

**ANNUAL STATEMENT**

**OF THE**

**The Netherlands Insurance Company**

**of** **Keene**

**in the state of** **New Hampshire**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF**

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

**PROPERTY AND CASUALTY**

**2005**



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ANNUAL STATEMENT  
For the Year Ended December 31, 2005  
OF THE CONDITION AND AFFAIRS OF THE  
The Netherlands Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 24171 Employer's ID Number 02-0342937  
(Current Period) (Prior Period)  
Organized under the Laws of New Hampshire , State of Domicile or Port of Entry New Hampshire  
Country of Domicile United States of America  
Incorporated/Organized: December 12, 1978 Commenced Business: January 1, 1979  
Statutory Home Office: 62 Maple Avenue Keene, NH 03431  
Main Administrative Office: 62 Maple Avenue Keene, NH 03431 603-352-3221  
Mail Address: 175 Berkeley Street Boston, MA 02117  
Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500  
Internet Website Address: www.libertyram.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: 62 Maple Avenue Keene, NH 03431 603-352-3221

OFFICERS  
Chairman of the Board  
Gary Richard Gregg #

Name	Title
1. <u>Gary Richard Gregg #</u>	<u>President and Chief Executive Officer</u>
2. <u>Edmund Campion Kenealy #</u>	<u>Secretary</u>
3. <u>James Francis Dore #</u>	<u>Treasurer and Chief Financial Officer</u>

Vice-Presidents

Name	Title	Name	Title
<u>Anthony Alexander Fontanes</u>	<u>EVP and Chief Investment Officer</u>	<u>Joseph Anthony Gilles #</u>	<u>Executive Vice President</u>
<u>Scott Rhodes Goodby #</u>	<u>EVP and Chief Operating Officer</u>		

DIRECTORS OR TRUSTEES

<u>James Francis Dore</u>	<u>John Derek Doyle</u>	<u>Joseph Anthony Gilles #</u>	<u>Scott Rhodes Goodby #</u>
<u>Gary Richard Gregg #</u>	<u>Christopher Charles Mansfield</u>		

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.

<u>(Signature)</u> <u>Gary Richard Gregg</u> <u>(Printed Name)</u> 1. <u>President and Chief Executive Officer</u> <u>(Title)</u>	<u>(Signature)</u> <u>Edmund Campion Kenealy</u> <u>(Printed Name)</u> 2. <u>Secretary</u> <u>(Title)</u>	<u>(Signature)</u> <u>James Francis Dore</u> <u>(Printed Name)</u> 3. <u>Treasurer and Chief Financial Officer</u> <u>(Title)</u>
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Subscribed and sworn to before me this  
27th day of January, 2006

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	135,365,743		135,365,743	110,657,640
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	5,032,584		5,032,584	5,635,846
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 3,173,760 , Schedule E-Part 1), cash equivalents (\$ 4,564,375 Schedule E-Part 2) and short-term investments (\$ 20,022,532 , Schedule DA)	27,760,667		27,760,667	9,048,386
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				1,019,419
8. Receivables for securities	6,128		6,128	3,586
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	168,165,122		168,165,122	126,364,877
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	1,435,487		1,435,487	1,187,410
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	11,798,762	380,352	11,418,410	4,235,506
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 982,702 earned but unbilled premiums)	25,451,933	92,226	25,359,707	24,392,168
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	17,798,873		17,798,873	
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	151,427		151,427	4,242,852
16.2 Net deferred tax asset	6,122,000	324,741	5,797,259	3,996,600
17. Guaranty funds receivable or on deposit	174,244		174,244	180,309
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	22,882,889		22,882,889	8,121,343
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	9,485,673	40,497	9,445,176	9,307,164
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	263,466,410	837,816	262,628,594	182,028,229
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	263,466,410	837,816	262,628,594	182,028,229

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	9,144,463	40,497	9,103,966	9,097,733
2302. Equities and deposits in pools and associations	341,210		341,210	209,431
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	9,485,673	40,497	9,445,176	9,307,164

LIABILITIES, SURPLUS AND OTHER FUNDS	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 34, Column 8)	64,458,649	56,273,019
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	4,693,453	
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	16,558,884	13,491,364
4. Commissions payable, contingent commissions and other similar charges	4,072,689	3,284,791
5. Other expenses (excluding taxes, licenses and fees)	1,631,543	400,544
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	1,089,016	1,326,878
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 \$ 250,826,155 and including warranty reserves of \$ 0 )	46,148,135	44,321,651
10. Advance premium	139,271	170,844
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	42,581,523	
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	10,839,121	10,348,589
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		168
19. Payable to parent, subsidiaries and affiliates		
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	18,191,868	6,542,581
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	210,404,152	136,160,429
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	210,404,152	136,160,429
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,600,000	3,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	9,597,505	9,597,505
33. Unassigned funds (surplus)	39,026,937	32,670,295
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)	52,224,442	45,867,800
36. TOTALS (Page 2, Line 26, Col. 3)	262,628,594	182,028,229

DETAILS OF WRITE-INS		
2301. Other liabilities	17,601	6,573
2302. Collateral held for securities loaned	18,174,267	6,536,008
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	18,191,868	6,542,581
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
UNDERWRITING INCOME			Current Year	Prior Year
1.	Premiums earned (Part 1, Line 34, Column 4)		94,344,137	85,920,588
DEDUCTIONS				
2.	Losses incurred (Part 2, Line 34, Column 7)		46,546,139	46,033,915
3.	Loss expenses incurred (Part 3, Line 25, Column 1)		12,413,112	11,063,980
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)		33,879,070	28,998,382
5.	Aggregate write-ins for underwriting deductions			(211,267)
6.	Total underwriting deductions (Lines 2 through 5)		92,838,321	85,885,010
7.	Net income of protected cells			
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		1,505,816	35,578
INVESTMENT INCOME				
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		6,484,006	5,760,593
10.	Net realized capital gains (losses) less capital gains tax of \$ 366,231 (Exhibit of Capital Gains (Losses))		680,144	645,396
11.	Net investment gain (loss) (Lines 9 + 10)		7,164,150	6,405,989
OTHER INCOME				
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 123,677 )		(123,677)	(228,931)
13.	Finance and service charges not included in premiums		157,371	159,561
14.	Aggregate write-ins for miscellaneous income		(42,100)	159,295
15.	Total other income (Lines 12 through 14)		(8,406)	89,925
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		8,661,560	6,531,492
17.	Dividends to policyholders		155,856	118,218
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)		8,505,704	6,413,274
19.	Federal and foreign income taxes incurred		3,367,110	2,168,891
20.	Net income (Line 18 minus Line 19) (to Line 22)		5,138,594	4,244,383
CAPITAL AND SURPLUS ACCOUNT				
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		45,867,800	40,946,294
GAINS AND (LOSSES) IN SURPLUS				
22.	Net income (from Line 20)		5,138,594	4,244,383
23.	Net transfers (to) from Protected Cell accounts			
24.	Change in net unrealized capital gains or (losses) less capital gains tax of \$ (11,520)		(611,575)	131,923
25.	Change in net unrealized foreign exchange capital gain (loss)			
26.	Change in net deferred income tax		555,480	(127,931)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		1,274,309	638,151
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)			618,200
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		(166)	(583,220)
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)		6,356,642	4,921,506
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		52,224,442	45,867,800

DETAILS OF WRITE-INS				
0501.	North Carolina Private Passenger Auto Escrow			(211,267)
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)			(211,267)
1401.	Other income/(expense)		(42,100)	159,295
1402.				
1403.				
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)		(42,100)	159,295
3701.	Other surplus adjustments		(166)	(583,220)
3702.				
3703.				
3798.	Summary of remaining write-ins for Line 37 from overflow page			
3799.	Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)		(166)	(583,220)

CASH FLOW		
Cash from Operations		
	1	2
	Current Year	Prior Year
1. Premiums collected net of reinsurance	130,595,204	66,855,785
2. Net investment income	6,322,821	5,785,830
3. Miscellaneous income	408,658	89,925
4. Total (Lines 1 through 3)	137,326,683	72,731,540
5. Benefit and loss related payments	51,466,097	22,420,919
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	41,443,627	34,793,160
8. Dividends paid to policyholders	155,856	118,218
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	(358,084)	7,840,024
10. Total (Lines 5 through 9)	92,707,496	65,172,321
11. Net cash from operations (Line 4 minus Line 10)	44,619,187	7,559,219
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	23,905,324	22,923,844
12.2 Stocks	544,740	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	1,083,500	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		641,810
12.8 Total investment proceeds (Lines 12.1 to 12.7)	25,533,564	23,565,654
13. Cost of investments acquired (long-term only):		
13.1 Bonds	47,912,765	40,958,402
13.2 Stocks	369,834	326,443
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	2,542	
13.7 Total investments acquired (Lines 13.1 to 13.6)	48,285,141	41,284,845
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)	(22,751,577)	(17,719,191)
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)	(3,155,329)	10,741,058
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(3,155,329)	10,741,058
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)	18,712,281	581,086
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	9,048,386	8,467,300
19.2 End of year (Line 18 plus Line 19.1)	27,760,667	9,048,386

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

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1- PREMIUMS EARNED

Line of Business	1	2	3	4
	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	1,057,168	529,607	545,927	1,040,848
2. Allied lines	941,108	473,162	483,537	930,733
3. Farmowners multiple peril	725,064	413,975	378,618	760,421
4. Homeowners multiple peril	7,959,545	4,400,865	4,214,166	8,146,244
5. Commercial multiple peril	32,602,344	14,162,359	15,465,657	31,299,046
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	2,920,535	1,182,106	1,291,175	2,811,466
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	320,516	164,914	169,440	315,990
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	12,457,416	4,459,960	5,121,474	11,795,902
17.1 Other liability - occurrence	5,437,360	2,285,946	2,542,832	5,180,474
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	109,507	53,012	55,007	107,512
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	7,776,408	4,136,087	3,599,992	8,312,503
19.3, 19.4 Commercial auto liability	13,619,786	6,039,464	6,467,960	13,191,290
21. Auto physical damage	9,978,769	5,123,749	4,761,687	10,340,831
22. Aircraft (all perils)				
23. Fidelity	415	(23,633)	5,686	(28,904)
24. Surety	44,885	85,032	39,695	90,222
26. Burglary and theft	29,484	5,609	6,130	28,963
27. Boiler and machinery	24,010	13,037	16,450	20,597
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	96,004,320	43,505,251	45,165,433	94,344,138

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience.

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	545,927				545,927
2. Allied lines	483,537				483,537
3. Farmowners multiple peril	378,618				378,618
4. Homeowners multiple peril	4,214,166				4,214,166
5. Commercial multiple peril	15,839,040		(373,383)		15,465,657
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	1,291,175				1,291,175
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	169,440				169,440
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	5,569,723		(448,249)		5,121,474
17.1 Other liability - occurrence	2,703,902		(161,070)		2,542,832
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	55,007				55,007
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	3,599,992				3,599,992
19.3, 19.4 Commercial auto liability	6,467,960				6,467,960
21. Auto physical damage	4,761,687				4,761,687
22. Aircraft (all perils)					
23. Fidelity	2,274	3,412			5,686
24. Surety	29,297	10,398			39,695
26. Burglary and theft	6,130				6,130
27. Boiler and machinery	16,450				16,450
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	46,134,325	13,810	(982,702)		45,165,433
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					982,702
37. Balance (Sum of Line 34 through 36)					46,148,135

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

- (a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.  
Are they so returned in this statement? Yes [ X ] No [   ]
- (b) State here basis of computation used in each case   Daily pro rata



UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

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

Line of Business	1  Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6  Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2  From Affiliates	3  From Non- Affiliates	4  To Affiliates	5  To Non- Affiliates	
1. Fire	3,391,365	1,057,168		3,391,365		1,057,168
2. Allied lines	4,445,700	941,108		4,445,700		941,108
3. Farmowners multiple peril		725,064				725,064
4. Homeowners multiple peril	2,240,643	7,959,545		2,240,643		7,959,545
5. Commercial multiple peril	282,410,342	32,602,344		282,410,342		32,602,344
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	907,476	2,920,535		907,476		2,920,535
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	2,464,049	320,516		2,464,049		320,516
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	78,305,766	12,457,416		78,305,766		12,457,416
17.1 Other liability - occurrence	3,009,755	5,437,360		3,009,755		5,437,360
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	433,651	109,507		433,651		109,507
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	1,959,847	7,776,408		1,959,847		7,776,408
19.3, 19.4 Commercial auto liability	106,079,935	13,619,786		106,079,935		13,619,786
21. Auto physical damage	31,268,054	9,978,769		31,268,054		9,978,769
22. Aircraft (all perils)						
23. Fidelity	203	415		203		415
24. Surety	26,020	44,885		26,020		44,885
26. Burglary and theft	14,243	29,484		14,243		29,484
27. Boiler and machinery	377	24,010		377		24,010
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	516,957,426	96,004,320		516,957,426		96,004,320

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	2,067,301	368,658	2,067,301	368,658	108,008	150,458	326,208	31.341
2. Allied lines	1,337,729	537,695	1,337,729	537,695	349,173	75,306	811,562	87.196
3. Farmowners multiple peril		307,600		307,600	163,788	193,772	277,616	36.508
4. Homeowners multiple peril	1,200,447	3,959,111	1,200,447	3,959,111	1,709,526	1,731,708	3,936,929	48.328
5. Commercial multiple peril	73,805,964	10,637,237	73,805,965	10,637,236	20,627,217	17,092,342	14,172,111	45.280
6. Mortgage guaranty								
8. Ocean marine		59		59	(174,530)	16,428	(190,899)	
9. Inland marine	156,585	727,099	156,585	727,099	288,941	237,326	778,714	27.698
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake					3	5,347	(5,344)	(1.691)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	29,448,314	5,104,350	29,448,314	5,104,350	15,775,023	13,161,395	7,717,978	65.429
17.1 Other liability - occurrence	169,417	944,442	169,417	944,442	5,075,758	4,290,133	1,730,067	33.396
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	10,732	13,762	10,732	13,762	(44,192)	86,467	(116,897)	(108.729)
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	2,462,096	6,032,517	2,462,096	6,032,517	7,795,230	8,701,044	5,126,703	61.675
19.3, 19.4 Commercial auto liability	31,686,957	5,162,743	31,686,957	5,162,743	11,961,665	9,947,747	7,176,661	54.405
21. Auto physical damage	14,087,813	4,580,647	14,087,813	4,580,647	325,030	228,092	4,677,585	45.234
22. Aircraft (all perils)								
23. Fidelity	(2,134)	806	(2,134)	806	925	2,705	(974)	3.370
24. Surety	37,948	22,660	37,948	22,660	117,081	35,375	104,366	115.677
26. Burglary and theft		1,490		1,490	(1,756)	114,777	(115,043)	(397.207)
27. Boiler and machinery		(40,367)		(40,367)	198,028	18,865	138,796	673.865
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X				183,731	183,732	(1)	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	156,469,169	38,360,509	156,469,170	38,360,508	64,458,649	56,273,019	46,546,138	49.337

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

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

Line of Business		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
		Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
1.	Fire	296,815	86,192	296,815	86,192	25,101	21,816	25,101	108,008	3,989
2.	Allied lines	141,719	285,687	141,719	285,687	30,647	63,486	30,647	349,173	(9,982)
3.	Farmowners multiple peril		132,707		132,707		31,081		163,788	38,889
4.	Homeowners multiple peril	422,988	1,335,225	422,988	1,335,225	148,936	374,301	148,936	1,709,526	386,509
5.	Commercial multiple peril	96,010,827	12,255,348	96,010,827	12,255,348	48,862,939	8,371,869	48,862,939	20,627,217	8,582,926
6.	Mortgage guaranty									
8.	Ocean marine						(174,530)		(174,530)	(1,584)
9.	Inland marine	17,509	246,473	17,509	246,473	10,394	42,467	10,394	288,940	74,918
10.	Financial guaranty									
11.1	Medical malpractice - occurrence									
11.2	Medical malpractice - claims - made									
12.	Earthquake	100	3	100	3				3	(11,561)
13.	Group accident and health								(a)	75
14.	Credit accident and health (group and individual)									
15.	Other accident and health								(a)	5
16.	Workers' compensation	47,361,408	8,813,876	47,361,408	8,813,876	36,731,087	6,961,147	36,731,087	15,775,023	2,436,317
17.1	Other liability - occurrence	815,481	1,689,800	815,481	1,689,800	757,125	3,385,958	757,125	5,075,758	1,175,701
17.2	Other liability - claims - made									
18.1	Products liability - occurrence	18,399	20,523	18,399	20,523	206,011	(64,715)	206,011	(44,192)	27,240
18.2	Products liability - claims - made									36
19.1, 19.2	Private passenger auto liability	2,998,908	5,402,419	2,998,908	5,402,419	1,165,425	2,392,811	1,165,425	7,795,230	1,769,700
19.3, 19.4	Commercial auto liability	43,298,908	5,862,214	43,298,908	5,862,214	38,387,973	6,099,451	38,387,973	11,961,665	1,950,340
21.	Auto physical damage	1,243,853	319,284	1,243,853	319,284		5,746		325,030	75,567
22.	Aircraft (all perils)									
23.	Fidelity	10	850	10	850		75		925	3,039
24.	Surety	30,030	74,038	30,030	74,038		43,043		117,081	45,578
26.	Burglary and theft		342		342	32	(2,098)	32	(1,756)	14,283
27.	Boiler and machinery		255		255	103	197,773	103	198,028	(3,100)
28.	Credit									
29.	International									
30.	Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31.	Reinsurance-Nonproportional Assumed Liability	X X X	17,825		17,825	X X X	165,907		183,732	
32.	Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33.	Aggregate write-ins for other lines of business									
34.	TOTALS	192,656,955	36,543,061	192,656,955	36,543,061	126,325,773	27,915,588	126,325,773	64,458,649	16,558,885

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	25,590,293			25,590,293
1.2 Reinsurance assumed	5,848,900			5,848,900
1.3 Reinsurance ceded	25,590,293			25,590,293
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	5,848,900			5,848,900
2. Commission and brokerage:				
2.1 Direct, excluding contingent		73,332,034		73,332,034
2.2 Reinsurance assumed, excluding contingent		14,285,854		14,285,854
2.3 Reinsurance ceded, excluding contingent		73,332,034		73,332,034
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		3,806,681		3,806,681
2.6 Contingent-reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		18,092,535		18,092,535
3. Allowances to manager and agents		27,310		27,310
4. Advertising	70,469	266,009	160	336,638
5. Boards, bureaus and associations	88,331	111,813		200,144
6. Surveys and underwriting reports	1,472	451,597		453,069
7. Audit of assureds' records	2	5		7
8. Salary and related items:				
8.1 Salaries	2,970,370	6,384,965	37,634	9,392,969
8.2 Payroll taxes	215,919	576,717	1,444	794,080
9. Employee relations and welfare	633,125	1,731,490	1,909	2,366,524
10. Insurance	171,313	54,251	43	225,607
11. Directors' fees	23	394		417
12. Travel and travel items	186,800	584,963	540	772,303
13. Rent and rent items	219,465	769,249	583	989,297
14. Equipment	251,172	566,775	647	818,594
15. Cost or depreciation of EDP equipment and software	276,818	440,789	396	718,003
16. Printing and stationery	53,981	146,108	86	200,175
17. Postage, telephone and telegraph, exchange and express	129,290	379,712	1,465	510,467
18. Legal and auditing	52,303	129,532	3,347	185,182
19. Totals (Lines 3 to 18)	5,320,853	12,621,679	48,254	17,990,786
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 27,596		2,339,529		2,339,529
20.2 Insurance department licenses and fees		64,813		64,813
20.3 Gross guaranty association assessments		4,369		4,369
20.4 All other (excluding federal and foreign income and real estate)		76,937		76,937
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		2,485,648		2,485,648
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	1,243,358	679,208	5,219	1,927,785
25. Total expenses incurred	12,413,111	33,879,070	53,473 (a)	46,345,654
26. Less unpaid expenses-current year	16,558,884	6,793,248		23,352,132
27. Add unpaid expenses-prior year	13,491,364	5,012,213		18,503,577
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)	9,345,591	32,098,035	53,473	41,497,099

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	906,229			906,229
2402.				
2403. Other expenses	337,129	679,208	5,219	1,021,556
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	1,243,358	679,208	5,219	1,927,785

(a) Includes management fees of \$ 53,473 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 2,226,851	2,506,691
1.1 Bonds exempt from U.S. tax	(a) (3,668)	5,568
1.2 Other bonds (unaffiliated)	(a) 3,403,735	3,347,532
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	372,845	372,845
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 202,215	217,419
7. Derivative instruments	(f)	
8. Other invested assets	31,112	31,112
9. Aggregate write-ins for investment income	56,313	56,313
10. Total gross investment income	6,289,403	6,537,480
11. Investment expenses		(g) 53,474
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		53,474
17. Net investment income (Line 10 minus Line 16)		6,484,006

DETAILS OF WRITE-INS			
0901. MISCELLANEOUS INCOME/(EXPENSE)		56,313	56,313
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)		56,313	56,313

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 \$ 88,561

accrual of discount less \$ 175,395

amortization of premium and less \$ 230,906

paid for accrued interest on purchases.

(b) Includes \$ 0

accrual of discount less \$ 0

amortization of premium and less \$ 0

paid for accrued dividends on purchases.

(c) Includes \$ 0

accrual of discount less \$ 0

amortization of premium and less \$ 0

paid for accrued interest on purchases.

(d) Includes \$ 0

for company's occupancy of its own buildings; and excludes \$ 0

interest on encumbrances.

(e) Includes \$ 0

accrual of discount less \$ 0

amortization of premium and less \$ 0

paid for accrued interest on purchases.

(f) Includes \$ 0

accrual of discount less \$ 0

amortization of premium.

(g) Includes \$ 0

investment expenses and \$ 0

investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.

(h) Includes \$ 0

interest on surplus notes and \$ 0

interest on capital notes.

(i) Includes \$ 0

depreciation on real estate and \$ 0

depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1. U.S. Government bonds	83,232			83,232
1.1 Bonds exempt from U.S. tax	(8,285)			(8,285)
1.2 Other bonds (unaffiliated)	712,549			712,549
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	194,740		(623,096)	(428,356)
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	64,139			64,139
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	1,046,375		(623,096)	423,279

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	380,352	416,816	36,464
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	92,226	80,839	(11,387)
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	324,741	1,558,400	1,233,659
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivable from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	40,498	56,071	15,573
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	837,817	2,112,126	1,274,309
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	837,817	2,112,126	1,274,309

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	40,498	56,071	15,573
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)	40,498	56,071	15,573

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 State of New Hampshire, the accompanying financial statements of The Netherlands 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 subsidiary investments.
8.

The Company has no investments in joint ventures, partnerships or limited liability companies.
9.

Derivative instruments, refer to Note 8.
10.

The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property-Casualty Contracts - Premiums*.
11.

Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12.

The Company did not change its capitalization policy in 2005.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

NOTES TO FINANCIAL STATEMENTS

Not applicable

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not hold any mortgage loans as investments.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment assumptions for single class and multi-class mortgages-backed/asset-backed securities were based upon 1-month historical constant prepayment rates.
3. The Company used IDSI, Bloomberg, and Lehman Index data in determining the market value of the vast majority of its loan-backed securities. A small number of securities are priced in other ways, such as contacting brokers.
4. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

**Note 6- Joint Ventures, Partnerships & Limited Liability Companies**

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

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

Not applicable

**Note 7- Investment Income**

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2005.

**Note 8- Derivative Instruments**

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

**Note 9 - Income Taxes**

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

	December 31, 2005	December 31, 2004	Change
Total of gross deferred tax assets	7,549,000	5,902,840	1,646,160
Total of deferred tax liabilities	(1,427,000)	(347,840)	(1,079,160)
Net deferred tax asset	6,122,000	5,555,000	567,000
Net deferred tax asset non-admitted	(324,471)	(1,558,400)	1,233,929
Net admitted deferred tax asset	5,797,529	3,996,600	1,800,929

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	3,367,110	1,943,002
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	3,367,110	1,943,002
Tax on capital gains	366,231	225,889
Total income tax incurred	3,733,341	2,168,891

The Company’s deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, differences in investment income recognition, fixed asset depreciation differences, unrealized gain, and statutory non-admitted assets.

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

	2005
Change in net deferred income tax (without unrealized gain or loss)	555,480
Tax effect of unrealized (gains) losses	11,520
Total change in net deferred income tax	567,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill, 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 \$2,959,000 from the current year and none from the preceding year.

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

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

- Access Insurance Services, Co.

Ambco Capital Corporation

America First Insurance Company

America First Lloyds Insurance Company

American Ambassador Casualty Company

Berkeley Holding Company Associates, Inc.

Berkeley Management Corporation

Bridgefield Casualty Insurance Company

Bridgefield Employers Insurance Company

Capitol Agency, Inc. (Arizona corporation)

Capitol Agency, Inc. (Ohio corporation)

Capitol Agency, Inc. (Tennessee corporation)

Cascade Disability Management, Inc.

Colorado Casualty Insurance Company

Companies Agency Insurance Services of California

Companies Agency of Alabama, Inc.

Companies Agency of Georgia, Inc.

Companies Agency of Kentucky, Inc.

Companies Agency of Massachusetts, Inc.

Companies Agency of Michigan, Inc.

Companies Agency of New York, Inc.

Companies Agency of Pennsylvania, Inc.

Companies Agency of Phoenix, Inc.

Companies Agency, Inc.

Companies Annuity Agency of Texas, Inc.

Consolidated Insurance Company

Copley Venture Capital, Inc.

Countrywide Services Corporation

Diversified Settlements, Inc.

Employers Insurance Company of Wausau

Excelsior Insurance Company

First State Agency, Inc.

Florida State Agency, Inc.

Globe American Casualty Company

Golden Eagle Insurance Corporation

Gulf States AIF, Inc.

Hawkeye-Security Insurance Company

Helmsman Insurance Agency of Illinois, Inc.

Helmsman Insurance Agency of Texas, Inc.

Heritage-Summit Healthcare of Florida, Inc.

Indiana Insurance Company

LEXCO Limited

Liberty Assignment Corporation

Liberty Energy Corporation

Liberty Financial Services, Inc.

Liberty Hospitality Group, Inc.
- Liberty International Holdings, Inc.

Liberty Life Assurance Company of Boston

Liberty Life Holdings, Inc.

Liberty Lloyds of Texas Insurance Company

Liberty Management Services, Inc.

Liberty Mexico Holdings, Inc.

Liberty Mutual Fire Insurance Company

Liberty Mutual Group Inc.

Liberty Mutual Holding Company, Inc.

Liberty Mutual Insurance Company

Liberty Mutual Managed Care, Inc.

Liberty Northwest Insurance Corporation

Liberty Personal Insurance Company

Liberty RE (Bermuda) Limited

Liberty Real Estate Corporation

Liberty Sponsored Insurance (Vermont) Inc.

Liberty Surplus Insurance Corporation

Liberty-USA Corporation

LIH-Re of America Corporation

LIH U.S. P&C Corporation

LIIA Insurance Agency, Inc.

LIU Specialty Agency, Inc.

LLS Insurance Agency of Nevada, Inc.

LM Insurance Corporation

LMHC Massachusetts Holding, Inc.

LRE Properties, Inc.

Mid-American Agency, Inc.

Mid-American Fire and Casualty Company

Missouri Agency, Inc.

North Pacific Insurance Company

Oregon Automobile Insurance Company

Peerless Indemnity Insurance Company

Peerless Insurance Company

LM Personal Insurance Company

LM General Insurance Company

LM Property and Casualty Insurance Company

San Diego Insurance Company

State Agency, Inc. (Indiana corporation)

State Agency, Inc. (Wisconsin corporation)

St. James Insurance Company

Summit Consulting, Inc.

Summit Consulting, Inc. of Louisiana

Summit Holding Southeast, Inc.

The First Liberty Insurance Corporation

The Midwestern Indemnity Company

The National Corporation

NOTES TO FINANCIAL STATEMENTS

Liberty Insurance Company of America	The Netherlands Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty International Asia Pacific Holdings, Inc.	Wausau Underwriters Insurance Company

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

**Note 10- Information concerning Parent, Subsidiaries and Affiliates**

- A. The Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in the state of Delaware. All of the outstanding shares of LIH US P&C Corporation are owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in the state of Delaware. All of the outstanding shares of Liberty Insurance Holdings, Inc. are owned by Liberty Mutual Insurance Company, a Massachusetts insurance company. The ultimate parent of Liberty Mutual Insurance Company is Liberty Mutual Holding Company, Inc. a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. See Note 26.
- D. At December 31, 2005, the Company reported \$22,882,889 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. The Company entered into a services agreement (the “Agreement”), effective January 1, 1999, with the 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.

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

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

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.

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

**Note 11- Debt**

Not applicable

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

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

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

1. Common Stock
- The Company has 5,000 shares authorized, and 3,600 shares issued and outstanding as of December 31, 2005. All shares have a stated par value of \$1,000.
2. Preferred Stock
- Not applicable

NOTES TO FINANCIAL STATEMENTS

3. Dividend Restrictions
- There are no dividend restrictions.
4. The maximum amount of dividends which can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of policyholder surplus less any dividends paid in the preceding twelve months. The maximum dividend payout which may be made without prior approval in 2006 is \$5,222,444.
5. The Company does not have restricted unassigned surplus.
6. The Company had no advances to surplus.
7. The Company does not hold stock for special purposes.
8. The Company does not hold special surplus funds.
9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$140,194.
10. Surplus Notes
- Not applicable
11. Quasi re-organization (dollar impact)
- Not applicable
12. Quasi re-organization (effective date)
- Not applicable

Note 14- Contingencies

- A. Contingent Commitments
- The Company has no commitments or contingent commitments to affiliates or other entities and as indicated in Note 10E, the Company has made no guarantees on behalf of affiliates.
- B. Assessments
- The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty funds assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.
- The Company has accrued a liability for guaranty funds and other assessments of \$627,680 that is offset by future premium tax credits of \$174,244. These represents management’s best estimate based on information received from the states in which the Company writes business and may change due to factors including the company’s share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next ten years.
- During 2005 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.
- C. Gain Contingencies
- Not applicable
- D. All other Contingencies
- Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

Note 15- Leases

- A. The following is a schedule of the Company’s minimum lease obligations under these agreements for the next five years:

NOTES TO FINANCIAL STATEMENTS

2006	\$332,155
2007	281,078
2008	244,507
2009	152,414
2010	126,660
2011 & thereafter	303,999
Total	\$1,440,813

- B. Leasing as a significant part of lessor’s business activities
- Not applicable

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

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

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

- A. Transfers of Receivables reported as sales:

The Company did no sell premium receivables.

- 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 \$45,767,953, with corresponding collateral value at \$46,708,209.

- 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**

The Company has no material exposure to losses arising from the World Trade Center disaster of September 11, 2001.

**Note 21- Other Items**

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

- B. Troubled Debt Restructuring for Debtors

Not applicable

- C. Other Disclosures

1. Assets in the amount of \$3,700,274 and \$5,517,902 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.

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

- E. Business Interruption Insurance Recoveries

NOTES TO FINANCIAL STATEMENTS

The Company does not purchase Business Interruption coverage.

F. Additional Pension and Postretirement Disclosure Requirements

Refer to Note 12.

Note 22- Events Subsequent

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

Note 23- Reinsurance

- A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceed 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$46,148,135	\$6,546,258	\$250,826,155	\$35,580,478	(\$204,678,020)	(\$29,034,220)
All Other	0	0	0	0	0	0
Total	\$46,148,135	\$6,546,258	\$250,826,155	\$35,580,478	(\$204,678,020)	(\$29,034,220)

Direct unearned premium reserve of \$250,826,155

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

Direct	\$2,713,216
Assumed	3,941,798
Ceded	(2,713,216)
Net	\$3,941,798

- 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

Reserves for incurred loss and loss adjustment expenses attributed to insured events of prior years has decreased during 2005 as a result of improving loss trends in General Liability and Personal Auto Liability. Prior estimates are revised as additional information becomes known regarding individual claims.

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				

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

The PIC pool participation percentages were revised as follows:

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

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$784,548 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$784,548 as of December 31, 2005.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

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

Note 31- High Dollar Deductible Policies

The Company does not have any high deductible policies.

NOTES TO FINANCIAL STATEMENTS

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2005 liabilities of \$16,472,859 are carried at a discounted value of \$15,775,023 representing a discount of \$697,836.

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

**Note 33 - Asbestos/Environmental Reserves**

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

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

*Factors Contributing to Uncertainty in Establishing Adequate Reserves*

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

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

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

*Uncertainty Regarding Reserving Methodologies*

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Asbestos:

	2001	2002	2003	2004	2005
Direct Basis					
Beginning Reserves	349,642	366,557	497,309	563,744	591,423
Incurred losses and LAE	50,101	188,025	112,470	105,704	78,858
Calendar year payments	33,186	57,273	46,035	78,025	81,331
Ending Reserves	366,557	497,309	563,744	591,423	588,950
Assumed Reinsurance Basis					
Beginning Reserves	85,146	65,456	43,737	31,020	9,842
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	19,690	21,719	12,717	21,178	-
Ending Reserves	65,456	43,737	31,020	9,842	9,842
Net of Ceded Reinsurance Basis					
Beginning Reserves	346,142	348,002	413,811	514,430	470,037
Incurred losses and LAE	45,348	132,435	159,371	39,001	63,396
Calendar year payments	43,488	66,626	58,752	83,394	81,331
Ending Reserves	348,002	413,811	514,430	470,037	452,102
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					448,463
Assumed Reinsurance Basis					9,843
Net of Ceded Reinsurance Basis					358,446
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					125,885
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					109,847

Environmental:

	2001	2002	2003	2004	2005
Direct Basis					
Beginning Reserves	932,136	673,475	409,870	406,084	436,523
Incurred losses and LAE	(109,636)	-	17,899	59,097	270,965
Calendar year payments	149,025	263,605	21,685	28,658	153,256
Ending Reserves	673,475	409,870	406,084	436,523	554,232
Assumed Reinsurance Basis					
Beginning Reserves	16,875	21,433	24,613	183,295	170,006
Incurred losses and LAE	-	-	163,500	-	4,499
Calendar year payments	(4,558)	(3,180)	4,818	13,289	611
Ending Reserves	21,433	24,613	183,295	170,006	173,894
Net of Ceded Reinsurance Basis					
Beginning Reserves	668,642	602,317	341,915	571,057	478,400
Incurred losses and LAE	76,525	-	255,645	6,331	141,657
Calendar year payments	142,850	260,402	26,503	98,988	153,867
Ending Reserves	602,317	341,915	571,057	478,400	466,190
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					378,906
Assumed Reinsurance Basis					170,007
Net of Ceded Reinsurance Basis					430,217
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					153,860
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					134,258

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	53,364,110	31.733	53,364,110	31.733
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	22,810,175	13.564	22,810,175	13.564
1.22 Issued by U.S. government sponsored agencies	2,475,955	1.472	2,475,955	1.472
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	2,434,053	1.447	2,434,053	1.447
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	1,191,195	0.708	1,191,195	0.708
1.512 Issued or guaranteed by FNMA and FHLMC	8,525,135	5.070	8,525,135	5.070
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	14,557,495	8.657	14,557,495	8.657
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	7,526,159	4.475	7,526,159	4.475
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	22,481,465	13.369	22,481,465	13.369
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	5,032,584	2.993	5,032,584	2.993
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	6,128	0.004	6,128	0.004
8. Cash, cash equivalents and short-term investments	27,760,668	16.508	27,760,668	16.508
9. Other invested assets				
10. Total invested assets	168,165,122	100.000	168,165,122	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

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

Yes ☒ No ☐

1.2

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

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

New Hampshire

2.1

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

Yes ☐ No ☒

2.2

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

3.1

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

12/31/2004

3.2

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

12/31/2001

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).

05/25/2004

3.4

By what department or departments? State of New Hampshire Insurance Department

4.1

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

4.11

sales of new business?

Yes ☐ No ☒

4.12

renewals?

Yes ☐ No ☒

4.2

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

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒

5.1

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

Yes ☐ No ☒

5.2

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

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

6.1

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

Yes ☐ No ☒

6.2

If yes, give full information

7.1

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

Yes ☐ No ☒

7.2

If yes,

7.21

State the percentage of foreign control

0 %

7.22

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

1	2
Nationality	Type of Entity

8.1

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

Yes ☐ No ☒

8.2

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

8.3

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

Yes ☐ No ☒

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? William M. Finn, FCAS, MAAA  
62 Maple Avenue Keene, NH 03431  
Vice President & Chief Reserving Actuary of Liberty Mutual Agency Markets

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

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value

Yes [ ] No [X]

\$

11.2 If yes, provide explanation

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

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

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

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

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

Yes [ ] No [X]

Yes [ ] No [X]

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

BOARD OF DIRECTORS

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

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

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

Yes [X] No [ ]

Yes [X] No [ ]

Yes [X] No [ ]

FINANCIAL

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

16.11 To directors or other officers

16.12 To stockholders not officers

16.13 Trustees, supreme or grand (Fraternal only)

\$

\$

\$

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

16.21 To directors or other officers

16.22 To stockholders not officers

16.23 Trustees, supreme or grand (Fraternal only)

\$

\$

\$

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

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

17.21 Rented from others

17.22 Borrowed from others

17.23 Leased from others

17.24 Other

Yes [ ] No [X]

\$

\$

\$

\$

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

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

Yes [ ] No [X]

\$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

18.22 Amount paid as expenses

18.23 Other amounts paid

\$

\$

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

Yes [ X ]    No [   ]

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

\$

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes [ X ]    No [   ]

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

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1).

Yes [ X ]    No [   ]

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

21.21 Loaned to others

21.22 Subject to repurchase agreements

21.23 Subject to reverse repurchase agreements

21.24 Subject to dollar repurchase agreements

21.25 Subject to reverse dollar repurchase agreements

21.26 Pledged as collateral

21.27 Placed under option agreements

21.28 Letter stock or securities restricted as to sale

21.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

45,767,953

21.3 For category (21.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

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

Yes [   ]    No [ X ]

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

Yes [   ]    No [   ]    N/A [ X ]

If no, attach a description with this statement.

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

Yes [   ]    No [ X ]

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

\$

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

Yes [ X ]    No [   ]

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

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

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

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

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

Yes [   ]    No [ X ]

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#100	LMIA HIGH YIELD FUND	5,032,584
25.2999	Total	5,032,584

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 MONEY MARKET FUND	236,028	12/31/2005
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CRP	94,109	12/31/2005
LMIA HIGH YIELD FUND	PIERRE FOODS INC	70,456	12/31/2005
LMIA HIGH YIELD FUND	VALENT PHARMACEUTICALS	68,946	12/31/2005
LMIA HIGH YIELD FUND	SUPERIOR ENERGY SERV	63,914	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	159,952,649	158,925,780	(1,026,869)
26.2 Preferred stocks			
26.3 Totals	159,952,649	158,925,780	(1,026,869)

26.4 Describe the sources or methods utilized in determining the fair values: IDC, BLOOMBERG, NAIC, SVO, BROKER QOUTES, ANALYTICALLY DETERMINED

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

27.2 If no, list exceptions:

OTHER

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

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

1 Name	2 Amount Paid
	\$
	\$
	\$

29.1 Amount of payments for legal expenses, if any? \$ 1,150

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

1 Name	2 Amount Paid
	\$
	\$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1	2
Name	Amount Paid
	\$

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

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

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1

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

YES [ ] NO [X]

1.2

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

\$

1.3

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

\$

1.31

Reason for excluding

1.4

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

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

\$

All years prior to most current three years:

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

\$

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

\$

All years prior to most current three years:

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

\$

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$

\$

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

\$

13,265,038

3.22

Non-participating policies

\$

503,692,387

4.

For Mutual Reporting Entities and Reciprocal Exchange only:

4.1

Does the reporting entity issue assessable policies?

YES [ ] NO [X]

4.2

Does the reporting entity issue non-assessable policies?

YES [ ] NO [X]

4.3

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

%

4.4

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

\$

5.

For Reciprocal Exchanges Only:

5.1

Does the exchange appoint local agents?

YES [ ] NO [X]

5.2

If yes, is the commission paid:

5.21

Out of Attorney's-in-fact compensation

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

5.22

As a direct expense of the exchange

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

5.3

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

5.4

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

YES [ ] NO [X]

5.5

If yes, give full information

17

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

6.1

What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2005 the company purchased Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$675M xs \$25M.

6.2

Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company tracks aggregate property and WC exposure and reviews quarterly. It uses RiskLink from RMS and AIR from AIR for EQ and wind. It uses RiskLink for WC. Concentrations are in the NE for wind and New Madrid for EQ.

6.3

What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In 2005 the company purchased Property Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$1,300M x \$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 Interrogatroy 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4

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

YES ☐ NO ☒

9.5

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

10.

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

YES ☒ NO ☐ N/A ☐

11.1

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

YES ☐ NO ☒

11.2

If yes, give full information



GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

12.1

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

12.11

Unpaid losses

\$

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$

12.2

Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?

\$

12.3

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

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

12.4

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

12.41

From

%

12.42

To

%

12.5

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

YES [ ] NO [X]

12.6

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

12.61

Letters of Credit

\$

12.62

Collateral and other funds

\$

13.1

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

\$

13.2

Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year?

YES [ ] NO [X]

13.3

If yes, what amount?

\$

14.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$163,500

14.2

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

YES [ ] NO [X]

14.3

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

3

15.1

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

YES [X] NO [ ]

15.2

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

15.3

If the answer to 15.1 is yes, are the methods described in item 15.2 entirely contained in the respective multiple cedant reinsurance contracts?

YES [ ] NO [X]

15.4

If the answer to 15.3 is no, are all the methods described in 15.2 entirely contained in written agreements?

YES [X] NO [ ]

15.5

If the answer to 15.4 is no, please explain:

16.1

Has the reporting entity guaranteed any financed premium accounts?

YES [ ] NO [X]

16.2

If yes, give full information

17.1

Does the reporting entity write any warranty business?

YES [ ] NO [X]

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

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

\* Disclose type of coverage:

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

18.12 Unfunded portion of Interrogatory 18.11

18.13 Paid losses and loss adjustment expenses portion of Interrogatory 18.11

18.14 Case reserves portion of Interrogatory 18.11

18.15 Incurred but not reported portion of Interrogatory 18.11

18.16 Unearned premium portion of Interrogatory 18.11

18.17 Contingent commission portion of Interrogatory 18.11

YES [ ] NO [X]

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\$

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

\$

\$

\$

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\$

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
<b>Gross Premiums Written</b> (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)	229,189,431	188,368,416	155,828,341	94,620,427	81,750,665
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	57,738,467	54,858,266	44,385,443	31,471,896	21,864,719
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	325,962,325	274,434,209	181,026,116	104,919,326	69,472,551
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	71,523	105,972	179,610	437,682	1,151,833
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)			(358)		163
6. Total (Line 34)	612,961,746	517,766,863	381,419,152	231,449,331	174,239,931
<b>Net Premiums Written</b> (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)	39,400,477	38,111,409	30,460,451	26,578,732	21,054,380
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	15,247,580	16,019,571	14,104,188	12,485,088	9,684,892
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	41,310,963	39,754,291	29,366,977	22,884,677	15,502,516
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	45,300	66,763	64,114	208,046	504,189
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)			(358)		163
12. Total (Line 34)	96,004,320	93,952,034	73,995,372	62,156,543	46,746,140
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	1,505,816	35,578	3,951,071	(5,486,110)	(3,380,978)
14. Net investment gain (loss) (Line 11)	7,164,150	6,405,989	5,336,170	5,077,048	6,870,506
15. Total other income (Line 15)	(8,406)	89,925	(344,724)	335,759	(356,941)
16. Dividends to policyholders (Line 17)	155,856	118,218	127,374	140,461	130,614
17. Federal and foreign income taxes incurred (Line 19)	3,367,110	2,168,891	4,125,176	66,209	639,447
18. Net income (Line 20)	5,138,594	4,244,383	4,689,967	(279,973)	2,362,526
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	262,628,594	182,028,229	179,217,235	127,781,301	131,755,936
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	11,418,410	4,235,506	8,177,500	2,856,460	7,112,407
20.2 Deferred and not yet due (Line 13.2)	25,359,707	24,392,168	21,149,098	16,214,197	11,370,881
20.3 Accrued retrospective premiums (Line 13.3)			555,659		
21. Total liabilities excluding protected cell business (Page 3, Line 24)	210,404,152	136,160,429	138,270,941	92,694,957	97,968,246
22. Losses (Page 3, Lines 1 and 2)	69,152,102	56,273,019	42,777,411	38,816,391	26,278,799
23. Loss adjustment expenses (Page 3, Line 3)	16,558,884	13,491,364	8,926,985	8,967,315	6,469,033
24. Unearned premiums (Page 3, Line 9)	46,148,135	44,321,651	36,099,787	29,812,080	23,413,787
25. Capital paid up (Page 3, Lines 28 & 29)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	52,224,442	45,867,800	40,946,294	35,086,344	33,787,690
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	52,224,442	45,867,800	40,946,294	35,086,344	33,787,690
28. Authorized control level risk-based capital	9,095,753	7,382,762	5,840,587	4,839,892	3,474,426
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	80.5	87.6	86.3	89.3	95.1
30. Stocks (Lines 2.1 & 2.2)	3.0	4.5	4.8	5.6	1.1
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	16.5	7.2	7.9	5.1	3.8
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)		0.8	1.0		
36. Receivables for securities (Line 8)					
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA  
(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	(611,575)	131,923	1,034,494	213,562	(1,310,150)
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	6,356,642	4,921,506	5,859,950	1,298,654	3,371,400
<b>Gross Losses Paid</b> (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)	81,035,330	65,064,325	53,786,749	55,744,018	50,314,760
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	23,865,017	19,065,916	15,669,343	11,400,685	12,645,838
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	89,870,051	64,501,841	42,606,201	35,328,743	38,220,030
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	59,280	12,190	(776)	311,275	236,558
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)			23,670		18,033
55. Total (Line 34)	194,829,678	148,644,272	112,085,187	102,784,721	101,435,219
<b>Net Losses Paid</b> (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)	17,257,814	13,436,706	13,605,964	12,952,238	11,649,392
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	6,215,589	5,891,288	5,947,283	5,322,980	5,295,109
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	14,863,639	10,185,508	10,737,280	8,781,658	9,308,573
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	23,466	14,560	23,448	129,205	114,367
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)			23,670		18,033
61. Total (Line 34)	38,360,508	29,528,062	30,337,645	27,186,081	26,385,474
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	49.3	53.6	51.3	64.9	64.9
64. Loss expenses incurred (Line 3)	13.2	12.9	8.0	12.8	9.3
65. Other underwriting expenses incurred (Line 4)	35.9	33.8	34.7	32.1	33.9
66. Net underwriting gain (loss) (Line 8)	1.6		5.8	(9.8)	(8.1)
<b>Other Percentages</b>					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	35.3	30.5	32.5	28.4	30.9
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	62.5	66.5	59.3	77.7	74.2
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)	183.8	204.8	180.7	177.2	138.4
<b>One Year Loss Development (000 omitted)</b>					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(2,019)	772	(200)	2,706	1,406
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)	(4.4)	1.9		8.0	5.2
<b>Two Year Loss Development (000 omitted)</b>					
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)	(559)	3,679	3,327	2,992	(282)
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)	(1.4)	10.5	9.8	9.8	(0.1)

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
<b>BONDS</b>  Governments (Including all obligations guaranteed by governments)	1. United States .....	75,616,588	74,839,183	75,717,321	75,245,221
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	75,616,588	74,839,183	75,717,321	75,245,221
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 .....	934,771	975,000	934,550	1,000,000
	10. Canada .....				
	11. Other Countries .....				
	12. Totals	934,771	975,000	934,550	1,000,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	29,229,414	28,822,154	29,235,932	29,354,813
	14. Canada .....				
	15. Other Countries .....				
	16. Totals	29,229,414	28,822,154	29,235,932	29,354,813
Public Utilities (unaffiliated)	17. United States .....	3,059,999	2,993,700	3,077,220	3,000,000
	18. Canada .....				
	19. Other Countries .....				
	20. Totals	3,059,999	2,993,700	3,077,220	3,000,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	26,524,971	26,708,837	26,627,818	31,295,041
	22. Canada .....				
	23. Other Countries .....				
	24. Totals	26,524,971	26,708,837	26,627,818	31,295,041
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	135,365,743	134,338,874	135,592,841	139,895,075
<b>PREFERRED STOCKS</b>  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				
	<b>40. Total Preferred Stocks</b>				
<b>COMMON STOCKS</b>  Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States .....	5,032,584	5,032,584	4,903,910	
	50. Canada .....				
	51. Other Countries .....				
	52. Totals	5,032,584	5,032,584	4,903,910	
Parent, Subsidiaries and Affiliates	53. Totals				
	<b>54. Total Common Stocks</b>	5,032,584	5,032,584	4,903,910	
	55. Total Stocks	5,032,584	5,032,584	4,903,910	
	56. Total Bonds and Stocks	140,398,327	139,371,458	140,496,751	

SCHEDULE D - VERIFICATION BETWEEN YEARS  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year .....	<u>116,293,486</u>	7. Amortization of premium .....	<u>175,395</u>
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	<u>48,282,598</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	<u>88,561</u>	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 .....	<u>(160,555)</u>	9. Book/adjusted carrying value at end of current period .....	<u>140,398,327</u>
4.4 Column 11 - 13, Part 4 .....	<u>(462,540)</u>	10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....	<u>982,236</u>	11. Subtotal (Lines 9 plus 10) .....	<u>140,398,327</u>
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	<u>24,450,064</u>	12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	<u>140,398,327</u>

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

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

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	12
				4	5	6	7	8	9			
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	Number of Claims Reported - Direct and Assumed
1. Prior	X X X	X X X	X X X	677	38	94	1	29	3	12	758	X X X
2. 1996	49,640	5,943	43,697	32,572	3,669	2,736	215	3,148	195	1,293	34,377	X X X
3. 1997	56,528	9,561	46,967	35,503	6,538	2,988	455	4,116	666	1,510	34,948	X X X
4. 1998	65,659	12,799	52,860	42,352	11,423	3,332	716	5,396	1,374	1,568	37,567	X X X
5. 1999	60,832	9,515	51,317	41,400	8,060	3,070	487	5,179	1,018	1,505	40,084	X X X
6. 2000	58,008	7,481	50,527	39,389	6,608	2,945	266	4,605	590	1,380	39,475	X X X
7. 2001	62,124	8,537	53,587	36,761	6,048	2,808	171	4,395	630	1,287	37,115	X X X
8. 2002	81,877	19,254	62,623	41,082	8,646	2,595	489	3,660	960	1,260	37,242	X X X
9. 2003	92,519	15,486	77,033	36,458	5,742	2,089	262	5,880	1,072	1,278	37,351	X X X
10. 2004	93,773	7,852	85,921	28,935	1,095	909	20	4,838	221	1,289	33,346	X X X
11. 2005	99,151	4,807	94,344	18,976	330	393		4,369	71	650	23,337	X X X
12. Totals	X X X	X X X	X X X	354,105	58,197	23,959	3,082	45,615	6,800	13,032	355,600	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	1,688	78	345	26			112	12	65	10	1	2,084	X X X
2. 1996	241	28	125	73			50	2	25	4	3	334	X X X
3. 1997	620	214	171	134			100	15	33	5	4	556	X X X
4. 1998	1,438	962	689	554			171	44	46	6	8	778	X X X
5. 1999	1,408	999	706	561			207	42	75	9	21	785	X X X
6. 2000	1,631	832	658	538			301	39	113	14	41	1,280	X X X
7. 2001	2,103	799	936	567			443	45	179	20	112	2,230	X X X
8. 2002	4,214	877	2,400	1,277			1,118	109	310	32	242	5,747	X X X
9. 2003	4,890	1,227	2,936	1,186			1,540	129	610	55	346	7,379	X X X
10. 2004	10,506	775	9,352	1,764			3,616	261	1,000	104	609	21,570	X X X
11. 2005	15,133	531	17,308	1,030			4,670	21	2,965	215	934	38,279	X X X
12. Totals	43,872	7,322	35,626	7,710			12,328	719	5,421	474	2,321	81,022	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	1,929	155
2. 1996	38,897	4,186	34,711	78.358	70.436	79.436			3.270	265	69
3. 1997	43,531	8,027	35,504	77.008	83.956	75.594			3.270	443	113
4. 1998	53,424	15,079	38,345	81.366	117.814	72.541			3.270	611	167
5. 1999	52,045	11,176	40,869	85.555	117.457	79.640			3.270	554	231
6. 2000	49,642	8,887	40,755	85.578	118.794	80.660			3.270	919	361
7. 2001	47,625	8,280	39,345	76.661	96.990	73.423			3.270	1,673	557
8. 2002	55,379	12,390	42,989	67.637	64.350	68.647			3.270	4,460	1,287
9. 2003	54,403	9,673	44,730	58.802	62.463	58.066			3.270	5,413	1,966
10. 2004	59,156	4,240	54,916	63.084	53.999	63.915			3.270	17,319	4,251
11. 2005	63,814	2,198	61,616	64.360	45.725	65.310			3.270	30,880	7,399
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	64,466	16,556

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P-PART 2-SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	One Year	Two Year
1. Prior	21,028	20,632	21,125	21,419	21,269	20,312	21,571	21,482	21,288	21,295	7	(187)
2. 1996	32,263	31,838	31,903	31,766	31,838	31,899	32,029	31,964	31,735	31,755	20	(209)
3. 1997	X X X	30,743	31,738	31,756	31,743	31,743	31,798	31,895	31,975	32,043	68	148
4. 1998	X X X	X X X	33,838	33,793	33,789	33,846	33,737	33,914	34,317	34,289	(28)	375
5. 1999	X X X	X X X	X X X	33,923	34,707	35,193	35,691	36,123	36,494	36,662	168	539
6. 2000	X X X	X X X	X X X	X X X	33,680	35,207	35,862	36,566	36,536	36,714	178	148
7. 2001	X X X	X X X	X X X	X X X	X X X	35,191	34,451	35,087	35,708	35,443	(265)	356
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	40,503	40,993	40,704	40,211	(493)	(782)
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	40,356	39,843	39,409	(434)	(947)
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	50,700	49,460	(1,240)	X X X
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	54,581	X X X	X X X
12. Totals											(2,019)	(559)

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss	Number of Claims Closed Without Loss
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Payment	Payment
1. Prior	000	1,153	11,665	14,258	15,731	16,788	17,630	18,049	18,305	19,037	X X X	X X X
2. 1996	17,110	23,982	26,882	29,066	30,218	31,039	31,348	31,444	31,366	31,424	X X X	X X X
3. 1997	X X X	15,357	22,950	26,566	28,836	30,167	30,811	31,193	31,455	31,498	X X X	X X X
4. 1998	X X X	X X X	16,412	24,647	28,602	30,722	32,013	32,757	33,298	33,545	X X X	X X X
5. 1999	X X X	X X X	X X X	17,243	25,982	30,104	32,803	34,210	35,386	35,923	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	17,115	26,438	30,666	33,160	34,605	35,460	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	17,421	26,101	29,703	32,358	33,350	X X X	X X X
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	16,384	26,031	30,826	34,542	X X X	X X X
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	18,809	28,010	32,543	X X X	X X X
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	17,913	28,729	X X X	X X X
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	19,039	X X X	X X X

SCHEDULE P-PART 4-SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1. Prior	5,951	3,892	2,875	1,995	1,513	969	1,421	2,375	1,198	419
2. 1996	7,419	3,087	1,774	664	449	181	182	196	90	100
3. 1997	X X X	7,087	3,567	1,624	958	440	263	247	185	122
4. 1998	X X X	X X X	8,235	3,166	1,993	1,235	565	413	492	262
5. 1999	X X X	X X X	X X X	6,870	3,051	1,783	949	561	687	310
6. 2000	X X X	X X X	X X X	X X X	6,267	3,486	2,038	1,273	1,024	382
7. 2001	X X X	X X X	X X X	X X X	X X X	7,126	3,705	1,756	1,873	767
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	14,297	7,339	3,008	2,132
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	9,443	4,646	3,161
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	17,955	10,943
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	20,927

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.		1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
			2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO								
2. Alaska	AK	NO								
3. Arizona	AZ	YES	1,434,410	1,186,260		246,787	596,269	1,584,595	6,532	
4. Arkansas	AR	YES	1,271,043	1,155,565		141,229	523,639	517,725	5,788	
5. California	CA	YES	51,585,735	46,501,768		16,195,056	35,047,753	39,646,008	234,926	
6. Colorado	CO	YES								
7. Connecticut	CT	YES	37,650,005	34,537,827	478,985	12,009,102	11,506,626	26,479,567	171,462	
8. Delaware	DE	YES	532,990	204,471		6,511	558,037	551,528	2,427	
9. Dist. Columbia	DC	YES	183,679	154,372		4,414	17,173	30,156	836	
10. Florida	FL	NO	191	191				5,000	1	
11. Georgia	GA	YES	12,453,079	12,137,514		5,266,575	7,470,177	6,603,531	56,712	
12. Hawaii	HI	NO		9						
13. Idaho	ID	YES								
14. Illinois	IL	YES	36,636,680	35,285,401	33,635	10,911,279	15,600,324	22,653,404	166,847	
15. Indiana	IN	YES	32,747,097	31,332,008	22,422	8,732,351	14,150,562	14,033,130	149,133	
16. Iowa	IA	YES	1,693,241	1,447,275		341,626	1,088,693	889,215	7,711	
17. Kansas	KS	YES	423,598	115,925		1,708	17,452	15,744	1,929	
18. Kentucky	KY	YES	26,507,784	24,904,465		6,574,026	10,980,147	9,205,029	120,719	
19. Louisiana	LA	YES	2,094,832	1,900,929		3,345,316	5,035,827	3,140,787	9,540	
20. Maine	ME	YES	6,747,656	9,420,310		4,591,406	3,684,267	7,731,219	30,729	
21. Maryland	MD	YES	6,440,638	4,769,830		1,251,092	3,339,758	2,467,147	29,331	
22. Massachusetts	MA	YES	10,593,746	8,414,105		1,230,838	3,188,178	2,989,660	48,245	
23. Michigan	MI	YES	20,992,773	17,344,036	46,569	4,118,079	9,240,165	10,148,287	95,603	
24. Minnesota	MN	YES	5,151,913	5,093,066		2,656,445	4,591,402	3,404,454	23,462	
25. Mississippi	MS	NO	513	513					2	
26. Missouri	MO	YES	5,557,739	2,414,371		231,936	454,639	222,566	25,310	
27. Montana	MT	NO								
28. Nebraska	NE	YES	1,325,337	681,333		108,964	557,267	598,628	6,036	
29. Nevada	NV	YES	95	95			15	(120)		
30. New Hampshire	NH	YES	11,834,964	10,498,964	10,649	6,254,658	3,580,860	6,716,432	53,897	
31. New Jersey	NJ	YES	34,154,143	31,533,591	472,356	11,988,501	15,869,225	30,526,576	155,541	
32. New Mexico	NM	NO								
33. New York	NY	YES	41,830,271	38,192,841	655,764	10,521,926	19,629,569	32,753,433	190,499	
34. No. Carolina	NC	YES	8,340,643	8,205,781	8,708	5,878,993	8,036,049	9,061,305	37,984	
35. No. Dakota	ND	NO								
36. Ohio	OH	YES	48,045,959	49,888,793		12,621,607	22,566,129	24,163,455	218,806	
37. Oklahoma	OK	YES	4,590,688	3,936,212		2,124,471	2,874,678	2,907,322	20,906	
38. Oregon	OR	YES								
39. Pennsylvania	PA	YES	36,360,392	31,949,207	23,650	8,343,442	14,575,733	19,204,429	165,588	
40. Rhode Island	RI	YES	9,242,942	7,788,337	3,578	2,364,974	3,756,282	6,226,394	42,093	
41. So. Carolina	SC	YES	2,585,802	2,001,127		638,948	1,199,168	1,073,023	11,776	
42. So. Dakota	SD	NO								
43. Tennessee	TN	YES	25,342,990	25,234,783		8,760,462	14,087,033	13,185,332	115,414	
44. Texas	TX	YES	19,880,733	17,005,753		3,665,057	7,456,936	9,909,970	90,539	
45. Utah	UT	YES	246	252			(19)	(19)	1	
46. Vermont	VT	YES	3,669,848	3,461,599		2,444,661	3,045,943	4,903,786	16,713	
47. Virginia	VA	YES	5,056,420	3,509,764	67,271	2,245,150	3,100,512	3,270,314	23,027	
48. Washington	WA	YES								
49. West Virginia	WV	NO								
50. Wisconsin	WI	YES	3,996,611	3,594,512	50,058	651,579	732,664	2,163,716	18,201	
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)	40	516,957,426	475,803,155	1,873,645	156,469,169	248,159,132	318,982,728	2,354,266	

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

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



