ANNUAL STATEMENT

OF THE

LM Insurance Corporation

of West Des Moines

in the state of Iowa

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED
December 31, 2005

PROPERTY AND CASUALTY

2005

33600200520100100

ANNUAL STATEMENT

For the Year Ended December 31, 2005

OF THE CONDITION AND AFFAIRS OF THE

LM Insurance Corporation

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 33600 **Employer's ID Number** 04-3058504

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

Country of Domicile United States of America

Incorporated/Organized: June 16, 1989 **Commenced Business:** June 22, 1989

Statutory Home Office: 2829 Westown Parkway Suite 300 West Des Moines, IA 50265

Main Administrative Office: 175 Berkeley Street Boston, MA 02117 617-357-9500

Mail Address: 175 Berkeley Street Boston, MA 02117

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

Internet Website Address: www.LibertyMutual.com

Statutory Statement Contact: Douglas Link 617-357-9500 45668

Douglas.Link@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

Policyowner Relations Contact: 175 Berkeley Street Boston, MA 02117 617-357-9500 41015

OFFICERS

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

Vice-Presidents

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

DIRECTORS OR TRUSTEES

James Paul Condrin, III	Dennis James Langwell	Dexter Robert Legg	Anthony Alexander Fontanes
David Henry Long #	Edmund Francis Kelly	Christopher Charles Mansfield	

State of Massachusetts
County of Suffolk ss

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

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

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

a. Is this an original filing? YES [ ] NO [X]

b. If no:
1. State the amendment number 1
2. Date filed 03/06/2006
3. Number of pages attached 2

ASSETS

		Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1.	Bonds (Schedule D)	47,701,886		47,701,886	48,487,153
2.	Stocks (Schedule D):				
	2.1 Preferred stocks				
	2.2 Common stocks	690,539		690,539	661,823
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 ($ 0 , Schedule E-Part 1), cash equivalents ($ 0 Schedule E-Part 2) and short-term investments ($ 2,526,731 , Schedule DA)	2,526,731		2,526,731	1,722,466
6.	Contract loans (including $ 0 premium notes)				
7.	Other invested assets (Schedule BA)				
8.	Receivables for securities				99,539
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	50,919,156		50,919,156	50,970,981
11.	Title plants less $ 0 charged off (for Title insurers only)				
12.	Investment income due and accrued	562,585		562,585	567,422
13.	Premiums and considerations:				
	13.1 Uncollected premiums and agents' balances in the course of collection	1,456,081	57,399	1,398,682	1,342,779
	13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)	4,139,565		4,139,565	3,831,557
	13.3 Accrued retrospective premiums	1,566,559	158,357	1,408,202	1,533,659
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	7,060	7,060		
16.1	Current federal and foreign income tax recoverable and interest thereon	313,637		313,637	
16.2	Net deferred tax asset	2,201,000	556,422	1,644,578	1,440,674
17.	Guaranty funds receivable or on deposit	113,245		113,245	112,563
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets ($ 0)				
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates				707,324
22.	Health care ($ 0) and other amounts receivable				
23.	Aggregate write-ins for other than invested assets	1,147,807	71,332	1,076,475	973,027
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	62,426,695	850,570	61,576,125	61,479,986
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	62,426,695	850,570	61,576,125	61,479,986

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets	135,669	52,725	82,944	70,494
2302. Cash surrender value - life insurance	430,169		430,169	378,818
2303. Equities and deposits in pools and associations	62,954		62,954	60,381
2398. Summary of remaining write-ins for Line 23 from overflow page	519,015	18,607	500,408	463,334
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,147,807	71,332	1,076,475	973,027

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	28,414,274	26,780,483
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	5,819,492	5,108,039
4. Commissions payable, contingent commissions and other similar charges	282,513	272,077
5. Other expenses (excluding taxes, licenses and fees)	798,180	981,457
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	599,419	607,117
7.1 Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		26,861
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 $ 116,732,510 and including warranty reserves of $ 0)	8,398,602	8,067,839
10. Advance premium	102,884	75,004
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	6,982	22,023
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	62,592	3,803,974
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	943,589	736,145
19. Payable to parent, subsidiaries and affiliates	142,775	
20. Payable for securities		
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	(2,523,135)	(2,644,982)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	43,048,167	43,836,037
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	43,048,167	43,836,037
27. Aggregate write-ins for special surplus funds	2,349,541	2,278,741
28. Common capital stock	3,600,000	3,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	7,400,000	7,400,000
33. Unassigned funds (surplus)	5,178,417	4,365,208
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)	18,527,958	17,643,949
36. TOTALS (Page 2, Line 26, Col. 3)	61,576,125	61,479,986

DETAILS OF WRITE-INS		
2301. Other liabilities	568,144	429,084
2302. Pooled retroactive reinsurance	(4,514,653)	(4,420,331)
2303. Amounts held under uninsured plans	1,423,374	1,346,265
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(2,523,135)	(2,644,982)
2701. Special surplus from retroactive reinsurance	2,349,541	2,278,741
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)	2,349,541	2,278,741
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	20,719,382	19,400,348
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	13,214,373	12,897,698
3. Loss expenses incurred (Part 3, Line 25, Column 1)	3,905,425	3,165,497
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	5,167,284	4,828,598
5. Aggregate write-ins for underwriting deductions		(3,744)
6. Total underwriting deductions (Lines 2 through 5)	22,287,082	20,888,049
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(1,567,700)	(1,487,701)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,591,450	2,640,676
10. Net realized capital gains (losses) less capital gains tax of $ 80,772 (Exhibit of Capital Gains (Losses))	150,004	384,675
11. Net investment gain (loss) (Lines 9 + 10)	2,741,454	3,025,351
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered $ 3,379 amount charged off $ 75,422)	(72,044)	(93,415)
13. Finance and service charges not included in premiums	113,384	118,915
14. Aggregate write-ins for miscellaneous income	(261,172)	(395,437)
15. Total other income (Lines 12 through 14)	(219,832)	(369,937)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	953,922	1,167,713
17. Dividends to policyholders	72,216	78,865
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)	881,706	1,088,848
19. Federal and foreign income taxes incurred	219,584	216,136
20. Net income (Line 18 minus Line 19) (to Line 22)	662,122	872,712
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	17,643,949	16,854,849
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	662,122	872,712
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ (1,581)	(20,450)	9,894
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(26,581)	88
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	254,473	(132,831)
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	14,445	39,237
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	884,009	789,100
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	18,527,958	17,643,949

DETAILS OF WRITE-INS		
0501. North Carolina Private Passenger Auto Escrow		(3,744)
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)		(3,744)
1401. Other income/(expense)	(323,226)	(442,693)
1402. Retroactive reinsurance gain/(loss)	62,054	47,256
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)	(261,172)	(395,437)
3701. Other surplus adjustments	14,445	39,237
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)	14,445	39,237

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	20,870,621	19,478,416
2. Net investment income	2,616,617	2,608,618
3. Miscellaneous income	(3,931,936)	4,007,765
4. Total (Lines 1 through 3)	19,555,302	26,094,799
5. Benefit and loss related payments	11,360,661	12,566,068
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	8,369,345	7,988,592
8. Dividends paid to policyholders	87,257	63,858
9. Federal and foreign income taxes paid (recovered) $ 0 net of tax on capital gains (losses)	640,854	349,207
10. Total (Lines 5 through 9)	20,458,117	20,967,725
11. Net cash from operations (Line 4 minus Line 10)	(902,815)	5,127,074
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	10,388,739	10,943,094
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	99,539	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	10,488,278	10,943,094
13. Cost of investments acquired (long-term only):		
13.1 Bonds	9,393,026	16,105,994
13.2 Stocks	50,746	44,791
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		99,865
13.7 Total investments acquired (Lines 13.1 to 13.6)	9,443,772	16,250,650
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)	1,044,506	(5,307,556)
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)	662,574	1,451,374
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	662,574	1,451,374
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)	804,265	1,270,892
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,722,466	451,574
19.2 End of year (Line 18 plus Line 19.1)	2,526,731	1,722,466

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

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1- PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	440,386	186,558	250,413	376,531
2. Allied lines	141,634	68,222	81,042	128,814
3. Farmowners multiple peril	15			15
4. Homeowners multiple peril	2,549,109	1,380,072	1,483,780	2,445,401
5. Commercial multiple peril	306,140	169,509	211,204	264,445
6. Mortgage guaranty				
8. Ocean marine	50,005	84,006	25,579	108,432
9. Inland marine	316,944	71,923	66,778	322,089
10. Financial guaranty				
11.1 Medical malpractice - occurrence	7	2		9
11.2 Medical malpractice - claims-made				
12. Earthquake	50,442	28,211	24,421	54,232
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	395	17	131	281
16. Workers' compensation	7,047,033	(520,651)	(245,141)	6,771,523
17.1 Other liability - occurrence	1,012,445	307,848	347,364	972,929
17.2 Other liability - claims-made	361,653	131,437	159,165	333,925
18.1 Products liability - occurrence	232,292	17,626	91,729	158,189
18.2 Products liability - claims-made	6,968		5	6,963
19.1, 19.2 Private passenger auto liability	4,407,553	2,333,767	2,233,253	4,508,067
19.3, 19.4 Commercial auto liability	907,374	273,951	259,398	921,927
21. Auto physical damage	2,656,837	1,568,155	1,554,480	2,670,512
22. Aircraft (all perils)	132,789	37,383	33,197	136,975
23. Fidelity	9,086	3,683	4,343	8,426
24. Surety	389,856	198,581	225,405	363,032
26. Burglary and theft	1,370	586	643	1,313
27. Boiler and machinery	7,740	2,209	3,341	6,608
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	55,524	5,229	9,862	50,891
31. Reinsurance-Nonproportional Assumed Liability	108,581	14,319	11,650	111,250
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	21,192,178	6,362,643	6,832,042	20,722,779

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	226,833	23,580			250,413
2. Allied lines	75,531	5,511			81,042
3. Farmowners multiple peril					
4. Homeowners multiple peril	1,476,969	6,811			1,483,780
5. Commercial multiple peril	210,392	812			211,204
6. Mortgage guaranty					
8. Ocean marine	23,754	1,825			25,579
9. Inland marine	62,777	4,001			66,778
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	23,224	1,197			24,421
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	131				131
16. Workers' compensation	1,013,750	61,276		(1,320,167)	(245,141)
17.1 Other liability - occurrence	359,102	82,916		(94,653)	347,365
17.2 Other liability - claims-made	134,404	24,761			159,165
18.1 Products liability - occurrence	68,284	60,728		(37,283)	91,729
18.2 Products liability - claims-made	5				5
19.1, 19.2 Private passenger auto liability	2,226,985	6,268			2,233,253
19.3, 19.4 Commercial auto liability	377,027	320		(117,949)	259,398
21. Auto physical damage	1,547,346	7,138		(4)	1,554,480
22. Aircraft (all perils)	34,568	(1,371)			33,197
23. Fidelity	4,064	279			4,343
24. Surety	127,978	93,929		3,497	225,404
26. Burglary and theft	643				643
27. Boiler and machinery	3,336	5			3,341
28. Credit	(149)	149			
29. International					
30. Reinsurance-Nonproportional Assumed Property	9,855	7			9,862
31. Reinsurance-Nonproportional Assumed Liability	11,476	174			11,650
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	8,018,285	380,316		(1,566,559)	6,832,042
35. Accrued retrospective premiums based on experience					1,566,559
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through 36)					8,398,601

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

(a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.
Are they so returned in this statement? Yes [X] No [ ]

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

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

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	16,250	440,386		16,250		440,386
2. Allied lines	42,085	141,634		42,085		141,634
3. Farmowners multiple peril		15				15
4. Homeowners multiple peril	1,577,642	2,549,109		1,577,642		2,549,109
5. Commercial multiple peril	140,154	306,140		140,154		306,140
6. Mortgage guaranty						
8. Ocean marine		50,005				50,005
9. Inland marine	346,271	316,944		346,271		316,944
10. Financial guaranty						
11.1 Medical malpractice - occurrence		7				7
11.2 Medical malpractice - claims-made						
12. Earthquake	7,603	50,442		7,603		50,442
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		395				395
16. Workers' compensation	336,359,337	7,047,033		336,359,337		7,047,033
17.1 Other liability - occurrence	1,106,618	1,012,445		1,106,618		1,012,445
17.2 Other liability - claims-made		361,653				361,653
18.1 Products liability - occurrence	352,926	232,292		352,926		232,292
18.2 Products liability - claims-made		6,968				6,968
19.1, 19.2 Private passenger auto liability	(678)	4,407,553		(678)		4,407,553
19.3, 19.4 Commercial auto liability	3,029,501	907,374		3,029,501		907,374
21. Auto physical damage	348,455	2,656,837		348,455		2,656,837
22. Aircraft (all perils)		132,789				132,789
23. Fidelity		9,086				9,086
24. Surety	137,279	389,856		137,279		389,856
26. Burglary and theft		1,370				1,370
27. Boiler and machinery	9,303	7,740		9,303		7,740
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	55,524				55,524
31. Reinsurance-Nonproportional Assumed Liability	X X X	108,581				108,581
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	343,472,746	21,192,178		343,472,746		21,192,178

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

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [X] No [ ]
If yes: 1. The amount of such installment premiums $ 299,091,460
2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $ 284,767,313

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire		158,221		158,221	221,018	143,709	235,530	62.553
2. Allied lines		161,151		161,151	121,716	81,832	201,035	156.066
3. Farmowners multiple peril								
4. Homeowners multiple peril	156,121	1,604,551	156,121	1,604,551	510,679	618,421	1,496,809	61.209
5. Commercial multiple peril	28,500	246,650	28,500	246,650	465,044	510,708	200,986	76.003
6. Mortgage guaranty								
8. Ocean marine		30,053		30,053	88,927	128,033	(9,053)	(8.349)
9. Inland marine	5,212	162,784	5,212	162,784	186,494	85,739	263,539	81.822
10. Financial guaranty								
11.1 Medical malpractice - occurrence		270		270	(130)	220	(80)	(888.889)
11.2 Medical malpractice - claims - made								
12. Earthquake		1,234		1,234	1,310	2,572	(28)	(0.052)
13. Group accident and health		1,549		1,549	7,424	7,762	1,211	
14. Credit accident and health (group and individual)								
15. Other accident and health		1,376		1,376	6,878	7,225	1,029	366.192
16. Workers' compensation	228,043,557	3,350,131	228,043,557	3,350,131	15,677,898	14,047,112	4,980,917	73.557
17.1 Other liability - occurrence	1,676,067	769,194	1,676,067	769,194	3,474,402	3,430,889	812,707	83.532
17.2 Other liability - claims - made		4,099		4,099	573,860	424,313	153,646	46.012
18.1 Products liability - occurrence	202,121	124,636	202,121	124,636	828,698	1,118,225	(164,891)	(104.237)
18.2 Products liability - claims - made		1,338		1,338	14,793	10,806	5,325	76.476
19.1, 19.2 Private passenger auto liability	799,720	2,758,282	799,720	2,758,282	3,892,911	3,989,274	2,661,919	59.048
19.3, 19.4 Commercial auto liability	779,903	466,169	779,903	466,169	1,301,330	1,202,799	564,700	61.252
21. Auto physical damage	285,495	1,355,518	285,495	1,355,518	(77,443)	(98,082)	1,376,157	51.532
22. Aircraft (all perils)		46,964		46,964	132,994	126,498	53,460	39.029
23. Fidelity		52		52	20,296	14,841	5,507	65.357
24. Surety	67,002	103,343	67,002	103,343	118,702	131,442	90,603	24.957
26. Burglary and theft		261		261	4,032	3,834	459	34.958
27. Boiler and machinery		1,078		1,078	(1,002)	209	(133)	(2.013)
28. Credit					28	30	(2)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	82,442		82,442	280,909	237,468	125,883	247.358
31. Reinsurance-Nonproportional Assumed Liability	X X X	135,928		135,928	557,839	550,870	142,897	128.447
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	189		189	4,667	3,734	1,122	
33. Aggregate write-ins for other lines of business								
34. TOTALS	232,043,698	11,567,463	232,043,698	11,567,463	28,414,274	26,780,483	13,201,254	63.704

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

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

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
1. Fire		151,688		151,688	12,465	69,329	12,465	221,017	20,437
2. Allied lines	162,000	110,589	162,000	110,589	14,438	11,127	14,438	121,716	13,300
3. Farmowners multiple peril									177
4. Homeowners multiple peril	48,158	175,536	48,158	175,536	44	335,143	44	510,679	142,920
5. Commercial multiple peril	156,000	404,068	156,000	404,068	206,578	60,976	206,578	465,044	170,554
6. Mortgage guaranty									
8. Ocean marine		66,502		66,502		22,424		88,926	20,139
9. Inland marine		66,941		66,941	3,133	119,553	3,133	186,494	18,050
10. Financial guaranty									
11.1 Medical malpractice - occurrence		531		531		(661)		(130)	11
11.2 Medical malpractice - claims - made									
12. Earthquake		479		479		832		1,311	197
13. Group accident and health		3,665		3,665		3,759		(a) 7,424	573
14. Credit accident and health (group and individual)									
15. Other accident and health		1,673		1,673		5,206		(a) 6,879	231
16. Workers' compensation	392,231,601	10,511,933	392,231,601	10,511,933	474,940,320	5,165,964	474,940,320	15,677,897	1,846,230
17.1 Other liability - occurrence	2,421,608	2,072,129	2,421,608	2,072,129	35,809	1,402,273	35,809	3,474,402	1,544,136
17.2 Other liability - claims - made		194,722		194,722		379,138		573,860	173,575
18.1 Products liability - occurrence	101	282,431	101	282,431	336,614	546,267	336,614	828,698	491,539
18.2 Products liability - claims - made		6,626		6,626		8,167		14,793	9,352
19.1, 19.2 Private passenger auto liability	276,565	2,577,827	276,565	2,577,827	300,388	1,315,083	300,388	3,892,910	931,055
19.3, 19.4 Commercial auto liability	719,820	619,021	719,820	619,021	1,139,643	682,309	1,139,643	1,301,330	196,282
21. Auto physical damage		(735)		(735)	(360,800)	(76,708)	(360,800)	(77,443)	141,457
22. Aircraft (all perils)		81,505		81,505		51,489		132,994	23,826
23. Fidelity		1,828		1,828		18,469		20,297	4,626
24. Surety	42,969	24,805	42,969	24,805	41,874	93,897	41,874	118,702	47,315
26. Burglary and theft		538		538		3,494		4,032	450
27. Boiler and machinery		14		14	16,729	(1,016)	16,729	(1,002)	937
28. Credit						28		28	1
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	177,223		177,223	X X X	103,686		280,909	4,768
31. Reinsurance-Nonproportional Assumed Liability	X X X	428,107		428,107	X X X	129,733		557,840	17,269
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	4,751		4,751	X X X	(84)		4,667	86
33. Aggregate write-ins for other lines of business									
34. TOTALS	396,058,822	17,964,397	396,058,822	17,964,397	476,687,235	10,449,877	476,687,235	28,414,274	5,819,493

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	37,018,626			37,018,626
1.2 Reinsurance assumed	2,151,892			2,151,892
1.3 Reinsurance ceded	37,018,626			37,018,626
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	2,151,892			2,151,892
2. Commission and brokerage:				
2.1 Direct, excluding contingent		10,639,901		10,639,901
2.2 Reinsurance assumed, excluding contingent		321,692		321,692
2.3 Reinsurance ceded, excluding contingent		10,639,901		10,639,901
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		177,534		177,534
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)		499,226		499,226
3. Allowances to manager and agents				
4. Advertising	19,058	181,249	52	200,359
5. Boards, bureaus and associations	4,485	48,004		52,489
6. Surveys and underwriting reports	12	46,744		46,756
7. Audit of assureds' records	10	1		11
8. Salary and related items:				
8.1 Salaries	1,058,134	1,976,469	12,107	3,046,710
8.2 Payroll taxes	51,357	139,960	465	191,782
9. Employee relations and welfare	171,405	463,366	614	635,385
10. Insurance	178,563	14,899	14	193,476
11. Directors' fees	6	441		447
12. Travel and travel items	70,535	153,883	174	224,592
13. Rent and rent items	64,165	170,924	188	235,277
14. Equipment	54,001	139,850	208	194,059
15. Cost or depreciation of EDP equipment and software	10,983	58,905	127	70,015
16. Printing and stationery	16,610	41,117	28	57,755
17. Postage, telephone and telegraph, exchange and express	43,477	124,712	471	168,660
18. Legal and auditing	7,358	39,897	1,077	48,332
19. Totals (Lines 3 to 18)	1,750,159	3,600,421	15,525	5,366,105
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 21,797		772,572		772,572
20.2 Insurance department licenses and fees		18,025		18,025
20.3 Gross guaranty association assessments		51,494		51,494
20.4 All other (excluding federal and foreign income and real estate)		56,540		56,540
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		898,631		898,631
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	3,374	169,004	1,679	174,057
25. Total expenses incurred	3,905,425	5,167,282	17,204	(a) 9,089,911
26. Less unpaid expenses-current year	5,819,492	1,680,112		7,499,604
27. Add unpaid expenses-prior year	5,108,039	1,970,785		7,078,824
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)	3,193,972	5,457,955	17,204	8,669,131

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	(137,203)			(137,203)
2402. Other expenses	140,577	169,004	1,679	311,260
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	3,374	169,004	1,679	174,057

(a) Includes management fees of $ 17,204 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 796,366	860,667
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 1,697,712	1,623,860
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	51,159	51,159
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) 78,853	83,566
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	(10,599)	(10,599)
10.	Total gross investment income	2,613,491	2,608,653
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) 17,204
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)		17,204
17.	Net investment income (Line 10 minus Line 16)		2,591,449
	DETAILS OF WRITE-INS		
0901.	Miscellaneous Income / (Expense)	(10,599)	(10,599)
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)	(10,599)	(10,599)
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 $ 37,366 accrual of discount less $ 57,696 amortization of premium and less $ 37,426 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 $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1.	U.S. Government bonds				
1.1	Bonds exempt from U.S. tax	230,776			230,776
1.2	Other bonds (unaffiliated)				
1.3	Bonds of affiliates				
2.1	Preferred stocks (unaffiliated)				
2.11	Preferred stocks of affiliates				
2.2	Common stocks (unaffiliated)		(22,030)		(22,030)
2.21	Common stocks of affiliates				
3.	Mortgage loans				
4.	Real estate				
5.	Contract loans				
6.	Cash, cash equivalents and short-term investments				
7.	Derivative instruments				
8.	Other invested assets				
9.	Aggregate write-ins for capital gains (losses)				
10.	Total capital gains (losses)	230,776	(22,030)		208,746
	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 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	57,399	73,052	15,653
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due		4,009	4,009
13.3 Accrued retrospective premiums	158,357	171,537	13,180
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	7,060	7,582	522
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	556,422	785,326	228,904
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivable from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	71,332	64,269	(7,063)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	850,570	1,105,775	255,205
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	850,570	1,105,775	255,205

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	52,725	51,702	(1,023)
2302. Amounts receivable under high deductible policies	18,607	12,568	(6,039)
2303. Equities and deposits in pools and associations		(1)	(1)
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	71,332	64,269	(7,063)

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the Iowa Insurance Commissioner, the accompanying financial statements of LM Insurance Corporation (the "Company"**)** have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

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

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

3. Common stocks are carried at market value.

4. The Company does not own preferred stocks.

5. The Company does not own mortgage loans.

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

7. The Company has no investments in subsidiaries.

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

9. Derivative Instruments, refer to Note 8.

10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property-Casualty Contracts - Premiums*.

11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.

12. The Company did not change its capitalization policy in 2005.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not hold any mortgage loans as investments.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.

2. Prepayment assumptions for single class and multi-class mortgages backed/asset-backed securities were based upon 1-month historical constant prepayment rates.

3. The Company used IDSI, Bloomberg, and Lehman Index data in determining the market value of the vast majority of its loan-backed securities. A small number of securities are priced in other ways, such as contacting brokers.

4. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2005.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2005	December 31, 2004	Change
Total of gross deferred tax assets	2,692,000	2,565,665	126,335
Total of deferred tax liabilities	(491,000)	(339,665)	(151,335)
Net deferred tax asset	2,201,000	2,226,000	(25,000)
Net deferred tax asset non-admitted	(556,422)	(785,326)	228,904
Net admitted deferred tax asset	**1,644,578**	**1,440,674**	**203,904**

NOTES TO FINANCIAL STATEMENTS

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

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

	2005	2004
Federal tax on operations	219,584	268,400
Net operating loss benefit	0	(186,900)
Foreign tax on operations	0	0
Income tax incurred on operations	219,584	81,500
Tax on capital gains	80,772	134,636
Total income tax incurred	300,356	216,136

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

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

	2005
Change in net deferred income tax (without unrealized gain or loss)	(26,581)
Tax effect of unrealized (gains) losses	1,581
Total change in net deferred income tax	(25,000)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of revisions to prior year estimates and changes in deferred taxes related to statutory non-admitted assets.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is $307,000 from the current year and $2,000 from the preceding year.

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

The Company has minimum tax credit available of $36,000 which does not expire.

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

Access Insurance Services, Co.
Ambco Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company
American Ambassador Casualty Company
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Agency, Inc. (Arizona corporation)
Capitol Agency, Inc. (Ohio corporation)
Capitol Agency, Inc. (Tennessee corporation)
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Companies Agency Insurance Services of California
Companies Agency of Alabama, Inc.
Companies Agency of Georgia, Inc.
Companies Agency of Kentucky, Inc.
Companies Agency of Massachusetts, Inc.
Companies Agency of Michigan, Inc.
Companies Agency of New York, Inc.
Companies Agency of Pennsylvania, Inc.
Companies Agency of Phoenix, Inc.
Companies Agency, Inc.
Companies Annuity Agency of Texas, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Countrywide Services Corporation
Diversified Settlements, Inc.
Employers Insurance Company of Wausau
Excelsior Insurance Company
First State Agency, Inc.
Florida State Agency, Inc.
Globe American Casualty Company
Golden Eagle Insurance Corporation
Gulf States AIF, Inc.
Hawkeye-Security Insurance Company
Helmsman Insurance Agency of Illinois, Inc.
Helmsman Insurance Agency of Texas, Inc.
Heritage-Summit Healthcare of Florida, Inc.
Indiana Insurance Company
LEXCO Limited
Liberty International Holdings, Inc.
Liberty Life Assurance Company of Boston
Liberty Life Holdings, Inc.
Liberty Lloyds of Texas Insurance Company
Liberty Management Services, Inc.
Liberty Mexico Holdings, Inc.
Liberty Mutual Fire Insurance Company
Liberty Mutual Group Inc.
Liberty Mutual Holding Company, Inc.
Liberty Mutual Insurance Company
Liberty Mutual Managed Care, Inc.
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Real Estate Corporation
Liberty Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation
Liberty-USA Corporation
LIH-Re of America Corporation
LIH U.S. P&C Corporation
LIIA Insurance Agency, Inc.
LIU Specialty Agency, Inc.
LLS Insurance Agency of Nevada, Inc.
LM Insurance Corporation
LMHC Massachusetts Holding, Inc.
LRE Properties, Inc.
Mid-American Agency, Inc.
Mid-American Fire and Casualty Company
Missouri Agency, Inc.
North Pacific Insurance Company
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
LM Personal Insurance Company
LM General Insurance Company
LM Property and Casualty Insurance Company
San Diego Insurance Company
State Agency, Inc. (Indiana corporation)
State Agency, Inc. (Wisconsin corporation)
St. James Insurance Company
Summit Consulting, Inc.
Summit Consulting, Inc. of Louisiana

NOTES TO FINANCIAL STATEMENTS

Liberty Assignment Corporation
Liberty Energy Corporation
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Company of America
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters, Inc.
Liberty International Asia Pacific Holdings, Inc.
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Corporation
The Netherlands Insurance Company
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Service Corporation
Wausau Underwriters Insurance Company

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company (the "Parent Company"), a Massachusetts company. Liberty Mutual Insurance company is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.

B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.

C. There have been no material changes in the terms of any intercompany agreements in 2005.

D. At December 31, 2005, the Company reported $142,775 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

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

F. See Note 26 for information regarding intercompany pooling arrangement

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

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

H. The Company does not own shares of an upstream company, either directly or indirectly.

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

J. Not applicable

Note 11- Debt

A. The Company has no capital notes.

B. The Company has no outstanding borrowed money.

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

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

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

1. The Company has 30,000 shares authorized, issued, and outstanding as of December 31, 2005. All shares have a stated par value of $120.

2. Preferred Stock

   Not applicable

3. Dividend Restrictions

   There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Iowa-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of policyholders' surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2006 is $1,852,796.

NOTES TO FINANCIAL STATEMENTS

5. As of December 31, 2005, the Company has restricted surplus of $2,349,541 resulting from retroactive reinsurance contracts.

6. The Company had no advances to surplus.

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

8. The Company had changes in special surplus funds since December 31, 2001 resulting from retroactive reinsurance contracts.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is $20,645.

10. Surplus Notes

    Not applicable

11. Quasi re-organization (dollar impact)

    Not applicable

12. Quasi re-organization (effective date)

    Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of $592,609 that is offset by future premium tax credits of $113,354. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next ten years.

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

C. Gain Contingencies

Not applicable

D. All other Contingencies

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

Note 15- Leases

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

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

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2006	$103,529	$212,231
2007	64,545	169,250
2008	59,501	125,022
2009	49,271	92,282
2010	31,379	65,598
2011 & thereafter	0	318,373
Total	$308,225	$982,756

NOTES TO FINANCIAL STATEMENTS

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

Not applicable

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

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

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

A. Transfers of Receivables reported as sales:

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

B. Transfers and servicing of financial assets:

The Company did not have any transfers and servicing of financial assets during the year.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was $944. Claim payment volume was $59,671.

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 – September 11 Events

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

	Direct	Assumed	Gross	Ceded	Net
Paid Loss and ALAE	$528,515	$218,728	$747,243	$649,754	$97,489
Loss and ALAE Reserves	272,634	41,444	314,078	224,875	89,203
Incurred Loss and ALAE	$801,149	$260,172	$1,061,321	$874,629	$186,692

Note 21- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

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

b) The Company reported loss recoveries from the Special Disability Trust Fund of $11,743 and $8,664, in 2005 and 2004, respectively.

c) The amount the Company was assessed by the Special Disability Trust Fund was $830,182 and $518,849, in 2005 and 2004, respectively.

NOTES TO FINANCIAL STATEMENTS

2) Assets in the amount of $8,220,811 and $10,484,832 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase Business Interruption coverage.

F. Additional Pension and Postretirement Disclosure Requirements

Refer to Note 12.

Note 22- Events Subsequent

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

Note 23- Reinsurance

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

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

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	$8,398,602	$260,167	$116,732,510	$3,616,072	$(108,333,908)	($3,355,905)
All Other	0	0	0	0	0	0
Total	$8,398,602	$260,167	$116,732,510	$3,616,072	$(108,333,908)	($3,355,905)

Direct Unearned Premium Reserve: $116,732,510

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	$0	$133,984	$0	$133,984
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(390,000)	0	(390,000)
Totals	$0	$(256,016)	$0	$(256,016)

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

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

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

F. The Company has one assumed retroactive contract as a result of the intercompany pooling arrangement with Liberty Mutual Insurance Company.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	$(4,387,313)	$0
	2. Adjustment – Prior Year(s)	248,655	0
	3. Adjustment – Current Year	14,005	0
	4. Total	$(4,124,653)	$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	$(1,918,101)	$0
	2. Adjustment – Prior Year(s)	(77,896)	0
	3. Adjustment – Current Year	(90,346)	0
	4. Total	$(2,086,343)	$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	$(52,644)	$0
	2. Adjustment – Prior Year(s)	(192,702)	0
	3. Adjustment – Current Year	(87,974)	0
	4. Total	$(333,320)	$0

NOTES TO FINANCIAL STATEMENTS

d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	$2,503,703	$0
	2. Adjustment – Prior Year(s)	(133,849)	0
	3. Adjustment – Current Year	(20,313)	0
	4. Total	2,349,541	$0
	5. Cumulative Total Transferred To Unassigned Funds	$22,089	
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	$(4,124,653)	$0

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

G. There are no contracts recorded as deposit accounting.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts.

B. The Company records accrued retrospective premium as an adjustment to earned premium.

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

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

Total accrued retro premium	$1,566,559
Less: Non-admitted amount	158,357
Admitted amount	$1,408,202

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

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

Note 26- Intercompany Pooling Arrangements

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

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

NOTES TO FINANCIAL STATEMENTS

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

(a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the lead company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.

(b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated company cedes its net underwriting activity to the lead company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.

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

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

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

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

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

Note 27- Structured Settlements

A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of $2,660,803 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $2,660,803 as of December 31, 2005.

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

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	$1,086,801
The Prudential Insurance Company of America Newark, New Jersey	Yes	$1,072,330
Nationwide Life Insurance Company Columbus, Ohio	Yes	$330,988

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

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

Note 31- High Dollar Deductible Policies

As of December 31, 2005, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was $8,377,540 and the amount billed and recoverable on paid claims was $519,015.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are disounted at 4.5%. The December 31, 2005, liabilities include $6,836,696 of liabilities carried at a discounted value of $4,199,082, representing a discount of $2,637,614.

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

NOTES TO FINANCIAL STATEMENTS

Note 33 - Asbestos/Environmental Reserves

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

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

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

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

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

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

During the third quarter of 2005, the Company completed its biennial ground-up asbestos reserve study. As part of that review, a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel completed their comprehensive review of the Company's asbestos exposure on a direct, assumed, and ceded basis including potential exposures of large policyholders that were individually evaluated using the company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. Small policyholders were evaluated using aggregate methods that utilized information developed from the large policyholders. Additionally, a provision of pure IBNR was established for the potential emergence of first-time filers of future asbestos claims. Based on this internal study, the Company increased its asbestos reserves by $406,000.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Asbestos:

	2001	2002	2003	2004	2005
Direct Basis					
Beginning Reserves	2,639,226	2,712,693	2,958,124	3,156,858	3,404,924
Incurred losses and LAE	511,991	826,656	854,032	824,147	1,108,478
Calendar year payments	438,524	581,225	655,298	576,081	516,902
Ending Reserves	2,712,693	2,958,124	3,156,858	3,404,924	3,996,500
Assumed Reinsurance Basis					
Beginning Reserves	150,248	217,974	373,915	524,519	979,183
Incurred losses and LAE	69,487	161,931	230,480	524,080	108,889
Calendar year payments	1,761	5,990	79,876	69,416	60,311
Ending Reserves	217,974	373,915	524,519	979,183	1,027,761
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,557,980	1,685,926	1,920,028	2,249,178	1,902,936
Incurred losses and LAE	355,710	580,656	626,006	7,064	438,738
Calendar year payments	227,764	346,554	296,856	353,306	256,962
Ending Reserves	1,685,926	1,920,028	2,249,178	1,902,936	2,084,712

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

Direct Basis	2,094,621
Assumed Reinsurance Basis	780,829
Net of Ceded Reinsurance Basis	890,006

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

Direct Basis	1,474,871
Assumed Reinsurance Basis	9,111
Net of Ceded Reinsurance Basis	634,685

Environmental:	2001	2002	2003	2004	2005
Direct Basis					
Beginning Reserves	1,435,820	1,140,535	893,009	643,412	1,420,362
Incurred losses and LAE	(158)	88,194	(109,753)	920,247	317,132
Calendar year payments	295,127	335,720	139,844	143,297	365,498
Ending Reserves	1,140,535	893,009	643,412	1,420,362	1,371,996
Assumed Reinsurance Basis					
Beginning Reserves	223,124	221,917	235,733	111,832	141,768
Incurred losses and LAE	(22)	17,276	(112,645)	40,675	(24,461)
Calendar year payments	1,185	3,460	11,256	10,739	12,671
Ending Reserves	221,917	235,733	111,832	141,768	104,636
Net of Ceded Reinsurance Basis					
Beginning Reserves	894,888	850,786	612,918	515,476	1,053,427
Incurred losses and LAE	179,082	(21,778)	(16,000)	631,972	1,019
Calendar year payments	223,184	216,090	81,442	94,021	200,803
Ending Reserves	850,786	612,918	515,476	1,053,427	853,643

NOTES TO FINANCIAL STATEMENTS

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	980,832
Assumed Reinsurance Basis	62,407
Net of Ceded Reinsurance Basis	545,521
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	545,520
Assumed Reinsurance Basis	2,131
Net of Ceded Reinsurance Basis	316,583

Note 34- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	16,466,801	32.339	16,466,801	32.339
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	1,991,191	3.910	1,991,191	3.910
1.43 Revenue and assessment obligations				
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	3,607,595	7.085	3,607,595	7.085
1.512 Issued or guaranteed by FNMA and FHLMC	4,331,200	8.506	4,331,200	8.506
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
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				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	21,305,099	41.841	21,305,099	41.841
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	690,539	1.356	690,539	1.356
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including $ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including $ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	2,526,731	4.962	2,526,731	4.962
9. Other invested assets				
10. Total invested assets	50,919,156	100.000	50,919,156	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

1.3 State Regulating? Iowa

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 [X]

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

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/1999

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 07/27/2001

3.4 By what department or departments? Iowa Insurance Division

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

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

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

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

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

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

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

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.) Yes [ ] No [X]

6.2 If yes, give full information

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

7.2 If yes,

7.21 State the percentage of foreign control 0 %
7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

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

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

11.11 Name of real estate holding company ____
11.12 Number of parcels involved ____
11.13 Total book/adjusted carrying value $____

11.2 If yes, provide explanation

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

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

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

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

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

16.11 To directors or other officers $____
16.12 To stockholders not officers $____
16.13 Trustees, supreme or grand (Fraternal only) $____

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

16.21 To directors or other officers $____
16.22 To stockholders not officers $____
16.23 Trustees, supreme or grand (Fraternal only) $____

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

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

17.21 Rented from others $____
17.22 Borrowed from others $____
17.23 Leased from others $____
17.24 Other $____

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

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment $____

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

18.22 Amount paid as expenses $
18.23 Other amounts paid $

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

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

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No [ ]

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

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1). Yes [X] No [ ]

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

21.21 Loaned to others $ 2,282,024
21.22 Subject to repurchase agreements $
21.23 Subject to reverse repurchase agreements $
21.24 Subject to dollar repurchase agreements $
21.25 Subject to reverse dollar repurchase agreements $
21.26 Pledged as collateral $
21.27 Placed under option agreements $
21.28 Letter stock or securities restricted as to sale $
21.29 Other $

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]

If no, attach a description with this statement.

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

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

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

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

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

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

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

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [ ] No [X]
24.04 If yes, give full and complete information relating thereto:

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#100	LMIA High Yield Fund	690,539
25.2999 Total		690,539

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
LMIA High Yield Fund	JP Morgan Prime Money Market Fund	32,386	12/31/2005
LMIA High Yield Fund	Ventas Realty LP/CAP CRP	12,913	12/31/2005
LMIA High Yield Fund	Pierre Foods Inc	9,668	12/31/2005
LMIA High Yield Fund	Valent Pharmaceuticals	9,460	12/31/2005
LMIA High Yield Fund	Superior Energy Serv	8,770	12/31/2005

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	50,228,617	50,084,013	(144,604)
26.2 Preferred stocks			
26.3 Totals	50,228,617	50,084,013	(144,604)

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

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

27.2 If no, list exceptions:

OTHER

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

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

1 Name	2 Amount Paid
	$
	$
	$

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

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

1 Name	2 Amount Paid
	$
	$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 Name	2 Amount Paid
	$

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

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

1 Name	2 Amount Paid
	$
	$
	$
	$

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $

1.62 Total incurred claims $

1.63 Number of covered lives $

All years prior to most current three years:

1.64 Total premium earned $

1.65 Total incurred claims $

1.66 Number of covered lives $

1.7 Group policies:

Most current three years:

1.71 Total premium earned $

1.72 Total incurred claims $

1.73 Number of covered lives $

All years prior to most current three years:

1.74 Total premium earned $

1.75 Total incurred claims $

1.76 Number of covered lives $

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	$ 283	$ (13,778)
2.2 Premium Denominator	$ 20,719,382	$ 19,400,348
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	$ 15,237	$ 15,883
2.5 Reserve Denominator	$ 42,632,368	$ 39,956,361
2.6 Reserve Ratio (2.4/2.5)		

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

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

3.21 Participating policies $

3.22 Non-participating policies $

4. For Mutual Reporting Entities and Reciprocal Exchange only:

4.1 Does the reporting entity issue assessable policies? YES [ ] NO [X]

4.2 Does the reporting entity issue non-assessable policies? YES [ ] NO [X]

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

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

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? YES [ ] NO [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation YES [ ] NO [ ] N/A [X]

5.22 As a direct expense of the exchange YES [ ] NO [ ] N/A [X]

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

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

5.5 If yes, give full information

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

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

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

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

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

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

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 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 [X]

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

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 priniciples ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES [ ] NO [X]

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

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

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

11.2 If yes, give full information

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 $ 3,359,211

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 525,535

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? $ 841,995

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

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

12.41 From 5.500 %

12.42 To 6.000 %

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

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

12.61 Letters of Credit $ 14,766,231

12.62 Collateral and other funds $ 1,151,959

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

13.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? YES [ ] NO [X]

13.3 If yes, what amount? $

14.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 203,117

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

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

15.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO [ ]

15.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
Premiums and recoverables were allocated pursuant to separate intercompany pooling agreements.

15.3 If the answer to 15.1 is yes, are the methods described in item 15.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [ ] NO [X]

15.4 If the answer to 15.3 is no, are all the methods described in 15.2 entirely contained in written agreements? YES [X] NO [ ]

15.5 If the answer to 15.4 is no, please explain:

16.1 Has the reporting entity guaranteed any financed premium accounts? YES [ ] NO [X]

16.2 If yes, give full information

17.1 Does the reporting entity write any warranty business? YES [ ] NO [X]

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

18.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5. YES [ ] NO [X]

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

18.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	$
18.12	Unfunded portion of Interrogatory 18.11	$
18.13	Paid losses and loss adjustment expenses portion of Interrogatory 18.11	$
18.14	Case reserves portion of Interrogatory 18.11	$
18.15	Incurred but not reported portion of Interrogatory 18.11	$
18.16	Unearned premium portion of Interrogatory 18.11	$
18.17	Contingent commission portion of Interrogatory 18.11	$

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

18.18	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	$
18.19	Unfunded portion of Interrogatory 18.18	$
18.20	Paid losses and loss adjustment expenses portion of Interrogatory 18.18	$
18.21	Case reserves portion of Interrogatory 18.18	$
18.22	Incurred but not reported portion of Interrogatory 18.18	$
18.23	Unearned premium portion of Interrogatory 18.18	$
18.24	Contingent commission portion of Interrogatory 18.18	$

FIVE-YEAR HISTORICAL DATA

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

	1 2005	2 2004	3 2003	4 2002	5 2001
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	354,823,029	602,435,860	438,874,960	306,821,712	96,159,812
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,368,277	4,300,312	4,144,341	12,956,478	10,848,658
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,772,897	2,807,628	2,992,960	2,440,450	2,401,229
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	536,616	521,606	958,961	1,525,342	1,225,773
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	164,105	241,916	442,839	291,107	90,788
6. Total (Line 34)	364,664,924	610,307,322	447,414,061	324,035,089	110,726,260
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)	13,975,325	13,080,008	11,517,960	10,049,300	8,746,576
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,607,613	3,501,454	3,261,478	3,059,934	2,820,607
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,045,798	2,760,789	2,882,860	2,357,826	2,045,485
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	399,337	273,398	353,653	1,076,100	1,093,375
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	164,105	241,916	442,839	291,107	90,788
12. Total (Line 34)	21,192,178	19,857,565	18,458,790	16,834,267	14,796,831
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(1,567,700)	(1,487,701)	(1,748,715)	(1,385,934)	(4,699,653)
14. Net investment gain (loss) (Line 11)	2,741,454	3,025,351	2,915,248	2,305,621	2,287,458
15. Total other income (Line 15)	(219,832)	(369,937)	(455,453)	(469,499)	2,093,620
16. Dividends to policyholders (Line 17)	72,216	78,865	(4,803)	129,751	154,521
17. Federal and foreign income taxes incurred (Line 19)	219,584	216,136	335,613	118,522	(213,481)
18. Net income (Line 20)	662,122	872,712	380,270	201,915	(259,615)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	61,576,125	61,479,987	56,184,752	52,532,098	51,644,930
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	1,398,682	1,342,779	1,770,804	1,751,692	1,563,646
20.2 Deferred and not yet due (Line 13.2)	4,139,565	3,831,557	3,080,398	2,590,850	2,086,274
20.3 Accrued retrospective premiums (Line 13.3)	1,408,202	1,533,659	1,593,189	1,398,941	1,442,101
21. Total liabilities excluding protected cell business (Page 3, Line 24)	43,048,167	43,836,037	39,329,903	36,155,954	35,971,892
22. Losses (Page 3, Lines 1 and 2)	28,414,274	26,780,483	26,374,633	24,901,377	25,817,658
23. Loss adjustment expenses (Page 3, Line 3)	5,819,492	5,108,039	5,215,331	4,745,848	5,011,810
24. Unearned premiums (Page 3, Line 9)	8,398,602	8,067,839	7,670,522	6,451,345	5,512,411
25. Capital paid up (Page 3, Lines 28 & 29)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	18,527,958	17,643,949	16,854,849	16,376,144	15,673,038
Risk-Based Capital Analysis					
27. Total adjusted capital	18,527,958	17,643,949	16,854,849	16,376,144	15,673,038
28. Authorized control level risk-based capital	2,630,392	2,707,160	2,551,116	2,343,594	2,152,331
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)	93.7	95.1	97.6	92.1	95.8
30. Stocks (Lines 2.1 & 2.2)	1.4	1.3	1.4	1.2	
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	5.0	3.4	1.0	6.7	4.2
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)					
36. Receivables for securities (Line 8)		0.2			
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA
(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	(20,450)	9,894	33,056	1,890	(20,593)
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	884,009	789,100	478,705	703,106	(415,098)
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)	238,975,487	193,713,017	146,437,984	107,997,769	111,234,255
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,129,876	2,014,484	6,250,620	7,226,085	8,036,234
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,113,917	1,930,129	1,498,657	1,498,919	2,404,252
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	173,322	1,017,210	590,935	867,942	746,576
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	218,559	9,944	203,604	211,233	144,078
55. Total (Line 34)	243,611,161	198,684,784	154,981,800	117,801,948	122,565,395
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)	7,474,119	8,121,501	6,807,124	7,852,762	7,727,359
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,839,169	1,552,049	1,524,597	1,528,538	1,752,540
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,929,296	1,787,872	1,188,452	1,335,871	1,567,034
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	106,320	1,017,210	590,935	867,942	746,576
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	218,559	9,944	203,604	211,233	144,078
61. Total (Line 34)	11,567,463	12,488,576	10,314,712	11,796,346	11,937,587
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	63.8	66.5	66.4	68.6	89.1
64. Loss expenses incurred (Line 3)	18.8	16.3	19.1	16.4	17.0
65. Other underwriting expenses incurred (Line 4)	24.9	24.9	24.4	100.2	25.9
66. Net underwriting gain (loss) (Line 8)	(7.6)	(7.7)	(10.0)	(8.8)	(32.0)
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	25.4	26.2	25.7	25.1	11.6
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	82.6	82.8	85.5	85.1	106.1
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	114.4	112.5	109.5	102.8	94.4
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)	1,023	696	1,468	1,224	2,419
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)	5.8	4.1	9.0	7.8	15.0
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	2,675	3,305	3,081	4,630	3,177
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)	15.9	20.2	19.7	28.8	20.4

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	20,074,396	20,016,714	20,055,272	20,109,435
	2. Canada				
	3. Other Countries				
	4. Totals	20,074,396	20,016,714	20,055,272	20,109,435
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	6,322,391	6,283,624	6,318,224	6,345,370
	14. Canada				
	15. Other Countries				
	16. Totals	6,322,391	6,283,624	6,318,224	6,345,370
Public Utilities (unaffiliated)	17. United States	2,003,564	1,939,800	2,004,810	2,000,000
	18. Canada				
	19. Other Countries				
	20. Totals	2,003,564	1,939,800	2,004,810	2,000,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	18,304,348	18,287,444	18,400,823	18,030,000
	22. Canada				
	23. Other Countries	997,187	1,029,700	989,860	1,000,000
	24. Totals	19,301,535	19,317,144	19,390,683	19,030,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	47,701,886	47,557,282	47,768,989	47,484,805
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States	690,539	690,539	671,474	
	50. Canada				
	51. Other Countries				
	52. Totals	690,539	690,539	671,474	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	690,539	690,539	671,474	
	55. Total Stocks	690,539	690,539	671,474	
	56. Total Bonds and Stocks	48,392,425	48,247,821	48,440,463	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year		49,148,976
2. Cost of bonds and stocks acquired, Column 7, Part 3		9,443,772
3. Accrual of discount		37,366
4. Increase (decrease) by adjustment:		
4.1 Columns 12 - 14, Part 1		
4.2 Column 15 - 17, Part 2, Section 1		
4.3 Column 15, Part 2, Section 2	(22,030)	
4.4 Column 11 - 13, Part 4		(22,030)
5. Total gain (loss), Column 19, Part 4		230,776
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4		10,388,739
7. Amortization of premium	57,696	
8. Foreign Exchange Adjustment:		
8.1 Column 15, Part 1		
8.2 Column 19, Part 2 Section 1		
8.3 Column 16, Part 2, Section 2		
8.4 Column 15, Part 4		
9. Book/adjusted carrying value at end of current period		48,392,425
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		48,392,425
12. Total nonadmitted amounts		
13. Statement value of bonds and stocks, current period		48,392,425

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	1,458	468	607	241	129	39	17	1,446	X X X
2. 1996	17,349	2,575	14,774	12,522	1,765	958	78	1,326	(9)	428	12,972	X X X
3. 1997	16,918	2,106	14,812	12,642	1,665	1,131	115	1,372	7	424	13,358	X X X
4. 1998	17,838	2,149	15,689	14,365	1,789	1,148	107	1,529	15	490	15,131	X X X
5. 1999	17,708	2,547	15,161	14,355	1,955	1,192	148	1,552	25	472	14,971	X X X
6. 2000	18,675	3,018	15,657	14,076	2,358	1,103	150	1,478	19	359	14,130	X X X
7. 2001	19,395	3,123	16,272	13,354	2,911	928	143	1,399	14	420	12,613	X X X
8. 2002	22,145	4,184	17,961	11,864	1,832	741	80	1,577	12	655	12,258	X X X
9. 2003	24,661	5,601	19,060	10,331	2,060	605	35	1,633	11	641	10,463	X X X
10. 2004	25,653	6,253	19,400	8,709	2,075	365	42	1,576	79	570	8,454	X X X
11. 2005	26,420	5,701	20,719	6,001	863	139	16	1,301	77	347	6,485	X X X
12. Totals	X X X	X X X	X X X	119,677	19,741	8,917	1,155	14,872	289	4,823	122,281	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 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	9,965	2,955	4,473	3,275	542	452	2,353	997	287		39	9,941	X X X
2. 1996	531	92	118	82	8	1	38	7	9		3	522	X X X
3. 1997	691	101	132	66	56	37	56	12	13		4	732	X X X
4. 1998	960	139	154	112	16	2	88	18	62		6	1,009	X X X
5. 1999	1,079	256	243	144	27	6	109	35	36		11	1,053	X X X
6. 2000	1,202	362	354	245	30	7	108	34	21		15	1,067	X X X
7. 2001	1,651	864	543	311	59	33	180	69	50		29	1,206	X X X
8. 2002	1,888	964	974	683	50	15	277	57	70		44	1,540	X X X
9. 2003	1,997	514	1,723	1,140	66	16	499	102	98		76	2,611	X X X
10. 2004	2,536	754	3,993	1,447	78	20	864	184	209		155	5,275	X X X
11. 2005	4,380	1,915	7,780	2,534	78	16	1,292	197	462	53	437	9,277	X X X
12. Totals	26,880	8,916	20,487	10,039	1,010	605	5,864	1,712	1,317	53	819	34,233	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	8,208	1,733
2. 1996	15,510	2,016	13,494	89.400	78.291	91.336			0.200	475	47
3. 1997	16,093	2,003	14,090	95.124	95.109	95.126			0.200	656	76
4. 1998	18,322	2,182	16,140	102.713	101.536	102.875			0.200	863	146
5. 1999	18,593	2,569	16,024	104.998	100.864	105.692			0.200	922	131
6. 2000	18,372	3,175	15,197	98.378	105.202	97.062			0.200	949	118
7. 2001	18,164	4,345	13,819	93.653	139.129	84.925			0.200	1,019	187
8. 2002	17,441	3,643	13,798	78.758	87.070	76.822			0.200	1,215	325
9. 2003	16,952	3,878	13,074	68.740	69.238	68.594			0.200	2,066	545
10. 2004	18,330	4,601	13,729	71.454	73.581	70.768			0.200	4,328	947
11. 2005	21,433	5,671	15,762	81.124	99.474	76.075			0.200	7,711	1,566
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	28,412	5,821

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	26,959	27,104	26,472	25,328	24,816	26,101	27,037	28,013	29,252	30,291	1,039	2,278
2. 1996	12,350	11,804	11,841	11,915	12,054	12,025	12,022	12,020	12,153	12,260	107	240
3. 1997	X X X	11,754	11,697	12,132	12,329	12,563	12,575	12,596	12,744	12,851	107	255
4. 1998	X X X	X X X	12,928	13,378	13,704	14,135	14,283	14,392	14,557	14,739	182	347
5. 1999	X X X	X X X	X X X	12,724	13,122	13,618	13,969	14,221	14,334	14,604	270	383
6. 2000	X X X	X X X	X X X	X X X	12,238	12,803	12,886	13,320	13,677	13,814	137	494
7. 2001	X X X	X X X	X X X	X X X	X X X	12,608	12,284	12,502	12,321	12,437	116	(65)
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	12,506	11,805	11,820	12,199	379	394
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,073	11,772	11,421	(351)	(1,652)
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	13,126	12,162	(964)	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	14,310	X X X	X X X
								12. Totals			1,023	2,675

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 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		
1. Prior	000	4,936	8,566	10,746	12,503	13,525	15,171	16,472	17,782	19,138	X X X	X X X
2. 1996	5,154	7,502	8,813	9,809	10,473	10,907	11,174	11,313	11,490	11,637	X X X	X X X
3. 1997	X X X	4,740	7,158	8,778	9,944	10,718	11,218	11,524	11,825	11,993	X X X	X X X
4. 1998	X X X	X X X	5,189	8,327	10,185	11,559	12,349	12,888	13,304	13,617	X X X	X X X
5. 1999	X X X	X X X	X X X	5,155	8,195	10,103	11,461	12,375	13,022	13,444	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	5,407	8,489	10,100	11,213	12,226	12,671	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	5,694	8,589	10,025	10,884	11,228	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	5,359	8,211	9,875	10,693	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	4,944	7,556	8,841	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	4,525	6,957	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	5,261	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	11,581	9,260	6,947	4,629	4,006	3,221	2,414	2,387	1,998	2,644
2. 1996	4,127	2,138	1,213	737	551	370	184	78	122	98
3. 1997	X X X	3,878	1,898	1,121	746	603	341	167	155	160
4. 1998	X X X	X X X	4,187	1,878	1,075	639	470	218	223	185
5. 1999	X X X	X X X	X X X	4,135	1,963	980	598	347	271	245
6. 2000	X X X	X X X	X X X	X X X	3,388	1,297	572	392	314	226
7. 2001	X X X	X X X	X X X	X X X	X X X	3,529	1,443	863	442	359
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	3,775	1,491	673	507
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	5,415	2,226	1,017
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	5,976	3,334
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	6,502

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

States, Etc.		1 Is Insurer Licen-sed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	 3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	YES	9,227,438	10,989,884	7,982	1,736,599	11,132,315	14,265,328	160	
2. Alaska	AK	YES	85,662	46,348		1,690	12,803	47,663		
3. Arizona	AZ	YES	739,341	552,104	3,099	368,807	811,478	1,099,361		
4. Arkansas	AR	YES	6,623,554	8,280,420	(1,097)	1,719,146	9,236,458	10,371,165	165	
5. California	CA	YES	4,007,317	6,313,903	(179)	1,718,750	2,315,399	11,029,320	2	
6. Colorado	CO	YES	1,818,518	1,610,113		280,714	1,005,710	1,915,413	460	
7. Connecticut	CT	YES	21,413,686	22,289,021		6,616,427	18,912,992	32,071,510	(927)	
8. Delaware	DE	YES	28,893,694	28,712,861	40,529	7,062,815	32,382,729	44,493,632	418	
9. Dist. Columbia	DC	YES	7,929,351	7,941,969	(1,092)	566,398	5,647,682	7,016,850	382	
10. Florida	FL	YES	19,574,884	19,620,732	(73,868)	10,143,662	8,028,695	28,546,328	699	
11. Georgia	GA	YES	13,858,316	15,208,538	1,722	8,282,176	10,782,541	27,213,750	280	
12. Hawaii	HI	YES	(1,321)	3,543			2,550	40,084		
13. Idaho	ID	YES	45,501	73,221		190,131	117,729	216,594		
14. Illinois	IL	YES	10,188,615	60,942,894	(9,239)	46,203,377	39,572,252	118,691,293	330	
15. Indiana	IN	YES	8,401,694	8,959,785	(1)	2,005,314	8,561,380	7,465,953	312	
16. Iowa	IA	YES	24,474,616	28,481,152		14,337,805	12,656,784	32,492,969	101	
17. Kansas	KS	YES	2,610,594	2,417,721	266	710,209	1,514,627	2,554,910		
18. Kentucky	KY	YES	2,149,588	1,431,550	608	518,989	932,326	2,487,191	220	
19. Louisiana	LA	YES	2,142,454	1,640,410	4,313	1,188,046	2,595,100	3,597,128	520	
20. Maine	ME	YES	144,002	127,850	(7)	481,202	385,159	926,832	(190)	
21. Maryland	MD	YES	220,124	745,362	44,051	819,796	1,668,984	4,091,321	1,450	
22. Massachusetts	MA	YES	6,197,061	17,030,654	5,193	13,346,321	2,753,944	34,345,864	2,940	
23. Michigan	MI	YES	22,037,137	26,208,397	3,762	10,084,579	8,370,252	33,147,883	232	
24. Minnesota	MN	YES	883,222	482,744	5,229	738,423	1,105,729	3,405,169	233	
25. Mississippi	MS	YES	12,031,696	11,633,958	3,216	3,681,236	(165,369)	7,431,495	95	
26. Missouri	MO	YES	962,078	462,298	(34,590)	1,794,906	880,121	4,225,339	297	
27. Montana	MT	YES	(399)	634			3,454	(989)		
28. Nebraska	NE	YES	789,213	629,454	73	76,108	396,347	338,101	287	
29. Nevada	NV	YES	18,420,258	22,477,361	38,433	5,028,517	23,530,024	33,887,835	172	
30. New Hampshire	NH	YES	18,817,864	26,086,181		6,786,019	20,432,348	31,684,131	3,771	
31. New Jersey	NJ	YES	19,845,012	103,686,774	(31,190)	48,797,355	122,131,745	211,883,406	8,061	
32. New Mexico	NM	YES	109,311	72,219	(1)	11,693	51,663	60,150	110	
33. New York	NY	YES	16,901,421	19,946,062		3,043,238	8,512,841	22,087,373	1,113	
34. No. Carolina	NC	YES	31,119,023	30,708,749	(580)	17,103,311	45,479,306	69,590,062	278	
35. No. Dakota	ND	YES	618	808			110	267		
36. Ohio	OH	YES	46,798	50,365			1,984	34,981		
37. Oklahoma	OK	YES	397,818	240,078	1,448	127,278	535,749	328,864	295	
38. Oregon	OR	YES	97,587	107,565		113,152	187,807	211,547		
39. Pennsylvania	PA	YES	5,565,059	5,969,599	50,652	2,460,965	4,739,138	8,373,108	4,330	
40. Rhode Island	RI	YES	192,259	162,672		108,011	51,216	181,630	235	
41. So. Carolina	SC	YES	11,145,295	12,592,225	4,645	5,003,285	12,949,419	17,001,066	150	
42. So. Dakota	SD	YES	65,659	151,664		105,078	206,484	195,726		
43. Tennessee	TN	YES	57,097	(9,453)	(5,594)	253,939	299,152	1,106,012	163	
44. Texas	TX	YES	4,336,965	4,438,506	(32,885)	3,505,911	3,756,323	13,419,265	1,873	
45. Utah	UT	YES	19,870	(19,367)		330,631	475,086	4,606,758		
46. Vermont	VT	YES	4,908,678	6,458,072		1,057,221	6,743,833	7,813,345	(103)	
47. Virginia	VA	YES	3,136,246	3,392,024	(5,171)	3,182,110	2,635,314	15,313,124	320	
48. Washington	WA	YES	20,915	21,744		160	2,749	6,588		
49. West Virginia	WV	YES	(312)	2,664			(343)	1,153		
50. Wisconsin	WI	YES	816,491	711,911	122,075	352,198	631,861	1,426,672	578	
51. Wyoming	WY	YES	1,078	870			316	342		
52. American Samoa	AS	NO								
53. Guam	GU	YES	2,074	1,536			(14,487)	6,242		
54. Puerto Rico	PR	NO	2,412	2,790			379	1,881		
55. U.S. Virgin Islands	VI	YES					(18)	7		
56. Canada	CN	NO								
57. Aggregate other alien	OT	X X X	(386)	(4,244)			8,014	(2,934)		
58. Totals		(a) 53	343,472,746	520,086,895	141,802	232,043,698	434,968,184	872,746,058	29,812	

DETAILS OF WRITE-INS	1	2	3	4	5	6	7	8	9
5701. Other alien	X X X	(386)	(4,244)			8,014	(2,934)		
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	(386)	(4,244)			8,014	(2,934)		

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

*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery

*States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation

*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage

*Principal Location of business or location of coverage - Liability other than Auto, Fidelity

*Point of origin of shipment or principal location of assured - Inland Marine

*State in which employees regularly work - Group Accident and Health

*Location of Court - Surety

*Address of Assured - Other Accident and Health

*Location of Properties covered - Burglary and Theft

*Principal Location of Assured - Ocean Marine, Credit

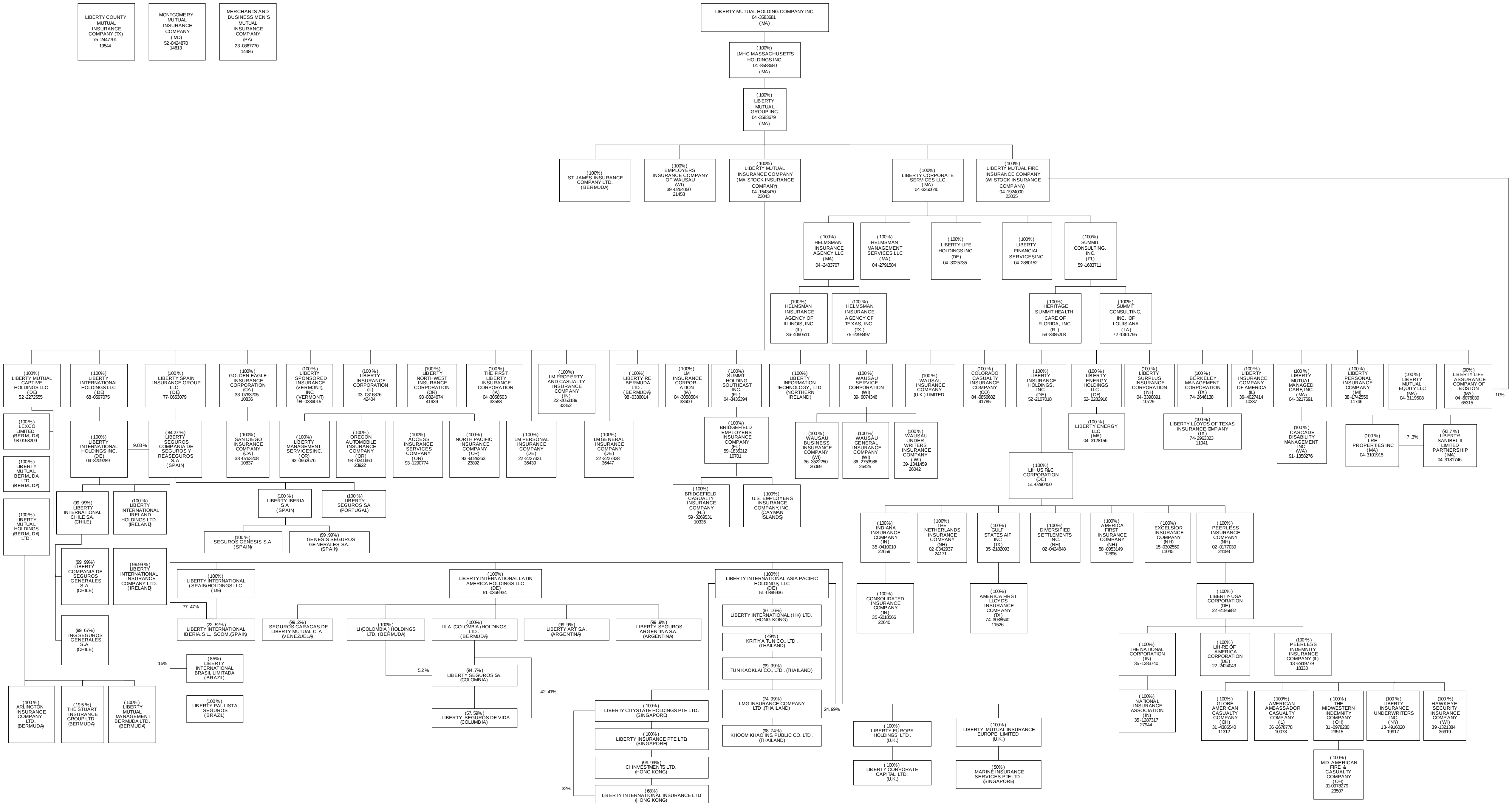
*Primary residence of Assured - Aircraft (all perils)

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

Annual Statement for the year 2005 of the LM Insurance Corporation

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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation
ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS				
0904.				
0905.				
0906.				
0907.				
0908.				
0909.				
0910.				
0911.				
0912.				
0913.				
0914.				
0915.				
0916.				
0917.				
0918.				
0919.				
0920.				
0921.				
0922.				
0923.				
0924.				
0925.				
0997. Totals (Lines 0904 through 0925) (Page 2, Line 0998)				
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS				
2304. Amounts receivable under high deductible policies	519,015	18,607	500,408	463,334
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	519,015	18,607	500,408	463,334