4	Real estate			
13.5	Other invested assets		9,760,396	4,155,418
13.6	Miscellaneous applications		(164,477)	(40,755)
13.7	Total investments acquired (Lines 13.1 to 13.6)		387,213,894	435,572,988
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)		(107,614,739)	(109,029,730)
Cash from Financing and Miscellaneous Sources				
16.	Cash provided (applied):			
16.1	Surplus notes, capital notes			
16.2	Capital and paid in surplus, less treasury stock			
16.3	Borrowed funds			
16.4	Net deposits on deposit-type contracts and other insurance liabilities			
16.5	Dividends to stockholders			
16.6	Other cash provided (applied)		(6,758,339)	(3,288,845)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		(6,758,339)	(3,288,845)
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)		(6,548,991)	(8,168,571)
19.	Cash, cash equivalents and short-term investments:			
19.1	Beginning of year		13,360,903	21,529,474
19.2	End of year (Line 18 plus Line 19.1)		6,811,912	13,360,903

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	2	3	4
	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	2,383,784	1,426,634	1,315,381	2,495,037
2. Allied lines	1,408,027	768,630	755,353	1,421,304
3. Farmowners multiple peril	6,843,613	2,355,478	3,540,541	5,658,550
4. Homeowners multiple peril	19,902,098	10,067,131	10,410,019	19,559,210
5. Commercial multiple peril	57,069,323	27,578,982	29,274,062	55,374,243
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	3,373,971	1,573,927	1,782,939	3,164,959
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	1,178,221	621,012	630,698	1,168,535
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	217,534,288	4,715,493	4,035,420	218,214,361
17.1 Other liability - occurrence	8,282,159	2,817,434	4,275,492	6,824,101
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	1,778,818	646,965	857,598	1,568,185
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	29,446,864	7,624,768	7,461,073	29,610,559
19.3, 19.4 Commercial auto liability	34,528,352	15,265,704	17,278,120	32,515,936
21. Auto physical damage	30,833,540	10,341,703	10,586,241	30,589,002
22. Aircraft (all perils)				
23. Fidelity	(74,384)	32,865	3,417	(44,936)
24. Surety				
26. Burglary and theft	25,743	10,026	16,903	18,866
27. Boiler and machinery				
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	414,514,417	85,846,752	92,223,257	408,137,912

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	1,315,381				1,315,381
2. Allied lines	755,353				755,353
3. Farmowners multiple peril	3,540,541				3,540,541
4. Homeowners multiple peril	10,410,019				10,410,019
5. Commercial multiple peril	29,274,062				29,274,062
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	1,782,939				1,782,939
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	630,698				630,698
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	4,035,420				4,035,420
17.1 Other liability - occurrence	4,275,492				4,275,492
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	857,598				857,598
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	7,461,073				7,461,073
19.3, 19.4 Commercial auto liability	17,278,120				17,278,120
21. Auto physical damage	10,586,241				10,586,241
22. Aircraft (all perils)					
23. Fidelity	3,417				3,417
24. Surety					
26. Burglary and theft	16,903				16,903
27. Boiler and machinery					
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	92,223,257				92,223,257
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through 36)					92,223,257

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 Individual Policy Calculation

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	105,237	2,403,002		82,328	42,127	2,383,784
2. Allied lines	83,296	1,404,518		47,533	32,254	1,408,027
3. Farmowners multiple peril		7,045,485		221,118	(19,246)	6,843,613
4. Homeowners multiple peril		20,364,976		293,373	169,505	19,902,098
5. Commercial multiple peril	14,238,418	45,423,405		1,057,375	1,535,125	57,069,323
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	88,003	3,448,382		77,858	84,556	3,373,971
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	3,181	1,242,297		38,756	28,501	1,178,221
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	249,910,115	4,382,108	12,484,205	276,716	48,965,424	217,534,288
17.1 Other liability - occurrence	2,527,076	11,924,354		1,131,351	5,037,920	8,282,159
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	131,246	1,657,333		8,301	1,460	1,778,818
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	1,847,319	27,689,279		12,331	77,403	29,446,864
19.3, 19.4 Commercial auto liability	4,240,105	30,493,102		213,568	(8,713)	34,528,352
21. Auto physical damage	2,182,482	30,237,967		965,026	621,883	30,833,540
22. Aircraft (all perils)						
23. Fidelity	2,475	15,668		52,147	40,380	(74,384)
24. Surety						
26. Burglary and theft	1,385	25,015		1,367	(710)	25,743
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	275,360,338	187,756,891	12,484,205	4,479,148	56,607,869	414,514,417

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	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		550,784	(22,609)	573,393	365,421	175,124	763,690	30.608
2. Allied lines	3,189	261,061	(1,306)	265,556	146,218	73,149	338,625	23.825
3. Farmowners multiple peril		2,110,231		2,110,231	959,439	1,257,788	1,811,882	32.020
4. Homeowners multiple peril		9,067,583	96,996	8,970,587	5,736,650	4,520,496	10,186,741	52.082
5. Commercial multiple peril	7,487,165	10,610,370	2,916,675	15,180,860	39,451,247	30,249,711	24,382,396	44.032
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	3,947	733,460		737,407	1,711,010	144,349	2,304,068	72.799
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	146,948,545	10,689,776	26,547,308	131,091,013	539,377,335	472,266,306	198,202,042	90.829
17.1 Other liability - occurrence	11,936	282,132	490,537	(196,469)	6,725,432	4,290,203	2,238,760	32.807
17.2 Other liability - claims - made								
18.1 Products liability - occurrence		14,835	201	14,634	1,326,048	724,228	616,454	39.310
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	255,440	20,418,665	1,874,228	18,799,877	19,172,608	16,549,074	21,423,411	72.351
19.3, 19.4 Commercial auto liability	750,714	9,262,482	800,655	9,212,541	15,484,861	12,293,929	12,403,473	38.146
21. Auto physical damage	671,500	11,722,555	(102,204)	12,496,259	1,119,089	1,085,888	12,529,460	40.961
22. Aircraft (all perils)								
23. Fidelity					1,202	2,382	(1,180)	2.626
24. Surety								
26. Burglary and theft					1,095	782	313	1.659
27. Boiler and machinery								
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X							
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	156,132,436	75,723,934	32,600,481	199,255,889	631,577,655	543,633,409	287,200,135	70.368

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
1. Fire	35,004	209,798		244,802	6,291	114,749	420	365,422	29,261
2. Allied lines		98,069		98,069	4,894	43,446	191	146,218	11,565
3. Farmowners multiple peril		525,224	108,811	416,413		543,077	51	959,439	95,273
4. Homeowners multiple peril		3,655,218	143,462	3,511,756		2,243,855	18,962	5,736,649	589,811
5. Commercial multiple peril	5,707,502	12,287,580	3,638,745	14,356,337	8,769,083	18,196,929	1,871,101	39,451,248	16,258,077
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine		4,577,164	3,000,000	1,577,164	2,400	131,944	497	1,711,011	21,608
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation	472,292,645	26,173,390	162,534,402	335,931,633	219,041,355	26,239,754	41,835,406	539,377,336	56,394,322
17.1 Other liability - occurrence		349,577	55,978	293,599	3,493,163	15,085,171	12,146,502	6,725,431	3,212,421
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	1,000	158,002	31,500	127,502	60,479	1,275,898	137,831	1,326,048	530,359
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability	818,971	14,674,914	1,565,343	13,928,542	233,261	5,164,344	153,539	19,172,608	1,858,897
19.3, 19.4 Commercial auto liability	677,368	8,513,297	557,101	8,633,564	631,276	6,434,478	214,457	15,484,861	2,273,387
21. Auto physical damage	24,411	217,856	991	241,276	98,922	778,685	(206)	1,119,089	127,039
22. Aircraft (all perils)									
23. Fidelity					238	964		1,202	139
24. Surety									
26. Burglary and theft					49	1,047	1	1,095	126
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	479,556,901	71,440,089	171,636,333	379,360,657	232,341,411	76,254,341	56,378,752	631,577,657	81,402,285

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	7,806,918			7,806,918
1.2 Reinsurance assumed	3,095,584			3,095,584
1.3 Reinsurance ceded	936,225			936,225
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	9,966,277			9,966,277
2. Commission and brokerage:				
2.1 Direct, excluding contingent		6,262,724		6,262,724
2.2 Reinsurance assumed, excluding contingent		39,603,437		39,603,437
2.3 Reinsurance ceded, excluding contingent		15,721,489		15,721,489
2.4 Contingent-direct		656,394		656,394
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		30,801,066		30,801,066
3. Allowances to manager and agents		529,435		529,435
4. Advertising		713,627		713,627
5. Boards, bureaus and associations		1,567,476		1,567,476
6. Surveys and underwriting reports		511,793		511,793
7. Audit of assureds' records		165,974		165,974
8. Salary and related items:				
8.1 Salaries	22,906,892	30,216,778	80,959	53,204,629
8.2 Payroll taxes	1,659,767	2,097,358	3,302	3,760,427
9. Employee relations and welfare	4,065,075	5,307,776	21,273	9,394,124
10. Insurance	928	(83,369)		(82,441)
11. Directors' fees	6,190	69,639	1,548	77,377
12. Travel and travel items	783,932	1,491,174	2,943	2,278,049
13. Rent and rent items	2,649,430	3,132,788	1,755	5,783,973
14. Equipment	889,802	1,348,886	280	2,238,968
15. Cost or depreciation of EDP equipment and software	445,770	656,761	251	1,102,782
16. Printing and stationery	464,258	634,548	364	1,099,170
17. Postage, telephone and telegraph, exchange and express	890,881	1,071,118	675	1,962,674
18. Legal and auditing	63,513	557,164	1,300	621,977
19. Totals (Lines 3 to 18)	34,826,438	49,988,926	114,650	84,930,014
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 4,408		4,907,159		4,907,159
20.2 Insurance department licenses and fees		496,462		496,462
20.3 Gross guaranty association assessments		46,411		46,411
20.4 All other (excluding federal and foreign income and real estate)		2,505,335		2,505,335
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		7,955,367		7,955,367
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	(907,632)	8,661,152	607,053	8,360,573
25. Total expenses incurred	43,885,083	97,406,511	721,703 (a)	142,013,297
26. Less unpaid expenses-current year	81,402,284	36,142,076		117,544,360
27. Add unpaid expenses-prior year	67,750,754	33,905,191		101,655,945
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)	30,233,553	95,169,626	721,703	126,124,882

DETAILS OF WRITE-INS				
2401. Miscellaneous Expense	(14,559,162)	8,661,152	607,053	(5,290,957)
2402. Change in loss adjustment expenses	13,651,530			13,651,530
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	(907,632)	8,661,152	607,053	8,360,573

(a) Includes management fees of \$ 3,365,088 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 7,645,181	8,105,762
1.1 Bonds exempt from U.S. tax	(a) 2,238,517	3,413,545
1.2 Other bonds (unaffiliated)	(a) 34,406,411	33,877,056
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 156,059	156,059
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	1,746,530	1,711,528
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 938,144	938,144
7. Derivative instruments	(f)	
8. Other invested assets	391,006	391,006
9. Aggregate write-ins for investment income	605,956	600,413
10. Total gross investment income	48,127,804	49,193,513
11. Investment expenses		(g) 721,704
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)		721,704
17. Net investment income (Line 10 minus Line 16)		48,471,809
DETAILS OF WRITE-INS		
0901. Investment income assumed from affiliates	605,956	600,413
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)	605,956	600,413
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 \$ 613,125 accrual of discount less \$ 1,062,384 amortization of premium and less \$ 1,056,746 paid for accrued interest on purchases.		
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.		
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.		
(e) Includes \$ 112,974 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	137,150	(1,872)		135,278
1.1 Bonds exempt from U.S. tax	6,631			6,631
1.2 Other bonds (unaffiliated)	4,659,803			4,659,803
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	(44,348)			(44,348)
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	3,291,136			3,291,136
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	(2,618)			(2,618)
7. Derivative instruments				
8. Other invested assets	2,995,118	(609,537)		2,385,581
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	11,042,872	(611,409)		10,431,463
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		164,477	164,477
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)		164,477	164,477
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			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums	979,749	746,082	(233,667)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	34,695,258	39,735,029	5,039,771
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	3,841,658	2,215,381	(1,626,277)
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	1,485,857	746,555	(739,302)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	41,002,522	43,607,524	2,605,002
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	41,002,522	43,607,524	2,605,002

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 receivables	1,485,857	746,555	(739,302)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,485,857	746,555	(739,302)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Liberty Northwest Insurance Corporation (the Company) are presented on the basis of accounting practices prescribed or permitted by the Insurance Division of the Department of Consumer and Business Services of the State of Oregon. The Oregon Insurance Department has fully adopted the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual.

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are earned over the terms of the related insurance 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 assumed reinsurance.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Investment grade bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Securities Valuation Office (SVO) manual.
- (3) Common stocks are carried at market.
- (4) Preferred stocks are carried at cost or market in accordance with the SVO manual.
- (5) There are no mortgage loans on real estate.
- (6) Mortgage-backed/asset-backed securities are stated at amortized value. Prepayment assumptions for single class mortgage-backed/asset-backed securities and multi-class securities were obtained from internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all single class mortgage-backed/asset-backed securities and multi-class securities. Non-investment grade mortgage-backed/asset-backed securities are stated at the lower of amortized value or fair value.
- (7) The company carries Liberty Management Services Inc. and Access Insurance Services Co. at zero. North Pacific Insurance Company and Oregon Automobile Insurance Company are carried at statutory equity.
- (8) The Company is a limited partner in a number of limited partnerships. The Company carries these interests at its share of the underlying audited GAAP equity of the investee.
- (9) The Company is not invested in derivative instruments.
- (10) The Company does not have a premium deficiency reserve.
- (11) Unpaid loss 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 liabilities are continually reviewed and any adjustments are reflected in the period determined.
- (12) The company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Corrections of Errors

None

3. Business Combinations and Goodwill

A. Statutory Purchase Method

- (1) The Company purchased all of the issued and outstanding capital stock of North Pacific Insurance Company and Oregon Automobile Insurance Company on 1/1/2002. Both of these companies are licensed to sell property and casualty insurance products in various Northwest states.
- (2) These transactions were accounted for as statutory purchases.
- (3) The net assets of each company were \$6,300,000 resulting in goodwill in the amount of \$2,700,000 for each company, \$5,400,000 combined.
- (4) Goodwill is being amortized to surplus over a 10 year period. Amortization for the year ended 12/31/2005 totals \$540,000. The remaining goodwill totals \$3,240,000 at 12/31/2005.

NOTES TO FINANCIAL STATEMENTS

4. Discontinued Operations

None

5. Investments

A. Mortgage Loans

None

B. Debt Restructuring

None

C. Reverse Mortgages

None

D. Loan-Backed Securities

- (1) Prepayment assumptions for single class and multi-class mortgage-backed/asset backed securites were based upon 1 month historical constant prepayment rates.
- (2) 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.
- (3) The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

None

F. Real Estate

- (1) The Company did not record any impairment during the period.
- (2) The Company did not engage in any retail land sales operations during the period.

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. The Company has no investmentsin Joint Ventures, Partnerships or Limited LiabilityCompanies that exceed 10% of its admitted assets.
- B. The Company invests in various limited partnerships thatare reported in accordance withSSAP 48. The partnerships are valued using traditional private equity valuation metrics. Interim poor performance within the partnerships may lead to impairment losses being recognized by management. The Company realized impairment losses on the following partnerships during 2005:

<u>Partnership</u>	<u>2005 Impairment</u>
Advanced Tech Vent VII, L.P.	1,339
Austin Ventures VI, L.P.	2
Austin Ventures VIII, L.P.	5,846
Axiom Venture Part, L.P.	113,201
Axiom Venture Part II, L.P.	127,925
Battery Ventures IV, L.P.	144,353
Battery Ventures VI, L.P.	13,093
Interwest Partners VI, L.P.	34,500
Interwest Partners VIII, L.P.	1,518
Lexington Cap Part V, L.P.	6,485
Menlo Ventures VI, L.P.	2
Menlo Ventures VII, L.P.	11,754
Menlo Ventures IX, L.P.	12,237
Summit Ventures V, L.P.	692
Thomas H Lee Equity Fund, III L.P.	14,199
Trident Capital V, L.P.	3,667
Trinity Ventures VI, L.P.	42,209
Trinity Ventures VIII, L.P.	17,894
US Venture Partners V, L.P.	49,487
US Venture Partners VIII, L.P.	2,484
Willis Stein & Partners III, L.P.	6,650

7. Investment Income

No accrued investment income was excluded from surplus during the statement period.

8. Derivative Instruments

None

9. Income Taxes

- A. The components of the net deferred tax asset/(liability) are as follows:

NOTES TO FINANCIAL STATEMENTS

	12/31/2005	12/31/2004	Change
Gross deferred tax assets	\$ 63,753,631	\$58,995,423	\$ 4,758,208
Gross deferred tax liabilities	(2,168,966)	(1,594,787)	(574,179)
Net deferred tax assets	61,584,665	57,400,636	4,184,029
Deferred tax assets non-admitted	(34,695,258)	(39,735,029)	5,039,771
Deferred tax assets admitted	\$ 26,889,407	\$17,665,607	\$ 9,223,800

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

C. Current income taxes incurred consist of the following major components:

	12/31/2005	12/31/2004
Federal tax on operations	\$ 8,677,569	\$ 10,716,203
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	\$ 8,677,569	\$ 10,716,203
Tax on capital gains	3,651,012	1,814,718
Total income tax incurred	\$ 12,328,581	\$ 12,530,921

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, dividends-received deductions, discounting of reserves for unpaid losses and loss adjustment expenses, unearned premium adjustment, investment impairments, non-deductible expenses, and deferred tax on non-admitted assets.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$14,183,872 from the current year and none from the preceeding year.

As of December 31, 2005, the Company had no net loss carryforward to offset future net income subject to Federal income taxes.

F. The Company’s federal income tax return is consolidated with the following entities:

Access Insurance Services, Co.	Liberty International Holdings, Inc.
ALM Services, Inc.	Liberty Life Assurance Company of Boston
Ambco Capital Corporation	Liberty Life Holdings, Inc.
America First Insurance Company	Liberty Lloyds of Texas Insurance Company
America First Lloyds Insurance Company	Liberty Management Services, Inc.
American Ambassador Casualty Company	Liberty Massachusetts Trust
Berkeley Holdings Company Associates, Inc	Liberty Mexico Holdings, Inc.
Berkeley Management Corporation	Liberty Mutual Capital Corporation (Boston)
Bridgfield Casualty Insurance Company	Liberty Mutual Fire Insurance Company
Bridgfield Employers Insurance Company	Liberty Mutual Group Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Holding Company, Inc.
Capitol Agency, Inc. (Ohio corporation)	Liberty Mutual Insurance Company
Capitol Agency, Inc. (Tennessee corporation)	Liberty Mutual Managed Care, Inc.
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 Surplus Insurance Corporation
Companies Agency of Georgia, Inc.	Liberty-USA Corporation
Companies Agency of Kentucky, Inc.	LIH-Re of America Corporation
Companies Agency of Massachusetts, Inc.	LIH U.S. P&C Corporation
Companies Agency of Michigan, Inc.	LIIA Insurance Agency, Inc.
Companies Agency of New York, Inc.	LIU Specialty Agency, Inc.
Companies Agency of Pennsylvania, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency of Phoenix, Inc.	LM Insurance Corporation
Companies Agency, Inc.	LMHC Massachusetts Holding, Inc.
Companies Annuity Agency of Texas, Inc.	LRE Properties, Inc.
Consolidated Insurance Company	Mid-American Agency, Inc.
Copley Venture Capital, Inc.	Mid-American Fire and Casualty Company
Countrywide Services Corporation	Missouri Agency, Inc.
Diversified Settlements, Inc.	North Pacific Insurance Company
Employers Insurance Company of Wausau	Oregon Automobile Insurance Company
Excelsior Insurance Company	Peerless Indemnity Insurance Company
First State Agency, Inc.	Peerless Insurance Company
Florida State Agency, Inc.	LM Personal Insurance Company
Globe American Casualty Company	LM General Insurance Company
Golden Eagle Insurance Corporation	LM Property and Casualty Insurance Company
Gulf States AIF, Inc.	San Diego Insurance Company
Hawkeye-Security Insurance Company	State Agency, Inc. (Indiana corporation)
Helmsman Insurance Agency of Illinois, Inc.	State Agency, Inc. (Wisconsin corporation)
Helmsman Insurance Agency of Texas, Inc.	St. James Insurance Company
Heritage-Summit Healthcare of Florida, Inc.	Summit Consulting, Inc.
Indiana Insurance Company	Summit Consulting, Inc. of Louisiana
LEXCO Limited	Summit Holding Southeast, Inc.
Liberty Assignment Corporation	The First Liberty Insurance Corporation
Liberty Corporate Services, Inc.	The Midwestern Indemnity Company
Liberty Energy Corporation	The National Corporation
Liberty Financial Services, Inc.	The Netherlands Insurance Company
Liberty Hospitality Group, Inc.	Wausau (Bermuda) Ltd.
Liberty Insurance Company of America	Wausau Business Insurance Company
Liberty Insurance Corporation	Wausau General Insurance Company
Liberty Insurance Holdings, Inc.	Wausau Holdings, Inc.
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty International Aberdeen, Inc.	Wausau Underwriters Insurance Company
Liberty International Asia Pacific Holdings, Inc.	

NOTES TO FINANCIAL STATEMENTS

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.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A, B & C. No transaction with affiliates, other than cost allocations, exceeded ½ of 1% of admitted assets.
- D. At December 31, 2005, the Company reported \$5,454,407 due to its parent company, \$2,834,894 due to subsidiaries and \$1,097,650 due from subsidiaries. Intercompany balances with the parent are settled monthly.
- E. The Company has undertaken no guarantees with respect to its parent companies or other affiliated companies with the Liberty Mutual Group.
- F. The Company has certain informal agreements with the Liberty Mutual Insurance Company wherein:

(1) Liberty Mutual provides to the Company investment management, payroll, information technology and other services, and

(2) The Company services certain insurance contracts located in its geographical area for the Liberty Mutual Group.
- G. All of the outstanding capital stock of the Company is owned by Liberty Mutual Insurance Company which in turn is ultimately owned by the Liberty Mutual Holding Company, Inc. The ultimate parent organization is domiciled in the Commonwealth of Massachusetts.
- H. The Company has no investment in its upstream parents.
- I. The Company has no investments in Subsidiaries, Controlled or Affiliated Companies that exceed 10% of admitted assets.
- J. The Company did not recognize any impairment write downs for it investment in Subsidiaries, Controlled or Affiliated Companies during the statement period.

11. Debt

None

12. Retirement Plans, Deferred Compensation, Postemployment Benefit and Compensated Absences and Other Postretirement Benefit Plans

All eligible employees of the Company, along with those of certain other companies in the Liberty Mutual Group, are participants in contributory and non-contributory retirement plans. The Company incurred approximately \$3,000,000 of pension expense in 2005 and no material pension expense during 2004.

Actuarial data relative to the net assets available for benefits, the present value of vested and non-vested accumulated plan benefits and the assumed rates of return used in determining such benefits are not available with respect to only the Company's employees.

The Company also has a program whereby it offers to its qualified retirees other post-retirement benefits including health and dental coverage and term life insurance.

The liability for the post-retirement benefits is not funded and is based on actuarial estimates using a select and ultimate health care cost trend rate that varied between 6% and 8% for medical and dental costs, and a discount rate of 6.25%. At December 31, 2005 and 2004, the accrued post-retirement benefit obligation was \$3,216,346 and \$3,101,381, respectively.

The effect of a one-percentage-point change in assumed health care cost trend rates for the post-retirement benefit obligations would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on expected post-retirement benefit obligation	\$ 84,839	\$ (83,429)

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

- (1) The Company has 10,000,000 shares authorized, 1,000,000 shares issued and outstanding with a par value of \$3 each.
- (2) The Company has no preferred stock issued or outstanding
- (3) Without prior approval of its domiciliary commissioner, dividends to shareholders are limited by the laws of the Company's state of incorporation, Oregon, to 100% of the prior year's net income or 10% of statutory surplus at the prior year-end.
- (4) Within the limitations of (3) above there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- (5) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.
- (6) There were no advances to surplus.
- (7) There was no stock held by the Company for special purposes.

NOTES TO FINANCIAL STATEMENTS

- (8)

There were no special surplus funds.
- (9)

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a.	Unrealized losses:	\$ 713,630
b.	Non-admitted assets:	(41,002,522)
c.	Separate account business:	0
d.	Asset valuation reserves:	0
e.	Provision for reinsurance:	0
- (10)

There were no surplus notes.
- (11)

There were no quasi-reorganizations.
- (12)

There have been no quasi-reorganizations in the prior 10 years.

14. Contingencies

- A.

The Company has no contingent commitments.
- B.

As of December 31, 2005, the Company has accrued a liability for guaranty funds and other assessments of \$600,000. This represents management's best estimates 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.
- C.

The Company has recorded no gain contingencies.
- D.

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

15. Leases

- A.

Operating Leases

(1)

The Company has executed various operating lease agreements that expire through October, 2017. Rental expense for 2005 and 2004 was approximately \$6,160,736, and \$5,980,011, respectively.

(2)

At January 1, 2005, the minimum aggregate lease commitments are as follows:

<u>Year Ending December 31</u>	<u>Operating Leases</u>
2006	\$ 4,294,677
2007	4,228,746
2008	4,586,752
2009	4,182,222
2010	3,763,530
Thereafter	25,243,623

Certain lease commitments have renewal options extending through the year 2017. Some of these renewals are subject to adjustments in future periods.

- (3)

The Company is not involved in any sale - leaseback transactions.
- B.

Lessor Leases

(1)

Operating Leases

Leasing is not a significant part of the Company's business activities.

(2)

Leverage Leases

The Company has no leveraged leases.
16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk
- None
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
- A.

The Company did not engage in any transfers of receivables during the year.

B.

The Company did not engage in any transfers of financial assets during the year.

C.

The Company did not engage in any wash sales during the year.
18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans
- None
19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
- None
- 14.4

NOTES TO FINANCIAL STATEMENTS

20. September 11 Events

None

21. Other Items

A. Extraordinary Items

None

B. Troubled Debt Restructuring Debtors

None

C. Other Disclosures

Assets in the amount of \$308,107,046 and \$309,247,271 at December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.

D. At December 31, 2005 and 2004, the Company had admitted assets of \$66,895,707 and \$63,363,456, respectively, in premiums in course of collection. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, an uncollectible reserve has been established in the amount of \$1,250,000.

E. Business Interruption Insurance Recoveries

None

22. Events Subsequent

None

23. Reinsurance

A. Unsecured Reinsurance Recoverables

As of December 31, 2005, the Company has unsecured reinsurance recoverables in excess of 3% of surplus as follows:

Liberty Mutual Insurance Company	\$62,946,240
NAIC Group Code 0111	
FEIN 04-2543470	
National WC Assigned Risk Pool	\$86,861,199
FEIN AA-9992118	
Federal Insurance Company	\$ 9,613,504
NAIC Group Code 0388	
FEIN 13-1963496	
Everest Reinsurance Company	\$13,743,284
NAIC Group Code 0304	
FEIN 22-2005057	
Insurance Company of North America	\$ 7,367,573
NAIC Group Code 9016	
FEIN 23-0723970	
National Union Fire Insurance Company	\$20,075,963
NAIC Group Code 0012	
FEIN 25-0678550	
OneBeacon Insurance Corporation	\$10,862,219
NAIC Group Code 0044	
FEIN 23-1502700	

B. Reinsurance Recoverable in Dispute

None

C. Reinsurance Assumed and Ceded

(1) & (2) Cancellation of the Company’s reinsurance contracts would result in no material return commissions due to or payable by the Company.

(3) The Company does not have any protected cells.

D. Uncollectible Reinsurance

None

E. Commutation of Ceded Reinsurance

The Company has reported in its operations in the current year as a result of commutation of reinsurance with the company listed below, incurred losses of:

Continental Casualty Company	\$ 2,246,163
------------------------------	--------------

NOTES TO FINANCIAL STATEMENTS

- F. Retroactive Reinsurance
- None
- G. Reinsurance Accounted for as a Deposit
- None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. See Schedule P - Part 7A for a breakdown of net retrospectively written premiums and the corresponding percentage of retrospectively rated premiums to total net premiums written.
- D. Ten percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, Retrospectively Rated Contracts, has been non-admitted.
- a. Total accrued retro premium

b. Less: Non-admitted amount (10%)

c. Admitted amount

\$9,797,490

979,749

\$8,817,741

25. Change in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expenses attributable to insured events of prior years has increased \$33,685 thousand from \$611,384 thousand in 2004 to \$645,069 thousand in 2005. The Workers' Compensation line of insurance accounted for \$40,759 thousand of this prior year loss development. This increase is generally the result of re-estimation of unpaid losses and loss adjustment expenses due to ongoing analysis of loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. Included in this increase, the Company experienced a \$24,582 thousand increase in prior year loss development on retrospectively rated policies, resulting in \$1,761 thousand additional earned premium.

26. Intercompany Pooling Arrangements

Not applicable

27. Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$4,382. 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 \$4,382 as of December 31, 2004.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

28. Health Care Receivables

None

29. Participating Policies

None

30. Premium Deficiency Reserves

None

31. High Deductibles

None

32. Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

- The Company discounts the time-life annuity liabilities for unpaid losses on Workers' Compensation claims. The Company does not discount unpaid loss adjustment expenses.
- Reserves for Workers' Compensation claims have been discounted on a tabular basis using NCCI tables at 3.5%. The December 31, 2005 and December 31, 2004 liabilities include \$29,398,767 and \$28,767,181 of such discounted reserves, respectively.
- A. The amount of tabular discount at December 31, 2005 is as follows:

	<u>Case</u>	<u>IBNR</u>
Workers' Compensation	\$ 18,420,938	\$ 0
- B. The Company does not have any non-tabular discount.
- C. Discount rates and assumptions for the current year are consistent with the prior year annual statement.

NOTES TO FINANCIAL STATEMENTS

33. Asbestos/Environmental Reserves

The Company has no known exposure to asbestos and no material environmental (Mass Tort) claims.

34. Subscriber Savings Accounts

None

35. Multiple Peril Crop Insurance

None

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	85,593,734	8.488	85,593,734	8.488
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	37,858,868	3.754	37,858,868	3.754
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	78,481,681	7.783	78,481,681	7.783
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	72,554,240	7.195	72,554,240	7.195
1.43 Revenue and assessment obligations	25,348,499	2.514	25,348,499	2.514
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	27,147,241	2.692	27,147,241	2.692
1.512 Issued or guaranteed by FNMA and FHLMC	130,551,705	12.946	130,551,705	12.946
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	109,995,865	10.908	109,995,865	10.908
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	127,642,982	12.658	127,642,982	12.658
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	234,949,288	23.299	234,949,288	23.299
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	27,859,535	2.763	27,859,535	2.763
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	1,894,100	0.188	1,894,100	0.188
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	3,551,334	0.352	3,551,334	0.352
3.4 Other equity securities:				
3.41 Affiliated	15,840,000	1.571	15,840,000	1.571
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				
8. Cash, cash equivalents and short-term investments	6,811,912	0.676	6,811,912	0.676
9. Other invested assets	22,313,942	2.213	22,313,942	2.213
10. Total invested assets	1,008,394,926	100.000	1,008,394,926	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?

OREGON

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.

12/31/2002

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.

12/31/2002

3.3

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

11/10/2003

3.4

By what department or departments? INSURANCE DIVISION OF THE OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

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
1 SW COLUMBIA STREET PORTLAND, OREGON 97258

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? MR. ROY MORELL, FCAS, MAAA
175 BERKELEY STREET BOSTON, MA 02117
LIBERTY MUTUAL INSURANCE COMPANY EMPLOYEE

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

Yes [X] No []

11.11 Name of real estate holding company

600 HOLLADAY LP

11.12 Number of parcels involved

1

11.13 Total book/adjusted carrying value

\$ 5,039,047

11.2 If yes, provide explanation THE COMPANY IS A LIMITED PARTNER IN A PARTNERSHIP WHICH OWNS AN OFFICE BUILDING AT 650 NE HOLLADAY STREET, PORTLAND, OR WHERE THE COMPANY IS A MAJOR TENANT.

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

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

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [X] No []

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

Yes [] No [X]

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

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

BOARD OF DIRECTORS

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

Yes [X] No []

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

Yes [X] No []

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

Yes [X] No []

FINANCIAL

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

16.11 To directors or other officers

\$

16.12 To stockholders not officers

\$

16.13 Trustees, supreme or grand (Fraternal only)

\$

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

16.21 To directors or other officers

\$

16.22 To stockholders not officers

\$

16.23 Trustees, supreme or grand (Fraternal only)

\$

17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [] No [X]

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

17.21 Rented from others

\$

17.22 Borrowed from others

\$

17.23 Leased from others

\$

17.24 Other

\$

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

Yes [] No [X]

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

\$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 18.22

Amount paid as expenses

\$
- 18.23

Other amounts paid

\$
- 19.1

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

Yes [X]

No []
- 19.2

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

\$

1,097,650

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 []

No [X]
- 20.2

If no, give full and complete information, relating thereto

SECURITIES ARE MAINTAINED BY SAFEKEEPING AGENTS OF THE COMPANY
- 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 []

No [X]
- 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

\$

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 METROTECH CENTER
	BROOKLYN NY 11245
LIBERTY MUTUAL INVESTMENT ADVISORS	175 BERKELEY STREET
	BOSTON MA 02117

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

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

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	2	3
Central Registration Depository Number(s)	Name	Address
G10623	MATTHEWS INTERNATIONAL	FOUR EMBARCADERO CENTER, SUITE 550
	CAPITAL MANAGEMENT, L.L.C.	SAN FRANCISCO CA 94111
LIBERTY MUTUAL	CERTAIN LIBERTY MUTUAL	175 BERKELEY STREET
INVESTMENT ADVISORS	INSURANCE CO. DESIGNEES	BOSTON MA 02117

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	2	3
CUSIP#	Name of Mutual Fund	Book/Adjusted Carrying Value
066922204	BARCLAYS S&P 500 STOCK FUND	16,246,700
19765J830	COLUMBIA MID CAP VALUE FUND-Z	11,612,835
25.2999	Total	27,859,535

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
BARCLAYS S&P 500 STOCK	UNKNOWN		
COLUMBIA MID CAP VALUE-Z	UNKNOWN		

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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	930,124,103	928,780,929	(1,343,174)
26.2 Preferred stocks	1,894,100	2,012,520	118,420
26.3 Totals	932,018,203	930,793,449	(1,224,754)

26.4 Describe the sources or methods utilized in determining the fair values: FAIR VALUES ARE BASED ON QUOTED MARKET PRICES WHEN AVAILABLE. IF QUOTED MARKET PRICES ARE NOT AVAILABLE, FAIR VALUES ARE BASED ON QUOTED MARKET PRICES OF COMPARABLE INSTRUMENTS OR VALUES OBTAINED FROM INDEPENDENT PRICING SERVICES.

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? \$ 558,907

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	2
Name	Amount Paid
INSURANCE SERVICES OFFICE, INC.	\$ 229,525
	\$
	\$

29.1 Amount of payments for legal expenses, if any? \$ 426,417

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.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 Name	2 Amount Paid
L.H.C., INC.	\$ 130,000
	\$
	\$

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 113,404
- 30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
MILLER PUBLIC AFFAIRS	\$ 66,255
JOHN POWELL & ASSOCIATES	\$ 42,000
	\$
	\$

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

\$

2.2

Premium Denominator

\$

2.3

Premium Ratio (2.1/2.2)

2.4

Reserve Numerator

\$

2.5

Reserve Denominator

\$

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

\$

44,554,164

3.22

Non-participating policies

\$

230,806,175

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

17

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: PURCHASE REINSURANCE WITH LIMITS UP TO \$600 MILLION, EXCESS OF \$2 MILLION PER OCCURENCE RETENTION
- 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: GEO-CODED LOCATION LIMITS OF INSURANCE FOR ALL PROPERTY COVERAGES ARE MODELED BY BENFIELD REINS. BROKERS USING RMS, AIR AND EQECAT MODELING SOFTWARE. PRIMARY CONCENTRATIONS ARE THE COUNTIES OF KING AND SNOHOMISH IN WA. AND WASHINGTON, CLACKAMAS, JACKSON, KLAMATH, AND MULTNOMAH IN OR.
- 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? PURCHASE PROPERTY CATASTROPHE INSURANCE EXCESS OF \$5,000,000 PER OCCURENCE AS FOLLOWS: 95% OF \$15 MILLION EXCESS OF \$5 MILLION; 75% OF \$20 MILLION EXCESS OF \$20 MILLION; AND 50% OF \$10 MILLION EXCESS \$40 MILLION.
- 6.4

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

YES ☒ NO ☐
- 6.5

If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1

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

YES ☐ NO ☒
- 7.2

If yes, indicate the number of reinsurance contracts containing such provisions.
- 7.3

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

YES ☒ NO ☐
- 8.1

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

YES ☐ NO ☒
- 8.2

If yes, give full information
- 9.1

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

YES ☒ NO ☐
- 9.2

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

YES ☐ NO ☒
- 9.3

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

\$

98,441,397

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$

7,282,869

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?

\$

1,125,000

12.3

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

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

12.4

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

12.41

From

%

12.42

To

%

12.5

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

YES [X] NO []

12.6

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

12.61

Letters of Credit

\$

3,140,445

12.62

Collateral and other funds

\$

13.1

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

\$

74,202

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):

\$

1,500,000

14.2

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

YES [] NO [X]

14.3

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

2

15.1

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

YES [] NO [X]

15.2

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

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 [X] NO []

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.

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

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

18.12 Unfunded portion of Interrogatory 18.11

18.13 Paid losses and loss adjustment expenses portion of Interrogatory 18.11

18.14 Case reserves portion of Interrogatory 18.11

18.15 Incurred but not reported portion of Interrogatory 18.11

18.16 Unearned premium portion of Interrogatory 18.11

18.17 Contingent commission portion of Interrogatory 18.11

YES [] NO [X]

\$

\$

\$

\$

\$

\$

\$

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)	347,286,242	345,835,079	312,039,789	253,924,390	160,918,669
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	41,224,765	40,345,322	36,157,998	33,814,751	5,752,814
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	87,072,284	84,270,361	75,052,801	65,087,058	18,604,534
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	18,143	55,643	30,255	18,130	(19,275)
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
6. Total (Line 34)	475,601,434	470,506,405	423,280,843	352,844,329	185,256,742
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)	291,570,481	289,283,153	264,634,662	200,695,848	138,777,181
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	39,203,286	38,214,577	29,033,393	17,165,584	2,096,719
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	83,815,034	80,482,020	63,685,720	37,372,968	13,701,770
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(74,384)	55,808	25,859	18,130	(20,573)
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
12. Total (Line 34)	414,514,417	408,035,558	357,379,634	255,252,530	154,555,097
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(20,353,818)	(18,502,749)	(19,968,485)	(17,718,988)	(34,203,093)
14. Net investment gain (loss) (Line 11)	55,252,260	51,729,548	43,571,537	38,370,557	39,198,566
15. Total other income (Line 15)	1,693,183	(79,934)	(195,372)	(73,580)	(103,809)
16. Dividends to policyholders (Line 17)	5,929,247	9,749,756	5,125,483	9,080,697	6,968,028
17. Federal and foreign income taxes incurred (Line 19)	8,677,569	12,530,921	12,548,776	5,916,657	950,000
18. Net income (Line 20)	21,984,809	10,866,188	5,733,421	5,580,635	(3,026,364)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,120,771,569	994,099,296	890,603,728	773,646,387	659,945,390
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	48,038,163	48,677,684	37,603,902	36,898,108	10,690,400
20.2 Deferred and not yet due (Line 13.2)	10,039,803	7,971,032	18,720,251	16,555,519	21,650,795
20.3 Accrued retrospective premiums (Line 13.3)	8,817,741	6,714,740	4,225,106	4,230,718	3,290,338
21. Total liabilities excluding protected cell business (Page 3, Line 24)	889,014,175	789,074,939	698,214,948	605,052,692	493,988,576
22. Losses (Page 3, Lines 1 and 2)	635,143,547	547,094,154	477,579,682	405,348,285	367,993,071
23. Loss adjustment expenses (Page 3, Line 3)	81,402,284	67,750,754	55,482,729	47,394,901	49,478,309
24. Unearned premiums (Page 3, Line 9)	92,223,257	85,846,752	69,534,601	41,964,839	15,399,254
25. Capital paid up (Page 3, Lines 28 & 29)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	231,757,394	205,024,357	192,388,780	168,593,695	165,956,814
Risk-Based Capital Analysis					
27. Total adjusted capital	231,757,394	205,024,357	192,388,780	168,593,695	165,956,814
28. Authorized control level risk-based capital	42,300,699	43,486,986	40,815,568	30,977,031	21,640,251
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)	92.2	89.8	88.6	86.9	90.8
30. Stocks (Lines 2.1 & 2.2)	4.9	6.8	6.8	7.1	7.4
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	0.7	1.5	2.7	4.5	(0.5)
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)	2.2	1.9	1.9	1.6	2.2
36. Receivables for securities (Line 8)					
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
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)	15,840,000	16,380,000	16,920,000	17,460,000	
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	15,840,000	16,380,000	16,920,000	17,460,000	
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)	6.8	8.0	8.8	10.4	

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)	(1,326,523)	3,651,381	9,658,338	(7,719,212)	(7,829,302)
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	26,733,037	12,635,577	23,795,085	2,636,881	(10,171,609)
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)	188,634,525	187,956,377	164,803,281	142,895,488	115,990,824
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	13,946,496	13,484,442	13,961,683	10,826,818	186,278
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	29,275,349	30,179,852	17,497,791	10,027,826	2,666,513
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					1,498,917
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
55. Total (Line 34)	231,856,370	231,620,671	196,262,755	163,750,132	120,342,532
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)	158,921,596	158,547,511	140,801,230	125,289,539	108,271,558
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	14,072,615	12,579,385	9,365,531	4,400,510	69,918
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	26,261,678	24,301,532	11,418,626	6,030,283	2,570,423
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					1,498,917
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
61. Total (Line 34)	199,255,889	195,428,428	161,585,387	135,720,332	112,410,816
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)	70.4	67.5	71.8	75.3	87.3
64. Loss expenses incurred (Line 3)	10.8	10.3	10.8	8.5	11.0
65. Other underwriting expenses incurred (Line 4)	23.9	27.0	23.5	100.2	25.6
66. Net underwriting gain (loss) (Line 8)	(5.0)	(4.7)	(6.1)	(7.7)	(23.8)
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)	23.1	25.9	21.7	21.5	23.8
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	81.1	77.7	82.6	83.7	98.3
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)	178.9	199.0	185.8	151.4	93.1
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)	31,397	692	20,052	(2,276)	(2,081)
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)	15.3	0.4	11.9	(1.4)	(1.2)
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	56,031	36,475	808	(13,146)	(30,168)
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)	29.1	21.6	0.5	(7.5)	(16.6)

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	196,262,262	195,610,664	196,570,680	195,217,550
	2. Canada				
	3. Other Countries				
	4. Totals	196,262,262	195,610,664	196,570,680	195,217,550
States, Territories and Possessions (Direct and guaranteed)	5. United States	78,481,684	79,111,993	78,452,506	79,000,000
	6. Canada				
	7. Other Countries				
	8. Totals	78,481,684	79,111,993	78,452,506	79,000,000
	9. United States	72,554,241	72,650,156	72,546,399	72,900,000
	10. Canada				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	11. Other Countries				
	12. Totals	72,554,241	72,650,156	72,546,399	72,900,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	290,943,767	287,785,477	291,062,325	291,395,613
	14. Canada				
	15. Other Countries				
	16. Totals	290,943,767	287,785,477	291,062,325	291,395,613
	17. United States	29,346,096	28,906,548	29,324,790	29,425,000
	18. Canada				
Public Utilities (unaffiliated)	19. Other Countries				
	20. Totals	29,346,096	28,906,548	29,324,790	29,425,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	246,380,729	247,839,046	246,748,741	243,810,677
	22. Canada	5,155,589	5,021,173	5,156,870	5,155,000
	23. Other Countries	10,999,735	11,380,300	10,990,130	11,000,000
	24. Totals	262,536,053	264,240,519	262,895,741	259,965,677
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	930,124,103	928,305,357	930,852,441	927,903,840
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
	31. United States				
	32. Canada				
Banks, Trust and Insurance Companies (unaffiliated)	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States	1,894,100	2,012,400	1,894,100	
	36. Canada				
	37. Other Countries				
	38. Totals	1,894,100	2,012,400	1,894,100	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	1,894,100	2,012,400	1,894,100	
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
	45. United States				
	46. Canada				
Banks, Trust and Insurance Companies (unaffiliated)	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States	27,859,535	27,859,535	26,142,900	
	50. Canada				
	51. Other Countries	3,551,334	3,551,334	3,246,576	
	52. Totals	31,410,869	31,410,869	29,389,476	
Parent, Subsidiaries and Affiliates	53. Totals	15,840,000	15,840,000	19,010,000	
	54. Total Common Stocks	47,250,869	47,250,869	48,399,476	
	55. Total Stocks	49,144,969	49,263,269	50,293,576	
	56. Total Bonds and Stocks	979,269,072	977,568,626	981,146,017	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	867,297,218	7. Amortization of premium	1,056,746
2. Cost of bonds and stocks acquired, Column 7, Part 3	377,617,975	8. Foreign Exchange Adjustment:	
3. Accrual of discount	613,125	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	(180,469)	8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2	849,065	9. Book/adjusted carrying value at end of current period	979,269,071
4.4 Column 11 - 13, Part 4	(2,510,274)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	8,050,372	11. Subtotal (Lines 9 plus 10)	979,269,071
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	271,411,195	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	979,269,071

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	6,430	2,149	347	6	402		(4)	5,024	X X X
2.	1996	191,425	13,127	178,298	121,597	7,269	4,304	8	11,816		1,490	130,440	X X X
3.	1997	177,377	8,625	168,752	127,633	5,636	5,737	27	10,637		1,630	138,344	X X X
4.	1998	173,105	7,623	165,482	137,551	3,421	5,761	84	11,838		913	151,645	X X X
5.	1999	161,140	7,003	154,137	137,215	3,266	5,423	45	15,061		2,091	154,388	X X X
6.	2000	147,158	9,274	137,884	120,888	4,247	4,722	79	12,680		1,665	133,964	X X X
7.	2001	161,792	18,338	143,454	119,303	10,235	5,744	92	12,873	89	2,466	127,504	X X X
8.	2002	311,672	82,985	228,687	185,846	42,314	8,557	1,126	18,718	3,285	2,264	166,396	X X X
9.	2003	411,722	81,911	329,811	173,361	36,220	6,797	684	17,556	1,525	3,718	159,285	X X X
10.	2004	462,625	70,901	391,724	163,239	20,838	5,159	111	17,240	787	4,002	163,902	X X X
11.	2005	469,394	61,257	408,137	93,118	11,845	1,962	17	10,820	137	1,808	93,901	X X X
12.	Totals	X X X	X X X	X X X	1,386,181	147,440	54,513	2,279	139,641	5,823	22,043	1,424,793	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	160,398	83,398	33,750	15,610	2,099	83	1,184		7,043		135	105,383	X X X
2. 1996	31,989	8,284	4,525	280	374	9	177		1,267		34	29,759	X X X
3. 1997	29,007	7,817	3,226	345	417	7	451		1,118		36	26,050	X X X
4. 1998	29,389	4,517	3,453	67	630	87	480		1,186		31	30,467	X X X
5. 1999	31,000	7,948	3,494	1,274	825	66	280	1	1,207		45	27,517	X X X
6. 2000	21,781	5,521	7,727	3,927	530	20	679	1	1,223		57	22,471	X X X
7. 2001	36,295	8,786	7,612	3,824	1,104	73	921	7	1,745	2	130	34,985	X X X
8. 2002	42,308	9,330	22,222	5,869	1,445	3	2,480	540	2,863	206	284	55,370	X X X
9. 2003	38,916	12,240	35,038	5,467	1,919	21	3,753	694	3,833	319	873	64,718	X X X
10. 2004	53,289	8,667	58,541	6,235	2,785	77	7,151	219	6,153	102	1,516	112,619	X X X
11. 2005	76,627	15,128	129,005	13,480	3,793	77	10,468	52	12,484	(1)	1,776	203,641	X X X
12. Totals	550,999	171,636	308,593	56,378	15,921	523	28,024	1,514	40,122	628	4,917	712,980	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	95,140	10,243
2. 1996	176,049	15,850	160,199	91.968	120.744	89.849				27,950	1,809
3. 1997	178,226	13,832	164,394	100.479	160.371	97.418				24,071	1,979
4. 1998	190,288	8,176	182,112	109.926	107.254	110.049				28,258	2,209
5. 1999	194,505	12,600	181,905	120.706	179.923	118.015				25,272	2,245
6. 2000	170,230	13,795	156,435	115.678	148.749	113.454				20,060	2,411
7. 2001	185,597	23,108	162,489	114.713	126.012	113.269				31,297	3,688
8. 2002	284,439	62,673	221,766	91.262	75.523	96.974				49,331	6,039
9. 2003	281,173	57,170	224,003	68.292	69.795	67.919				56,247	8,471
10. 2004	313,557	37,036	276,521	67.778	52.236	70.591				96,928	15,691
11. 2005	338,277	40,735	297,542	72.067	66.499	72.902				177,024	26,617
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	631,578	81,402

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	298,729	280,015	260,042	243,066	232,188	230,236	221,153	227,573	231,152	244,317	13,165	16,744
2. 1996	167,509	148,766	150,174	145,783	144,363	142,140	141,753	141,487	142,793	148,745	5,952	7,258
3. 1997	X X X	160,334	154,898	146,573	143,232	144,338	143,687	144,208	144,673	153,290	8,617	9,082
4. 1998	X X X	X X X	170,595	159,204	154,825	155,581	154,243	152,638	157,027	170,360	13,333	17,722
5. 1999	X X X	X X X	X X X	165,027	161,190	157,190	160,350	157,790	161,842	166,780	4,938	8,990
6. 2000	X X X	X X X	X X X	X X X	139,712	143,944	141,178	143,184	140,211	143,587	3,376	403
7. 2001	X X X	X X X	X X X	X X X	X X X	133,644	142,433	141,001	141,812	148,889	7,077	7,888
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	180,961	197,929	202,723	204,346	1,623	6,417
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	224,488	208,757	206,015	(2,742)	(18,473)
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	279,328	255,386	(23,942)	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	274,572	X X X	X X X
12. Totals											31,397	56,031

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	42,130	68,227	85,631	98,499	109,148	117,619	124,835	133,405	138,027	X X X	X X X
2. 1996	39,842	77,431	95,800	105,133	110,229	113,666	115,827	117,296	118,685	118,624	X X X	X X X
3. 1997	X X X	48,137	88,383	104,535	112,575	118,070	121,661	124,482	125,839	127,707	X X X	X X X
4. 1998	X X X	X X X	60,139	98,062	114,318	123,733	130,279	134,664	137,284	139,807	X X X	X X X
5. 1999	X X X	X X X	X X X	58,401	98,822	115,906	125,723	131,014	136,217	139,327	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	49,342	86,221	101,704	111,374	117,107	121,284	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	34,438	77,500	97,619	108,742	114,720	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	52,323	106,074	135,763	150,963	X X X	X X X
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	64,104	117,482	143,254	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	84,788	147,449	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	83,218	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	165,494	124,127	90,210	65,072	50,817	40,372	24,129	17,770	8,334	19,324
2. 1996	67,383	29,498	19,985	13,630	11,062	6,409	4,639	5,424	863	4,422
3. 1997	X X X	61,081	29,119	15,662	8,730	6,738	5,087	2,761	1,422	3,332
4. 1998	X X X	X X X	55,159	24,396	16,413	12,059	7,978	1,227	1,864	3,866
5. 1999	X X X	X X X	X X X	54,021	26,100	15,058	8,622	4,175	3,334	2,499
6. 2000	X X X	X X X	X X X	X X X	49,418	28,193	16,734	11,359	3,207	4,478
7. 2001	X X X	X X X	X X X	X X X	X X X	57,104	29,542	12,604	2,530	4,702
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	80,833	41,157	25,872	18,293
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	105,031	47,954	32,630
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	121,152	59,238
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	125,941

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.		1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
			2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO								
2. Alaska	AK	YES	34,481,146	34,409,966		13,278,344	20,372,733	40,080,934		
3. Arizona	AZ	NO								
4. Arkansas	AR	NO								
5. California	CA	YES	6,389,091	6,343,184		1,917,429	2,048,379	10,119,037		
6. Colorado	CO	NO								
7. Connecticut	CT	NO								
8. Delaware	DE	NO								
9. Dist. Columbia	DC	NO								
10. Florida	FL	NO								
11. Georgia	GA	NO								
12. Hawaii	HI	NO								
13. Idaho	ID	YES	42,007,578	42,013,816	4,656,927	25,245,309	28,255,920	47,914,409		
14. Illinois	IL	NO								
15. Indiana	IN	NO								
16. Iowa	IA	NO								
17. Kansas	KS	NO								
18. Kentucky	KY	NO								
19. Louisiana	LA	NO								
20. Maine	ME	NO								
21. Maryland	MD	NO								
22. Massachusetts	MA	YES								
23. Michigan	MI	NO								
24. Minnesota	MN	NO								
25. Mississippi	MS	NO								
26. Missouri	MO	NO								
27. Montana	MT	YES	39,612,261	39,691,096	1,058,653	21,772,974	42,805,125	97,360,851		
28. Nebraska	NE	NO								
29. Nevada	NV	NO								
30. New Hampshire	NH	NO								
31. New Jersey	NJ	NO								
32. New Mexico	NM	NO								
33. New York	NY	NO								
34. No. Carolina	NC	NO								
35. No. Dakota	ND	NO								
36. Ohio	OH	NO								
37. Oklahoma	OK	NO								
38. Oregon	OR	YES	133,314,446	131,984,575	213,666	89,109,773	133,680,559	487,530,292		
39. Pennsylvania	PA	NO								
40. Rhode Island	RI	NO								
41. So. Carolina	SC	NO								
42. So. Dakota	SD	NO								
43. Tennessee	TN	NO								
44. Texas	TX	NO								
45. Utah	UT	YES								
46. Vermont	VT	NO								
47. Virginia	VA	NO								
48. Washington	WA	YES	19,555,818	16,162,287		4,808,605	12,188,784	28,892,787		
49. West Virginia	WV	NO								
50. Wisconsin	WI	NO								
51. Wyoming	WY	YES								
52. American Samoa	AS	NO								
53. Guam	GU	NO								
54. Puerto Rico	PR	NO								
55. U.S. Virgin Islands	VI	NO								
56. Canada	CN	NO								
57. Aggregate other alien	OT	X X X								
58. Totals	(a)	9	275,360,340	270,604,924	5,929,246	156,132,434	239,351,500	711,898,310		

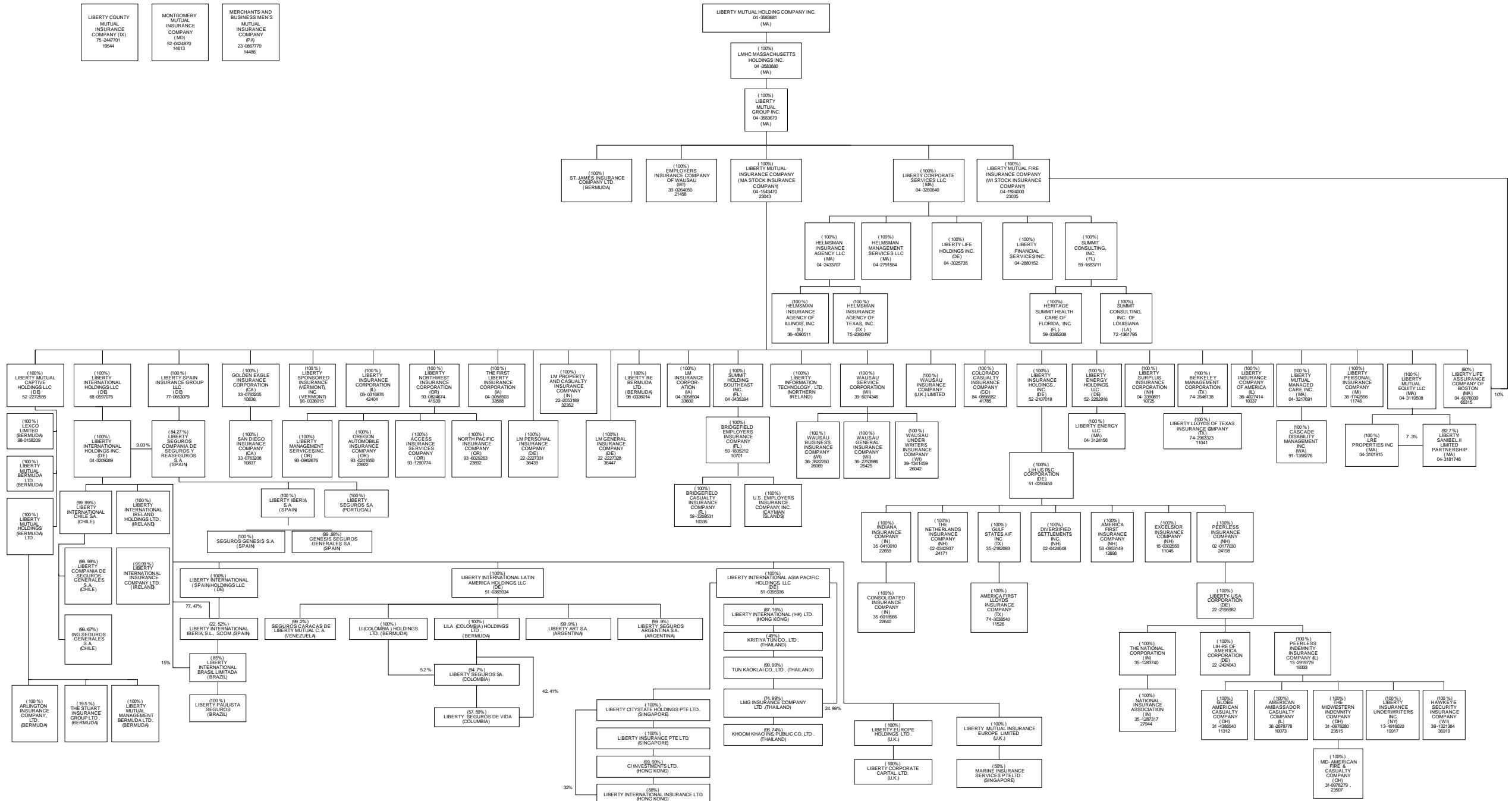
DETAILS OF WRITE-INS									
5701.	X X X								
5702.	X X X								
5703.	X X X								
5798. Summary of remaining write-ins for Line 57 from overflow page	X X X								
5799. Totals (Lines 5701 through 5703 + 5798) (Line 57 above)	X X X								

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

AUTOMOBILE PREMIUM BY PLACE PRINCIPALLY GARAGED -- ALL OTHER PREMIUM BY LOCATION OF RISK.

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS