

ANNUAL STATEMENT

OF THE

Montgomery Mutual Insurance Company

of **Sandy Spring**

in the state of **Maryland**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2005



14613200520100100

ANNUAL STATEMENT

For the Year Ended December 31, 2005
OF THE CONDITION AND AFFAIRS OF THE
Montgomery Mutual Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 14613 Employer's ID Number 52-0424870
Organized under the Laws of Maryland, State of Domicile or Port of Entry Maryland
Country of Domicile United States of America
Incorporated/Organized: March 10, 1848 Commenced Business: June 1, 1848
Statutory Home Office: 6230 Old Dobbin Lane, Suite 200 Columbia, MD 21045
Main Administrative Office: 6230 Old Dobbin Lane, Suite 200 Columbia, MD 21045 410-953-8120
Mail Address: 6230 Old Dobbin Lane, Suite 200 Columbia, MD 21045
Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500
Internet Website Address: www.LibertyMutual.com
Statutory Statement Contact: Douglas Link 617-357-9500 45668
Douglas.Link@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)
Policyowner Relations Contact: 6230 Old Dobbin Lane, Suite 200 Columbia, MD 21045 800-638-8933

OFFICERS

Chairman of the Board
Gary Richard Gregg #

Table with 2 columns: Name, Title. Row 1: Gary Richard Gregg #, President and Chief Executive Officer. Row 2: Edmund Campion Kenealy #, Secretary. Row 3: James Francis Dore #, Treasurer and Chief Financial Officer.

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Row 1: Anthony Alexander Fontanes #, EVP and Chief Investment Officer, Joseph Anthony Gilles #, Executive Vice President. Row 2: Scott Rhodes Goodby #, EVP and Chief Operating Officer.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Row 1: John Derek Doyle #, Christopher Charles Mansfield #, Gary Richard Gregg #, Laurance Henry Soyer Yahia. Row 2: James Francis Dore, Scott Rhodes Goodby #, Michael James Plavnicky #, Anthony Alexander Fontanes. Row 3: Joseph Anthony Gilles #.

State of Massachusetts
County of Suffolk ss

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

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

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

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	29,154,151		29,154,151	66,809,606
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	10,951,789		10,951,789	26,849,778
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 (\$ 448,745, Schedule E-Part 1), cash equivalents (\$ 645,367, Schedule E-Part 2) and short-term investments (\$ 16,740,500, Schedule DA)	17,834,612		17,834,612	14,806,628
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	1,357,984		1,357,984	
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	59,298,536		59,298,536	108,466,012
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	540,826		540,826	730,847
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				2,953,197
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				17,007,382
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	4,400,238		4,400,238	
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	1,429,244		1,429,244	355,175
16.2 Net deferred tax asset	2,141,000	1,871,150	269,850	3,450,401
17. Guaranty funds receivable or on deposit				125,720
18. Electronic data processing equipment and software				27,941
19. Furniture and equipment, including health care delivery assets (\$ 0)	98,863	98,863		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				1,021,487
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	3,419,216	1,201,450	2,217,766	1,111,828
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	71,327,923	3,171,463	68,156,460	135,249,990
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	71,327,923	3,171,463	68,156,460	135,249,990

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	3,419,216	1,201,450	2,217,766	965,806
2302. Equities and deposits in pools and associations				146,022
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,419,216	1,201,450	2,217,766	1,111,828

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)		39,236,236
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)		9,406,821
4. Commissions payable, contingent commissions and other similar charges		2,290,314
5. Other expenses (excluding taxes, licenses and fees)		431,195
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		925,163
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 29,815,982 and including warranty reserves of \$ 0)		30,903,170
10. Advance premium		119,120
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	3,860,467	
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	1,105	(798,368)
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		117
19. Payable to parent, subsidiaries and affiliates	8,422,872	
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	2,913,902	940,901
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	15,198,346	83,454,669
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	15,198,346	83,454,669
27. Aggregate write-ins for special surplus funds		
28. Common capital stock		
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes	18,000,000	18,000,000
32. Gross paid in and contributed surplus		
33. Unassigned funds (surplus)	34,958,114	33,795,321
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)	52,958,114	51,795,321
36. TOTALS (Page 2, Line 26, Col. 3)	68,156,460	135,249,990

DETAILS OF WRITE-INS		
2301. Other liabilities	344,202	28,907
2302. Collateral held for securities loaned	2,569,700	926,558
2303. Amounts held under uninsured plans		(14,564)
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,913,902	940,901
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)		59,907,933
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)		32,097,042
3. Loss expenses incurred (Part 3, Line 25, Column 1)		7,714,335
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		20,219,055
5. Aggregate write-ins for underwriting deductions		(147,305)
6. Total underwriting deductions (Lines 2 through 5)		59,883,127
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		24,806
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,349,043	7,317,368
10. Net realized capital gains (losses) less capital gains tax of \$ 1,900,166 (Exhibit of Capital Gains (Losses))	3,528,879	3,255,380
11. Net investment gain (loss) (Lines 9 + 10)	5,877,922	10,572,748
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		(159,621)
13. Finance and service charges not included in premiums		111,253
14. Aggregate write-ins for miscellaneous income		83,738
15. Total other income (Lines 12 through 14)		35,370
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	5,877,922	10,632,924
17. Dividends to policyholders		82,427
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)	5,877,922	10,550,497
19. Federal and foreign income taxes incurred	(2,972,735)	44,179
20. Net income (Line 18 minus Line 19) (to Line 22)	8,850,657	10,506,318
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	51,795,321	39,257,467
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	8,850,657	10,506,318
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (1,237,143)	(3,485,075)	2,027,517
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(4,242,143)	(3,336,360)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	347,021	3,718,810
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		400,000
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(307,667)	(778,431)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,162,793	12,537,854
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	52,958,114	51,795,321
DETAILS OF WRITE-INS		
0501. North Carolina Private Passenger Auto Escrow		(147,305)
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)		(147,305)
1401. Other income(expense)		83,738
1402. Retroactive reinsurance (loss) gain		
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)		83,738
3701. Other surplus items	(386,084)	(796,647)
3702. Change in accumulated translation adjustment	78,417	18,216
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)	(307,667)	(778,431)

CASH FLOW	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	(6,854,255)	61,586,743
2. Net investment income	2,374,072	8,572,123
3. Miscellaneous income	162,951	(2,389,249)
4. Total (Lines 1 through 3)	(4,317,232)	67,769,617
5. Benefit and loss related payments	43,636,590	100,838,548
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	12,901,577	42,910,187
8. Dividends paid to policyholders		110,493
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	1,500	159,519
10. Total (Lines 5 through 9)	56,539,667	144,018,747
11. Net cash from operations (Line 4 minus Line 10)	(60,856,899)	(76,249,130)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	88,856,300	84,691,042
12.2 Stocks	19,086,715	3,341,974
12.3 Mortgage loans		
12.4 Real estate		6,186,393
12.5 Other invested assets	1,300,000	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		5,009
12.8 Total investment proceeds (Lines 12.1 to 12.7)	109,243,015	94,224,418
13. Cost of investments acquired (long-term only):		
13.1 Bonds	50,925,753	20,363,130
13.2 Stocks	2,649,711	3,259,458
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	2,752,190	
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	56,327,654	23,622,588
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)	52,915,361	70,601,830
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)	10,969,522	13,479,194
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	10,969,522	13,479,194
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)	3,027,984	7,831,894
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	14,806,628	6,974,734
19.2 End of year (Line 18 plus Line 19.1)	17,834,612	14,806,628

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	(369,267)	369,267		
2. Allied lines	(329,911)	329,911		
3. Farmowners multiple peril	(288,643)	288,643		
4. Homeowners multiple peril	(3,068,493)	3,068,493		
5. Commercial multiple peril	(9,874,672)	9,874,672		
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	(824,221)	824,221		
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	(114,986)	114,986		
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	(3,109,697)	3,109,697		
17.1 Other liability - occurrence	(1,593,871)	1,593,871		
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	(36,962)	36,962		
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	(2,883,877)	2,883,877		
19.3, 19.4 Commercial auto liability	(4,211,003)	4,211,003		
21. Auto physical damage	(3,572,522)	3,572,522		
22. Aircraft (all perils)				
23. Fidelity	16,478	(16,478)		
24. Surety	(59,289)	59,289		
26. Burglary and theft	(3,911)	3,911		
27. Boiler and machinery	(9,090)	9,090		
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	(30,333,937)	30,333,937		

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)				

NONE Underwriting and Investment Exhibit - Part 1A

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

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

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	568,540	(369,267)		568,540		(369,267)
2. Allied lines	318,012	(329,911)		318,012		(329,911)
3. Farmowners multiple peril	97,003	(288,643)		97,003		(288,643)
4. Homeowners multiple peril	8,790,536	(3,068,493)		8,790,536		(3,068,493)
5. Commercial multiple peril	15,141,290	(9,874,673)		15,141,290		(9,874,673)
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	2,769,030	(824,221)		2,769,030		(824,221)
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	20,545	(114,986)		20,545		(114,986)
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	13,894,325	(3,109,697)		13,894,325		(3,109,697)
17.1 Other liability - occurrence	2,155,610	(1,593,871)		2,155,610		(1,593,871)
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	8,792	(36,962)		8,792		(36,962)
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	5,756,176	(2,883,877)		5,756,176		(2,883,877)
19.3, 19.4 Commercial auto liability	9,614,690	(4,211,003)		9,614,690		(4,211,003)
21. Auto physical damage	6,438,301	(3,572,522)		6,438,301		(3,572,522)
22. Aircraft (all perils)						
23. Fidelity		16,478				16,478
24. Surety		(59,289)				(59,289)
26. Burglary and theft	114	(3,911)		114		(3,911)
27. Boiler and machinery		(9,090)				(9,090)
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	65,572,964	(30,333,938)		65,572,964		(30,333,938)

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

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]
 If yes: 1. The amount of such installment premiums \$ 0
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	365,151	104,907	365,151	104,907		104,907		
2. Allied lines	97,673	52,507	97,673	52,507		52,507		
3. Farmowners multiple peril	54,239	135,108	54,239	135,108		135,108		
4. Homeowners multiple peril	3,281,244	1,207,429	3,281,244	1,207,429		1,207,429		
5. Commercial multiple peril	4,305,034	11,917,597	4,305,034	11,917,597		11,917,597		
6. Mortgage guaranty								
8. Ocean marine		11,455		11,455		11,455		
9. Inland marine	803,505	165,475	803,505	165,475		165,475	(1)	
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake		3,728		3,728		3,728		
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	8,646,157	9,176,752	8,646,157	9,176,752		9,176,752		
17.1 Other liability - occurrence	1,941,329	2,991,285	1,941,329	2,991,285		2,991,285		
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	289,500	60,289	289,500	60,289		60,289		
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	5,833,631	6,066,782	5,833,631	6,066,782		6,066,781	1	
19.3, 19.4 Commercial auto liability	4,456,844	6,936,044	4,456,844	6,936,044		6,936,044		
21. Auto physical damage	3,143,143	159,037	3,143,143	159,037		159,037		
22. Aircraft (all perils)								
23. Fidelity		1,886		1,886		1,886		
24. Surety		24,665		24,665		24,665		
26. Burglary and theft		80,028		80,028		80,028		
27. Boiler and machinery		13,154		13,154		13,154		
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X							
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	128,106		128,106		128,106		
33. Aggregate write-ins for other lines of business								
34. TOTALS	33,217,450	39,236,234	33,217,450	39,236,234		39,236,234		

DETAILS OF WRITE-INS

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	87,907		87,907		24,204		24,204		
2. Allied lines					13,311		13,311		
3. Farmowners multiple peril	145,000		145,000		(9,561)		(9,561)		
4. Homeowners multiple peril	1,852,017		1,852,017		338,531		338,531		
5. Commercial multiple peril	5,942,100		5,942,100		2,849,174		2,849,174		
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	378,096		378,096		78,957		78,957		
10. Financial guaranty									
11.1 Medical malpractice - occurrence								(a)	
11.2 Medical malpractice - claims - made								(a)	
12. Earthquake									
13. Group accident and health									
14. Credit accident and health (group and individual)									
15. Other accident and health									
16. Workers' compensation	16,151,425		16,151,425		13,751,433		13,751,433		
17.1 Other liability - occurrence	1,116,800		1,116,800		22,523,564		22,523,564		
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	117,500		117,500		(29,831)		(29,831)		
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability	4,873,002		4,873,002		2,580,422		2,580,422		
19.3, 19.4 Commercial auto liability	6,491,355		6,491,355		4,219,913		4,219,913		
21. Auto physical damage	192,290		192,290						
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	37,347,492		37,347,492		46,340,117		46,340,117		

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	2,939,681			2,939,681
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	2,939,681			2,939,681
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		9,050,180		9,050,180
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		9,050,180		9,050,180
2.4 Contingent-direct		48,408		48,408
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded		48,408		48,408
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)				
3. Allowances to manager and agents				
4. Advertising			72	72
5. Boards, bureaus and associations				
6. Surveys and underwriting reports				
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			17,007	17,007
8.2 Payroll taxes			653	653
9. Employee relations and welfare			863	863
10. Insurance			19	19
11. Directors' fees				
12. Travel and travel items			244	244
13. Rent and rent items			263	263
14. Equipment			292	292
15. Cost or depreciation of EDP equipment and software			179	179
16. Printing and stationery			39	39
17. Postage, telephone and telegraph, exchange and express			662	662
18. Legal and auditing			1,513	1,513
19. Totals (Lines 3 to 18)			21,806	21,806
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses			(149,558)	(149,558)
25. Total expenses incurred			(127,752)	(127,752)
26. Less unpaid expenses-current year				
27. Add unpaid expenses-prior year	9,406,823	3,494,755	151,917	13,053,495
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)	9,406,823	3,494,755	24,165	12,925,743

DETAILS OF WRITE-INS				
2401. Other expenses			(149,558)	(149,558)
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			(149,558)	(149,558)

(a) Includes management fees of \$ 24,165 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) 1,369,439	1,606,272
1.1 Bonds exempt from U.S. tax	(a) 8,490	8,490
1.2 Other bonds (unaffiliated)	(a) 2,965,430	2,506,219
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	497,204	487,246
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) 219,199	261,513
7. Derivative instruments	(f)	
8. Other invested assets	189,256	189,256
9. Aggregate write-ins for investment income	(1,675,706)	(1,675,706)
10. Total gross investment income	3,573,312	3,383,290

11. Investment expenses		(g) (127,752)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 1,162,000
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)		1,034,248
17. Net investment income (Line 10 minus Line 16)		2,349,042

DETAILS OF WRITE-INS		
0901. Miscellaneous Income / (Expense)	(1,675,706)	(1,675,706)
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)	(1,675,706)	(1,675,706)
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 \$ 102,246 accrual of discount less \$ 89,170 amortization of premium and less \$ 250,910 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 \$ 14,720 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 depreciation on real estate and \$ 0 depreciation on other invested assets.
- (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)
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)	262,018			262,018
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	5,131,532		(4,592,517)	539,015
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	35,495		(129,701)	(94,206)
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	5,429,044		(4,722,218)	706,826

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)				

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection		290,624	290,624
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due		56,365	56,365
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	1,871,150	1,695,599	(175,551)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	98,863	163,760	64,897
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivable from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	1,201,450	1,312,135	110,685
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,171,463	3,518,483	347,020
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	3,171,463	3,518,483	347,020

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	1,201,450	1,312,135	110,685
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,201,450	1,312,135	110,685

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 Maryland Insurance Commissioner, the accompanying financial statements of Montgomery Mutual Insurance Company (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, partnerships or limited liability companies.
9. The Company has no derivative instruments.
10. Refer to Note 30.
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.

C. Impairment Loss

Not applicable

NOTES TO FINANCIAL STATEMENTS

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	3,339,000	7,286,691	(3,947,691)
Total of deferred tax liabilities	(1,198,000)	(2,140,691)	942,691
Net deferred tax asset	2,141,000	5,146,000	(3,005,000)
Net deferred tax asset non-admitted	(1,871,150)	(1,695,599)	(175,551)
Net admitted deferred tax asset	269,850	3,450,401	(3,180,551)

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

NOTES TO FINANCIAL STATEMENTS

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

	2005	2004
Federal tax on operations	(2,972,735)	(1,095,204)
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	(2,972,735)	(1,095,204)
Tax on capital gains	1,900,166	1,139,383
Total income tax incurred	(1,072,569)	44,179

The Company's deferred tax assets and liabilities result primarily from discounting of limits on unearned premium reserve deductions, deferred compensation, statutory non-admitted assets, unrealized gains, allowance for doubtful accounts, and tax credit carryforwards.

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

	2005
Change in net deferred income tax (without unrealized gain or loss)	(4,242,143)
Tax effect of unrealized (gains) losses	1,237,143
Total change in net deferred income tax	(3,005,000)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt income, revisions to prior year estimates and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is none from the current year and \$713,000 from the preceding year.

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

The Company has an AMT credit carryforward of \$206,000 that does not expire.

- F. The Company does not join in the filing of a consolidated return.

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. The Company is a mutual company and therefore not owned by any business entity. Liberty Mutual Insurance Company, a Massachusetts Company, controls a majority of the Company's Board of Directors. Liberty Mutual Insurance Company is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Note 26.
- D. At December 31, 2005, the Company reported \$8,422,872 due to affiliates. In general, the terms of the inter-company 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. The Company entered into a management services agreement, effective December 15, 2001, with Liberty Mutual Insurance Company (LMIC). Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request. The agreement was amended effective January 1, 2004.

The Company entered into a services agreement (the "Agreement"), effective January 1, 2000, with Peerless Insurance Company (PIC) and other affiliates. The Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into investment management agreements, effective May 26, 1999 with Liberty Mutual Insurance Company (LMIC), and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Under these agreements, LMIC and LMIA provide investment management services to the Company.

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

Note 11- Debt

Not applicable

NOTES TO FINANCIAL STATEMENTS

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 inter-company cost-sharing arrangement as described in note 10 F.

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

1. Capital Stock

The Company is organized as a Mutual Insurance Company.

2. Dividend Restrictions

There are no dividend restrictions.

3. Preferred Stock

Not applicable

4. Stockholder Dividend Restrictions

Not applicable

5. The Company does not have restricted surplus.

6. The Company had no advances to surplus.

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

8. The Company does not have special surplus funds.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$2,199,144.

10. Surplus Notes

(1) Date Issued	(2) Interest Rate	(3) Amount of Note(s)	(4) Carrying Value	(5) Interest Paid Current Year	(6) Total Interest Paid	(7) Unapproved Interest	(8) Date of Maturity
Mar. 31,1998	6.82%	\$10,000,000	\$10,000,000	\$682,000	\$5,115,000	\$0	3/31/2010
Sept. 30,2002	6.00%	\$8,000,000	\$8,000,000	\$480,000	\$1,440,000	\$0	9/30/2017
Total:		\$18,000,000	\$18,000,000	\$1,162,000	\$6,555,000	\$0	

The surplus notes, in the amount of \$18,000,000, listed in 13.10 were issued to Liberty Mutual Insurance Company (an affiliated company) in exchange for cash. The surplus notes have the following repayment conditions: all interest and maturity payments must be approved by the Insurance Commissioner of the State of Maryland.

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

The Company has no commitments or contingent commitments to affiliates or other entities and as indicated in Note 10 E, 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 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.

As a result of an inter-company Reinsurance Agreement (see Note 26), all guaranty fund and other assessments liabilities are ceded to Peerless Insurance Company.

C. Gain Contingencies

Not applicable

NOTES TO FINANCIAL STATEMENTS

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. The Company is not involved in material lease obligations.

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 With Concentrations of Credit Risk

The Company is not exposed to financial instruments with off-balance sheet risk.

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

A. Transfers of Receivables reported as sales:

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

B. Transfers and servicing of financial assets:

The Company participates in Securities lending program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company, however, the Company records a liability for the amount of collateral held, representing its obligation to return the collateral related to the loaned securities. At December 31, 2005, the total market value of fixed maturities loaned was \$7,774,415, with corresponding collateral value at \$7,946,494.

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

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 – September 11 Events

As a result of the inter-company Reinsurance Agreement with Peerless Insurance Company (see Note 26), the Company has no exposure to losses arising from the September 11, 2001 World Trade Center disaster.

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) Assets in the amount of \$2,103,515 and \$6,075,502 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.

D. As a result of the inter-company Reinsurance Agreement with Peerless Insurance Company (see Note 26), the Company has no exposure to uncollectible premium receivable balances.

NOTES TO FINANCIAL STATEMENTS

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 that exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer that exceed 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. Reinsurance Assumed & Ceded
- The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2005.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$0	\$0	\$29,815,892	\$4,115,114	(\$29,815,983)	(\$4,115,114)
All Other	0	0	0	0	0	0
Total	\$0	\$0	\$29,815,892	\$4,115,114	(\$29,815,983)	(\$4,115,114)

Direct unearned premium reserve \$29,815,982

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

Direct	(\$12,000)
Assumed	0
Ceded	12,000
Net	\$0

- D. The Company did not write off any uncollectible balances in 2005.
- E. The Company does not have ceded commutations.
- F. The Company does not have any retroactive reinsurance agreements.
- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2005.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

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

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

As a result of the inter-company Reinsurance Agreement with Peerless Insurance Company (see Note 26), the Company has no exposure to changes in incurred losses and loss adjustment expenses.

NOTES TO FINANCIAL STATEMENTS

Note 26- Intercompany Pooling Arrangements

The Company is a member of the Peerless Insurance Company (PIC) Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

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

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

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

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

The PIC pool participation percentages were revised as follows:

	<u>2005</u>	<u>2004</u>
Peerless Insurance Company	70.93%	41.59%
Peerless Indemnity Insurance Company	0.30%	27.36%
Montgomery Mutual Insurance Company	0.00%	2.28%

Note 27- Structured Settlements

- A. As a result of the inter-company Reinsurance Agreement with Peerless Insurance Company (see Note 26), the Company has no exposure to contingent liabilities from the purchase of annuities.
- B. Not applicable

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 30 – Premium Deficiency Reserves

As a result of the inter-company Reinsurance Agreement with Peerless Insurance Company (see Note 26), the Company has no exposure to liabilities related to premium deficiency reserves.

Note 31- High Dollar Deductible Policies

As a result of the inter-company Reinsurance Agreement with Peerless Insurance Company (see Note 26), the Company does not have any high dollar deductible policies.

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

Not applicable

Note 33 - Asbestos/Environmental Reserves

As a result of the inter-company Reinsurance Agreement with Peerless Insurance Company (see Note 26), the Company has no exposure to asbestos and environmental claims.

Note 34- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	16,078,455	27.114	16,078,455	27.114
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				
1.43 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	5,815,025	9.806	5,815,025	9.806
1.512 Issued or guaranteed by FNMA and FHLMC	5,224,947	8.811	5,224,947	8.811
1.513 All other	499,295	0.842	499,295	0.842
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)	1,536,429	2.591	1,536,429	2.591
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	9,299,290	15.682	9,299,290	15.682
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	1,652,499	2.787	1,652,499	2.787
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	17,834,612	30.076	17,834,612	30.076
9. Other invested assets	1,357,984	2.290	1,357,984	2.290
10. Total invested assets	59,298,536	100.000	59,298,536	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? Maryland
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No []
- 2.2 If yes, date of change: 10/04/2005
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/1999
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 11/26/2001

3.4 By what department or departments? Maryland Insurance Administration

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

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

11.11 Name of real estate holding company _____

11.12 Number of parcels involved _____

11.13 Total book/adjusted carrying value \$ _____

11.2 If yes, provide explanation _____

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

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

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

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

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

BOARD OF DIRECTORS

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

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

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

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		\$ 7,774,415
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?

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

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

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

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

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#100	LMIA High Yield Fund	1,357,983
066922204	Barclays S & P 500 Stock Fund	9,299,290
25.2999	Total	10,657,273

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	63,689	12/31/2005
LMIA High Yield Fund	Ventas Realty LP/CAP CRP	25,394	12/31/2005
LMIA High Yield Fund	Pierre Foods Inc	19,012	12/31/2005
LMIA High Yield Fund	Valent Pharmaceuticals	18,604	12/31/2005
LMIA High Yield Fund	Superior Energy Serv	17,246	12/31/2005
Barclays S&P 500 Stock Fund	General Electric Co	303,157	12/31/2005
Barclays S&P 500 Stock Fund	Exxon Mobil Corp	286,418	12/31/2005
Barclays S&P 500 Stock Fund	Citigroup Inc	200,865	12/31/2005
Barclays S&P 500 Stock Fund	Microsoft Corp	196,215	12/31/2005
Barclays S&P 500 Stock Fund	Procter & Gamble	159,018	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	46,540,018	46,585,087	45,069
26.2 Preferred stocks			
26.3 Totals	46,540,018	46,585,087	45,069

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

27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes No

27.2 If no, list exceptions: _____

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 751,927

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

1 Name	2 Amount Paid
Insurance Services Office Inc.	\$ 462,441
	\$
	\$

29.1 Amount of payments for legal expenses, if any? \$ 143,656

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 Name	2 Amount Paid
Maryland Insurance	\$ 76,619
Hodes Ulman Pessin & Katz PA	\$ 67,037
	\$

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

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

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

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? YES [] NO [X]
 1.2 If yes, indicate premium earned on U. S. business only. \$ _____
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ _____
 1.31 Reason for excluding _____

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ _____
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ _____

1.6 Individual policies:
 Most current three years:
 1.61 Total premium earned \$ _____
 1.62 Total incurred claims \$ _____
 1.63 Number of covered lives \$ _____
 All years prior to most current three years:
 1.64 Total premium earned \$ _____
 1.65 Total incurred claims \$ _____
 1.66 Number of covered lives \$ _____

1.7 Group policies:
 Most current three years:
 1.71 Total premium earned \$ _____
 1.72 Total incurred claims \$ _____
 1.73 Number of covered lives \$ _____
 All years prior to most current three years:
 1.74 Total premium earned \$ _____
 1.75 Total incurred claims \$ _____
 1.76 Number of covered lives \$ _____

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ _____	\$ _____
2.2 Premium Denominator	\$ _____	\$ _____
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ _____	\$ _____
2.5 Reserve Denominator	\$ _____	\$ _____
2.6 Reserve Ratio (2.4/2.5)	_____	_____

3.1 Does the reporting entity issue both participating and non-participating policies? YES [X] NO []
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$ 212,343
 3.22 Non-participating policies \$ 65,360,620

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 [X] NO []
 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. \$ _____

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 Worker's Compensation Catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$675m xs. \$25m.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company tracks aggregate property and WC exposure and reviews quarterly. It uses RiskLink from RMS and AIR from AIR for EQ and wind. It uses RiskLink for WC. Concentrations are in the NE for wind and New Madrid for EQ.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In 2005 the Company purchased Property Catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,300m xs. \$50m. The coverage is sufficient to protect against the Company's 250 year event.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates. YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES NO
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES NO N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES NO
- 11.2 If yes, give full information

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$ _____
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$ _____
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ _____
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [] NO [] N/A [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From _____ %
- 12.42 To _____ %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [] NO [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- 12.61 Letters of Credit \$ _____
- 12.62 Collateral and other funds \$ _____
- 13.1 What amount of installment notes is owned and now held by the reporting entity? \$ _____
- 13.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? YES [] NO [X]
- 13.3 If yes, what amount? \$ _____
- 14.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ _____
- 14.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [] NO [X]
- 14.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. _____ 3
- 15.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO []
- 15.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: _____
 Premiums and recoverables were allocated pursuant to separate intercompany pooling agreements. _____

- 15.3 If the answer to 15.1 is yes, are the methods described in item 15.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [] NO [X]
- 15.4 If the answer to 15.3 is no, are all the methods described in 15.2 entirely contained in written agreements? YES [X] NO []
- 15.5 If the answer to 15.4 is no, please explain: _____

- 16.1 Has the reporting entity guaranteed any financed premium accounts? YES [] NO [X]
- 16.2 If yes, give full information _____

- 17.1 Does the reporting entity write any warranty business? YES [] NO [X]
 If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage: _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

YES [] NO [X]

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

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

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

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

FIVE-YEAR HISTORICAL DATA

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

	1 2005	2 2004	3 2003	4 2002	5 2001
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	19,594,183	63,149,343	84,288,224	68,537,308	67,367,284
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,899,724	19,544,315	23,888,462	20,741,364	19,402,341
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	10,787,930	58,811,067	40,431,056	33,260,104	32,818,701
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(42,811)	(718,924)	1,414,614	4,304,402	4,373,499
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(119,666)	1,771,355	1,164,428	363,152
6. Total (Line 34)	35,239,026	140,666,135	151,793,711	128,007,606	124,324,977
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)	(11,835,410)	27,504,658	46,071,838	40,197,205	34,986,299
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(5,214,818)	8,542,020	13,045,915	12,239,738	11,282,427
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(13,240,899)	31,317,660	11,531,443	9,431,306	8,181,937
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(42,811)	(718,924)	1,414,614	4,304,402	4,373,499
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(119,666)	1,771,355	1,164,428	363,152
12. Total (Line 34)	(30,333,938)	66,525,748	73,835,165	67,337,079	59,187,314
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)		24,806	(6,994,630)	(5,543,733)	(18,798,618)
14. Net investment gain (loss) (Line 11)	5,877,922	10,572,748	9,045,213	7,459,561	7,210,752
15. Total other income (Line 15)		35,370	(1,805,380)	(1,200,105)	5,469,208
16. Dividends to policyholders (Line 17)		82,427	(19,211)	519,006	618,081
17. Federal and foreign income taxes incurred (Line 19)	(2,972,735)	44,179	1,647,793	(1,576,044)	(66,586)
18. Net income (Line 20)	8,850,657	10,506,318	(1,383,379)	1,772,761	(6,670,153)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	68,156,460	135,249,990	206,555,910	219,440,483	200,481,392
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)		2,953,197	7,083,216	7,277,263	6,492,900
20.2 Deferred and not yet due (Line 13.2)		17,007,382	12,321,591	10,363,400	8,345,097
20.3 Accrued retrospective premiums (Line 13.3)			6,372,754	5,595,765	5,768,407
21. Total liabilities excluding protected cell business (Page 3, Line 24)	15,198,346	83,454,669	167,298,443	173,946,802	158,036,225
22. Losses (Page 3, Lines 1 and 2)		39,236,236	105,622,955	99,442,944	103,375,131
23. Loss adjustment expenses (Page 3, Line 3)		9,406,821	20,861,326	18,983,396	20,047,247
24. Unearned premiums (Page 3, Line 9)		30,903,170	30,682,085	25,805,376	22,049,647
25. Capital paid up (Page 3, Lines 28 & 29)				1,500,000	1,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	52,958,114	51,795,321	39,257,467	36,691,800	34,145,260
Risk-Based Capital Analysis					
27. Total adjusted capital	52,958,114	51,795,321	39,257,467	36,691,800	34,145,260
28. Authorized control level risk-based capital	1,213,796	5,830,828	10,395,904	10,158,575	9,231,263
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)	49.2	61.6	77.8	67.4	69.6
30. Stocks (Lines 2.1 & 2.2)	18.5	24.8	15.0	16.5	21.2
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)			3.0	2.8	3.1
33. Cash, cash equivalents and short-term investments (Line 5)	30.1	13.7	4.2	13.1	5.7
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)	2.3				
36. Receivables for securities (Line 8)					
37. Aggregate write-ins for invested assets (Line 9)				0.3	0.4
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)				9,174,259	8,672,287
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				9,174,259	8,672,287
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)				25.0	25.4

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	(3,485,075)	2,027,517	3,544,672	(4,840,835)	(4,169,467)
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	1,162,793	12,537,854	2,565,667	3,048,514	(10,283,814)
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)	46,398,613	104,663,586	53,122,520	53,065,449	54,510,554
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,975,154	9,792,087	11,955,044	10,384,960	13,866,678
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	20,925,260	18,378,049	19,134,781	17,134,494	22,427,655
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	26,551	4,519,161	2,363,738	3,471,770	2,986,307
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	128,106	1,598,729	814,414	844,933	576,313
55. Total (Line 34)	72,453,684	138,951,612	87,390,497	84,901,606	94,367,507
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)	25,231,152	82,924,810	27,228,495	32,347,788	32,248,814
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	565,682	4,553,130	6,098,386	6,114,151	7,010,159
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	13,284,743	4,936,785	4,753,809	5,343,486	6,268,134
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	26,551	4,519,161	2,363,738	3,471,770	2,986,307
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	128,106	1,598,729	814,414	844,933	576,313
61. Total (Line 34)	39,236,234	98,532,615	41,258,842	48,122,128	49,089,727
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)		53.6	66.4	68.6	89.1
64. Loss expenses incurred (Line 3)		12.9	19.1	23.9	19.0
65. Other underwriting expenses incurred (Line 4)		33.8	24.4	23.9	24.8
66. Net underwriting gain (loss) (Line 8)			(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)		30.1	25.6	24.1	16.5
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)		66.5	85.5	80.0	105.3
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	(57.3)	128.4	188.1	183.5	173.2
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)		541	5,870	4,887	9,661
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)		1.4	16.0	13.3	28.3
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)		2,568	12,325	18,512	12,694
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)		7.0	36.1	54.2	27.0

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	21,893,480	21,931,861	21,886,742	21,876,442
	2. Canada				
	3. Other Countries				
	4. Totals	21,893,480	21,931,861	21,886,742	21,876,442
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	5,224,947	5,229,993	5,228,076	5,229,395
	14. Canada				
	15. Other Countries				
16. Totals	5,224,947	5,229,993	5,228,076	5,229,395	
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
20. Totals					
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	1,536,909	1,531,766	1,540,630	1,545,002
	22. Canada				
	23. Other Countries	498,815	505,600	497,010	500,000
24. Totals	2,035,724	2,037,366	2,037,640	2,045,002	
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	29,154,151	29,199,220	29,152,458	29,150,839
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	1,652,499	1,652,499	1,278,000	
	46. Canada				
	47. Other Countries				
48. Totals	1,652,499	1,652,499	1,278,000		
Industrial and Miscellaneous (unaffiliated)	49. United States	9,299,290	9,299,290	9,335,256	
	50. Canada				
	51. Other Countries				
52. Totals	9,299,290	9,299,290	9,335,256		
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	10,951,789	10,951,789	10,613,256	
	55. Total Stocks	10,951,789	10,951,789	10,613,256	
	56. Total Bonds and Stocks	40,105,940	40,151,009	39,765,714	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	93,659,384	7. Amortization of premium	89,170
2. Cost of bonds and stocks acquired, Column 7, Part 3	53,575,464	8. Foreign Exchange Adjustment:	
3. Accrual of discount	102,246	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2	291,702	9. Book/adjusted carrying value at end of current period	40,105,940
4.4 Column 11 - 13, Part 4	(4,884,220)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	5,393,549	11. Subtotal (Lines 9 plus 10)	40,105,940
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	107,943,015	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	40,105,940

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						12 Number of Claims Reported - Direct and Assumed		
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments			10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	379	379	45	45	37	37			X X X
2. 1996	34,612	34,612		22,453	22,453	1,899	1,899	2,175	2,175			X X X
3. 1997	39,414	39,414		24,759	24,759	2,043	2,043	2,890	2,890			X X X
4. 1998	45,781	45,781		29,821	29,821	2,357	2,357	3,802	3,802			X X X
5. 1999	42,415	42,415		29,102	29,102	2,071	2,071	3,629	3,629			X X X
6. 2000	40,446	40,446		27,834	27,834	2,116	2,116	3,297	3,297			X X X
7. 2001	43,316	43,316		25,340	25,340	1,925	1,925	3,067	3,067			X X X
8. 2002	57,088	57,088		29,316	29,316	1,708	1,708	2,768	2,768			X X X
9. 2003	64,509	64,509		26,804	26,804	1,205	1,205	4,396	4,396			X X X
10. 2004	65,383	65,383		22,000	22,000	639	639	4,281	4,281			X X X
11. 2005	70,523	70,523		13,116	13,116	586	586	5,808	5,808			X X X
12. Totals	X X X	X X X	X X X	250,924	250,924	16,594	16,594	36,150	36,150			X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	1,177	1,177	335	335			10	10	210	210			X X X
2. 1996	60	60	168	168			16	16	48	48			X X X
3. 1997	501	501	212	212			28	28	110	110			X X X
4. 1998	195	195	289	289			39	39	79	79			X X X
5. 1999	436	436	461	461			52	52	145	145			X X X
6. 2000	1,027	1,027	758	758			82	82	249	249			X X X
7. 2001	1,763	1,763	1,347	1,347			196	196	410	410			X X X
8. 2002	3,001	3,001	2,675	2,675			315	315	695	695			X X X
9. 2003	6,752	6,752	5,489	5,489			557	557	1,326	1,326			X X X
10. 2004	10,781	10,781	12,138	12,138			853	853	2,505	2,505			X X X
11. 2005	11,656	11,656	22,470	22,470			1,440	1,440	3,863	3,863			X X X
12. Totals	37,349	37,349	46,342	46,342			3,588	3,588	9,640	9,640			X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X		
2. 1996	26,819	26,819		77.485	77.485						
3. 1997	30,543	30,543		77.493	77.493						
4. 1998	36,582	36,582		79.907	79.907						
5. 1999	35,896	35,896		84.630	84.630						
6. 2000	35,363	35,363		87.433	87.433						
7. 2001	34,048	34,048		78.604	78.604						
8. 2002	40,478	40,478		70.905	70.905						
9. 2003	46,529	46,529		72.128	72.128						
10. 2004	53,197	53,197		81.362	81.362						
11. 2005	58,939	58,939		83.574	83.574						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X		

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.

NONE **Schedule P - Part 2, 3, 4 - Summary**

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO							
2. Alaska	AK	NO							
3. Arizona	AZ	NO							
4. Arkansas	AR	NO							
5. California	CA	NO							
6. Colorado	CO	NO							
7. Connecticut	CT	NO							
8. Delaware	DE	YES	3,728,473	5,255,534	7,501	3,626,435	5,278,523	5,599,674	16,980
9. Dist. Columbia	DC	YES	1,197,994	1,367,024	5,526	435,133	554,001	1,203,099	5,456
10. Florida	FL	NO							
11. Georgia	GA	NO							
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	NO							
15. Indiana	IN	NO		(22,483)					
16. Iowa	IA	NO							
17. Kansas	KS	NO							
18. Kentucky	KY	NO							
19. Louisiana	LA	NO							
20. Maine	ME	NO							
21. Maryland	MD	YES	35,287,523	38,108,284	47,721	18,545,400	20,558,664	32,032,721	160,703
22. Massachusetts	MA	YES							
23. Michigan	MI	NO							
24. Minnesota	MN	NO							
25. Mississippi	MS	NO							
26. Missouri	MO	NO							
27. Montana	MT	NO							
28. Nebraska	NE	NO							
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	NO	6,897	6,897					31
32. New Mexico	NM	NO							
33. New York	NY	NO							
34. No. Carolina	NC	YES	11,294,428	11,606,139	20,691	5,298,001	16,360,632	22,401,654	51,436
35. No. Dakota	ND	NO							
36. Ohio	OH	NO	6,949	4,934					32
37. Oklahoma	OK	NO							
38. Oregon	OR	NO							
39. Pennsylvania	PA	YES	18,083	15,925	5,079	6,203	(177)	85,515	82
40. Rhode Island	RI	NO							
41. So. Carolina	SC	YES	4,498,368	3,967,589		741,760	2,707,013	3,228,527	20,486
42. So. Dakota	SD	NO							
43. Tennessee	TN	NO							
44. Texas	TX	NO	56	56					
45. Utah	UT	NO							
46. Vermont	VT	NO							
47. Virginia	VA	YES	9,534,192	10,190,865	22,263	4,564,518	3,337,579	19,136,420	43,420
48. Washington	WA	NO							
49. West Virginia	WV	YES							
50. Wisconsin	WI	NO							
51. Wyoming	WY	NO							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Canada	CN	NO							
57. Aggregate other alien	OT	X X X							
58. Totals	(a) 9		65,572,963	70,523,247	86,298	33,217,450	48,796,235	83,687,610	298,626

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

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

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

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

