

ANNUAL STATEMENT

OF THE

Peerless Indemnity Insurance Company

of **Lisle**

in the state of **Illinois**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2005



18333200520100100

ANNUAL STATEMENT

For the Year Ended December 31, 2005
OF THE CONDITION AND AFFAIRS OF THE
Peerless Indemnity Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 18333 Employer's ID Number 13-2919779
Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois
Country of Domicile United States of America
Incorporated/Organized: April 30, 2002 Commenced Business: August 10, 2002
Statutory Home Office: 3333 Warrenville Road Lisle, IL 60532
Main Administrative Office: 3333 Warrenville Road Lisle, IL 60532 630-505-1442
Mail Address: 175 Berkeley Street Boston, MA 02117
Primary Location of Books and Records: 3333 Warrenville Road Lisle, IL 60532 630-505-1442
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: 3333 Warrenville Road Lisle, IL 60532 603-505-1442

OFFICERS

Chairman of the Board
Gary Richard Gregg #

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

Vice-Presidents

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

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Name, Name, Name. Row 1: James Francis Dore, John Derek Doyle, Joseph Anthony Gilles #, Scott Rhodes Goodby #. Row 2: Gary Richard Gregg #, Christopher Charles Mansfield #, William Alfred Bostic, Robert James Brautigam. Row 3: Mark Ardon Butler.

State of Massachusetts
County of Suffolk ss

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

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

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

a. Is this an original filing? YES [] 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)	282,132,053		282,132,053	881,929,242
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	208,051,255		208,051,255	217,505,291
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 (\$ 2,705,486, Schedule E-Part 1), cash equivalents (\$ 3,992,858 Schedule E-Part 2) and short-term investments (\$ 17,450,133, Schedule DA)	24,148,477		24,148,477	86,227,800
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	11,256,525		11,256,525	17,373,035
8. Receivables for securities	1,787		1,787	2,659,171
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	525,590,097		525,590,097	1,205,694,539
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	3,001,783		3,001,783	7,944,359
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	16,835,149	34,895	16,800,254	35,438,356
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 90,156 earned but unbilled premiums)	2,335,040	8,461	2,326,579	204,088,595
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	12,509,434		12,509,434	
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	33,342,799		33,342,799	
16.2 Net deferred tax asset	4,633,000	3,223,342	1,409,658	36,222,364
17. Guaranty funds receivable or on deposit	15,986		15,986	1,508,642
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	38,060,059		38,060,059	86,581,982
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	769,869	3,718	766,151	2,384,627
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	637,093,216	3,270,416	633,822,800	1,579,863,464
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	637,093,216	3,270,416	633,822,800	1,579,863,464

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	738,565	3,718	734,847	632,326
2302. Equities and deposits in pools and associations	31,304		31,304	1,752,301
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	769,869	3,718	766,151	2,384,627

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	5,913,638	470,834,800
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	11,397,413	9,307,000
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	1,519,164	112,881,875
4. Commissions payable, contingent commissions and other similar charges	373,641	27,483,759
5. Other expenses (excluding taxes, licenses and fees)	149,683	3,351,336
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	99,910	11,101,955
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		882,393
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		2,426
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 116,423,831 and including warranty reserves of \$ 0)	4,233,774	370,838,037
10. Advance premium	12,777	1,429,445
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	18,095,116	
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	5,102	6,264
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		1,405
19. Payable to parent, subsidiaries and affiliates		
20. Payable for securities	2,426	13,586,405
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	15,662,180	13,517,469
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	57,464,824	1,035,224,569
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	57,464,824	1,035,224,569
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,500,000	3,500,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	150,454,419	150,454,419
33. Unassigned funds (surplus)	422,403,557	390,684,476
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)	576,357,976	544,638,895
36. TOTALS (Page 2, Line 26, Col. 3)	633,822,800	1,579,863,464

DETAILS OF WRITE-INS		
2301. Other liabilities	169,445	876,018
2302. Collateral on securities loaned	15,492,735	12,641,451
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	15,662,180	13,517,469
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME		1	2
		Current Year	Prior Year
UNDERWRITING INCOME			
1. Premiums earned (Part 1, Line 34, Column 4)		8,655,426	718,895,191
DEDUCTIONS			
2. Losses incurred (Part 2, Line 34, Column 7)		4,270,288	385,164,497
3. Loss expenses incurred (Part 3, Line 25, Column 1)		1,138,818	92,572,016
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		3,108,172	242,628,667
5. Aggregate write-ins for underwriting deductions			(1,767,661)
6. Total underwriting deductions (Lines 2 through 5)		8,517,278	718,597,519
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		138,148	297,672
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		25,861,854	48,963,249
10. Net realized capital gains (losses) less capital gains tax of \$ 2,260,036 (Exhibit of Capital Gains (Losses))		4,197,209	11,558,409
11. Net investment gain (loss) (Lines 9 + 10)		30,059,063	60,521,658
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 11,347)		(11,347)	(1,915,456)
13. Finance and service charges not included in premiums		14,438	1,335,039
14. Aggregate write-ins for miscellaneous income		(13,080)	1,004,856
15. Total other income (Lines 12 through 14)		(9,989)	424,439
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		30,187,222	61,243,769
17. Dividends to policyholders		14,299	989,128
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)		30,172,923	60,254,641
19. Federal and foreign income taxes incurred		(29,579,690)	26,466,565
20. Net income (Line 18 minus Line 19) (to Line 22)		59,752,613	33,788,076
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		544,638,895	504,854,624
GAINS AND (LOSSES) IN SURPLUS			
22. Net income (from Line 20)		59,752,613	33,788,076
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (392,925)		7,168,387	4,280,301
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax		(40,945,925)	5,774,768
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		10,326,234	(5,501,694)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)			2,068,600
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		(4,582,228)	(625,780)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)		31,719,081	39,784,271
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		576,357,976	544,638,895
DETAILS OF WRITE-INS			
0501. North Carolina Private Passenger Auto Escrow			(1,767,661)
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)			(1,767,661)
1401. Miscellaneous income (expense)		(13,080)	1,004,856
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)		(13,080)	1,004,856
3701. Other adjustment to surplus		(4,582,228)	(625,780)
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)		(4,582,228)	(625,780)

CASH FLOW		1	2
Cash from Operations		Current Year	Prior Year
1. Premiums collected net of reinsurance		(116,749,758)	785,133,435
2. Net investment income		31,568,551	49,868,169
3. Miscellaneous income		1,405,697	2,205,429
4. Total (Lines 1 through 3)		(83,775,510)	837,207,033
5. Benefit and loss related payments		470,304,875	271,127,712
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions		156,923,516	291,200,659
8. Dividends paid to policyholders		14,299	989,128
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)		6,905,538	37,529,251
10. Total (Lines 5 through 9)		634,148,228	600,846,750
11. Net cash from operations (Line 4 minus Line 10)		(717,923,738)	236,360,283
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds		1,082,977,133	398,005,053
12.2 Stocks		21,000,000	
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets		6,286,320	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		(4,342)	
12.7 Miscellaneous proceeds			6,889,803
12.8 Total investment proceeds (Lines 12.1 to 12.7)		1,110,259,111	404,894,856
13. Cost of investments acquired (long-term only):			
13.1 Bonds		478,256,892	507,348,289
13.2 Stocks		4,165,900	3,677,141
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications		10,926,593	
13.7 Total investments acquired (Lines 13.1 to 13.6)		493,349,385	511,025,430
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)		616,909,726	(106,130,574)
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		(2,426)	2,426
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)		38,937,115	(134,280,267)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		38,934,689	(134,277,841)
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)		(62,079,323)	(4,048,132)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year		86,227,800	90,275,932
19.2 End of year (Line 18 plus Line 19.1)		24,148,477	86,227,800

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

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1- PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	(4,285,633)	4,431,209	50,085	95,491
2. Allied lines	(3,829,186)	3,958,936	44,361	85,389
3. Farmowners multiple peril	(3,359,215)	3,463,714	34,736	69,763
4. Homeowners multiple peril	(35,687,937)	36,821,919	386,621	747,361
5. Commercial multiple peril	(114,205,731)	118,496,071	1,418,868	2,871,472
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	(9,514,262)	9,890,651	118,456	257,933
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	(1,335,294)	1,379,829	15,545	28,990
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	(35,764,307)	37,316,360	469,860	1,082,193
17.1 Other liability - occurrence	(18,417,889)	19,126,449	233,287	475,273
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	(428,638)	443,548	5,047	9,863
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	(33,513,639)	34,606,529	330,275	762,615
19.3, 19.4 Commercial auto liability	(48,728,432)	50,532,033	593,391	1,210,210
21. Auto physical damage	(41,484,712)	42,870,264	436,852	948,700
22. Aircraft (all perils)				
23. Fidelity	195,608	(197,738)	522	(2,652)
24. Surety	(699,543)	711,462	3,642	8,277
26. Burglary and theft	(43,710)	46,930	562	2,658
27. Boiler and machinery	(105,684)	109,083	1,509	1,890
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	(351,208,204)	364,007,249	4,143,619	8,655,426

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	50,085				50,085
2. Allied lines	44,361				44,361
3. Farmowners multiple peril	34,736				34,736
4. Homeowners multiple peril	386,621				386,621
5. Commercial multiple peril	1,453,123		(34,255)		1,418,868
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	118,456				118,456
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	15,545				15,545
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	510,984		(41,124)		469,860
17.1 Other liability - occurrence	248,064		(14,777)		233,287
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	5,047				5,047
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	330,275				330,275
19.3, 19.4 Commercial auto liability	593,391				593,391
21. Auto physical damage	436,852				436,852
22. Aircraft (all perils)					
23. Fidelity	209	313			522
24. Surety	2,688	954			3,642
26. Burglary and theft	562				562
27. Boiler and machinery	1,509				1,509
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	4,232,508	1,267	(90,156)		4,143,619
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					90,156
37. Balance (Sum of Line 34 through 36)					4,233,775

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	729,987	(2,323,524)		2,692,096		(4,285,633)
2. Allied lines	1,162,944	(1,707,452)		3,284,678		(3,829,186)
3. Farmowners multiple peril		(3,359,215)				(3,359,215)
4. Homeowners multiple peril	431,230	(5,897,334)		30,221,833		(35,687,937)
5. Commercial multiple peril	5,420,913	(62,679,576)		56,947,068		(114,205,731)
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	439,580	(7,580,926)		2,372,916		(9,514,262)
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	14,012	376,447		1,725,753		(1,335,294)
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	418,077	(6,670,253)		29,512,131		(35,764,307)
17.1 Other liability - occurrence	1,514,175	(2,883,503)		17,048,561		(18,417,889)
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	74,453	(268,262)		234,829		(428,638)
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	618,579	20,402,645		54,534,863		(33,513,639)
19.3, 19.4 Commercial auto liability	3,652,367	(33,537,488)		18,843,311		(48,728,432)
21. Auto physical damage	1,889,505	(3,045,010)		40,329,207		(41,484,712)
22. Aircraft (all perils)						
23. Fidelity		195,608				195,608
24. Surety		(699,543)				(699,543)
26. Burglary and theft	3,177	(34,482)		12,405		(43,710)
27. Boiler and machinery	649	(105,684)		649		(105,684)
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	16,369,648	(109,817,552)		257,760,300		(351,208,204)

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

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

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	21,008	2,426,875	1,168,983	1,278,900	9,909	1,258,881	29,928	31.341
2. Allied lines	4,610,435	1,657,478	5,595,413	672,500	32,034	630,080	74,454	87.194
3. Farmowners multiple peril		1,631,733		1,631,733	15,026	1,621,290	25,469	36.508
4. Homeowners multiple peril	1,509	29,363,176	14,671,188	14,693,497	156,837	14,489,147	361,187	48.328
5. Commercial multiple peril	4,659,219	162,008,773	24,249,039	142,418,953	1,892,408	143,011,164	1,300,197	45.280
6. Mortgage guaranty								
8. Ocean marine		135,955		135,955	(16,012)	137,456	(17,513)	
9. Inland marine	400,130	2,635,493	1,004,988	2,030,635	26,508	1,985,701	71,442	27.698
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake		44,246		44,246		44,737	(491)	(1.694)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	254,156	124,568,390	15,440,701	109,381,845	1,447,250	110,121,024	708,071	65.429
17.1 Other liability - occurrence	91,224	38,531,410	3,034,156	35,588,478	465,666	35,895,422	158,722	33.396
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	2,151	717,388	2,740	716,799	(4,054)	723,469	(10,724)	(108.730)
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	2,208	114,240,520	41,686,160	72,556,568	715,158	72,801,388	470,338	61.674
19.3, 19.4 Commercial auto liability	376,919	86,930,273	4,513,656	82,793,536	1,097,400	83,232,529	658,407	54.404
21. Auto physical damage	417,566	23,404,827	21,514,634	2,307,759	29,819	1,908,442	429,136	45.234
22. Aircraft (all perils)								
23. Fidelity		22,461		22,461	85	22,636	(90)	3.394
24. Surety		342,008	47,192	294,816	10,741	295,982	9,575	115.682
26. Burglary and theft		950,439	500	949,939	(161)	960,332	(10,554)	(397.065)
27. Boiler and machinery		152,410		152,410	18,168	157,844	12,734	673.757
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X	1,520,420		1,520,420	16,856	1,537,276		
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	10,836,525	591,284,275	132,929,350	469,191,450	5,913,638	470,834,800	4,270,288	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 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	77,980	225,474	295,546	7,908	28,177	21,991	48,167	9,909	366
2. Allied lines	4,579,462	89,545	4,642,797	26,210	49,451	29,726	73,353	32,034	(916)
3. Farmowners multiple peril		12,175		12,175		2,852		15,027	3,568
4. Homeowners multiple peril	2,799	4,286,573	4,166,874	122,498	(4,806)	580,946	541,800	156,838	35,460
5. Commercial multiple peril	6,346,189	19,747,345	24,969,189	1,124,345	157,241	12,720,289	12,109,469	1,892,406	787,426
6. Mortgage guaranty									
8. Ocean marine						(16,012)		(16,012)	(145)
9. Inland marine	275,250	105,781	358,419	22,612	(168,434)	24,948	(147,382)	26,508	6,873
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake									(1,061)
13. Group accident and health								(a)	7
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation	2,298,742	16,280,911	17,771,040	808,613	1,109,263	7,306,658	7,777,284	1,447,250	223,515
17.1 Other liability - occurrence	247,973	7,704,395	7,797,341	155,027	1,033,606	5,745,946	6,468,914	465,665	107,862
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	20,000	1,883	20,000	1,883	29,846	86,348	122,131	(4,054)	2,499
18.2 Products liability - claims - made									3
19.1, 19.2 Private passenger auto liability	1,999	38,962,133	38,468,497	495,635	21,287	17,970,524	17,772,288	715,158	162,358
19.3, 19.4 Commercial auto liability	510,969	6,780,157	6,753,308	537,818	859,956	8,075,683	8,376,056	1,097,401	178,930
21. Auto physical damage	73,251	1,368,758	1,412,717	29,292		(286,502)	(287,029)	29,819	6,933
22. Aircraft (all perils)									
23. Fidelity		78		78		7		85	279
24. Surety		40,693	33,900	6,793		603,426	599,478	10,741	4,181
26. Burglary and theft		31		31	191	(45)	338	(161)	1,310
27. Boiler and machinery		23		23	310	18,718	883	18,168	(284)
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	1,635		1,635	X X X	4,884,265	4,869,044	16,856	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	14,434,614	95,607,590	106,689,628	3,352,576	3,116,088	57,769,768	58,324,794	5,913,638	1,519,164

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

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

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	871,230			871,230
1.2 Reinsurance assumed	9,612,257			9,612,257
1.3 Reinsurance ceded	9,946,891			9,946,891
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	536,596			536,596
2. Commission and brokerage:				
2.1 Direct, excluding contingent		2,138,605		2,138,605
2.2 Reinsurance assumed, excluding contingent		34,392,650		34,392,650
2.3 Reinsurance ceded, excluding contingent		35,220,637		35,220,637
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		(762,716)		(762,716)
2.6 Contingent-reinsurance ceded		(1,111,963)		(1,111,963)
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)		1,659,865		1,659,865
3. Allowances to manager and agents		2,506		2,506
4. Advertising	6,465	24,404	1,218	32,087
5. Boards, bureaus and associations	8,104	10,258		18,362
6. Surveys and underwriting reports	135	41,431		41,566
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	272,511	585,777	285,710	1,143,998
8.2 Payroll taxes	19,809	52,910	10,961	83,680
9. Employee relations and welfare	58,085	158,852	14,493	231,430
10. Insurance	15,717	4,977	325	21,019
11. Directors' fees	2	36		38
12. Travel and travel items	17,138	53,666	4,100	74,904
13. Rent and rent items	20,134	70,573	4,425	95,132
14. Equipment	23,043	51,998	4,912	79,953
15. Cost or depreciation of EDP equipment and software	25,396	40,439	3,004	68,839
16. Printing and stationery	4,952	13,404	650	19,006
17. Postage, telephone and telegraph, exchange and express	11,861	34,836	11,123	57,820
18. Legal and auditing	4,798	11,884	25,413	42,095
19. Totals (Lines 3 to 18)	488,150	1,157,951	366,334	2,012,435
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 2,532		214,636		214,636
20.2 Insurance department licenses and fees		5,946		5,946
20.3 Gross guaranty association assessments		401		401
20.4 All other (excluding federal and foreign income and real estate)		7,058		7,058
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		228,041		228,041
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	114,069	62,313	39,621	216,003
25. Total expenses incurred	1,138,815	3,108,170	405,955 (a)	4,652,940
26. Less unpaid expenses-current year	1,519,164	623,234		2,142,398
27. Add unpaid expenses-prior year	112,881,875	41,937,050		154,818,925
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)	112,501,526	44,421,986	405,955	157,329,467

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	83,140			83,140
2402. Other Expenses	30,929	62,313	39,621	132,863
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	114,069	62,313	39,621	216,003

(a) Includes management fees of \$ 405,954 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 8,775,895	8,411,532
1.1 Bonds exempt from U.S. tax	(a) 2,508,241	2,503,706
1.2 Other bonds (unaffiliated)	(a) 39,236,903	34,704,094
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	4,065,123	4,065,123
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,789,761	1,748,893
7. Derivative instruments	(f)	
8. Other invested assets	326,741	326,741
9. Aggregate write-ins for investment income	(25,492,279)	(25,492,279)
10. Total gross investment income	31,210,385	26,267,810
11. Investment expenses		(g) 405,954
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)		405,954
17. Net investment income (Line 10 minus Line 16)		25,861,856

DETAILS OF WRITE-INS		
0901. Miscellaneous Income/ (Expense)	87,861	87,861
0902. Investment Expense due to Pooling restatement	(25,580,140)	(25,580,140)
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(25,492,279)	(25,492,279)
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 \$ 566,013 accrual of discount less \$ 1,327,775 amortization of premium and less \$ 1,781,398 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 \$ 195,895 accrual of discount less \$ (35,513) amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	(1,044,620)			(1,044,620)
1.1 Bonds exempt from U.S. tax	(2,586,209)			(2,586,209)
1.2 Other bonds (unaffiliated)	9,346,871		(31,222)	9,315,649
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	573,375		(2,529,191)	(1,955,816)
2.21 Common stocks of affiliates			9,335,875	9,335,875
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	(4,342)			(4,342)
7. Derivative instruments				
8. Other invested assets	172,169			172,169
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	6,457,244		6,775,462	13,232,706

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	34,895	3,487,491	3,452,596
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	8,461	676,378	667,917
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	3,223,342	8,963,636	5,740,294
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	3,718	469,145	465,427
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,270,416	13,596,650	10,326,234
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	3,270,416	13,596,650	10,326,234

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	3,718	469,145	465,427
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)	3,718	469,145	465,427

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the Illinois Insurance Commissioner, the accompanying financial statements of Peerless Indemnity 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, except that investments in stocks of subsidiaries and affiliates are carried according to Note 1 C(7).
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 carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 88 and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
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

1. Statutory Purchase Method

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

2. Statutory Mergers

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

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company does not hold any mortgage loans as investments.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

B. The 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	12,299,000	46,913,930	(34,614,930)
Total of deferred tax liabilities	(7,666,000)	(1,727,930)	(5,938,070)
Net deferred tax asset	4,633,000	45,186,000	(40,553,000)
Net deferred tax asset non-admitted	(3,223,342)	(8,963,636)	5,740,294
Net admitted deferred tax asset	1,409,658	36,222,364	(34,812,706)

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	(29,579,690)	22,421,122
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	(29,579,690)	22,421,122
Tax on capital gains	2,260,036	4,045,443
Total income tax incurred	(27,319,654)	26,466,565

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, unrealized gains, limits on unearned premium reserve deductions, nondeductible accrued expenses, guaranty assessment adjustments, 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)	(40,945,925)
Tax effect of unrealized (gains) losses	392,925
Total change in net deferred income tax	(40,553,000)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is none from the current year and 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.	Liberty International Holdings, Inc.
Ambco Capital Corporation	Liberty Life Assurance Company of Boston
America First Insurance Company	Liberty Life Holdings, Inc.
America First Lloyds Insurance Company	Liberty Lloyds of Texas Insurance Company
American Ambassador Casualty Company	Liberty Management Services, Inc.
Berkeley Holding Company Associates, Inc.	Liberty Mexico Holdings, Inc.
Berkeley Management Corporation	Liberty Mutual Fire Insurance Company
Bridgefield Casualty Insurance Company	Liberty Mutual Group Inc.
Bridgefield Employers Insurance Company	Liberty Mutual Holding Company, Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Insurance Company
Capitol Agency, Inc. (Ohio corporation)	Liberty Mutual Managed Care, Inc.
Capitol Agency, Inc. (Tennessee corporation)	Liberty Northwest Insurance Corporation
Cascade Disability Management, Inc.	Liberty Personal Insurance Company
Colorado Casualty Insurance Company	Liberty RE (Bermuda) Limited
Companies Agency Insurance Services of California	Liberty Real Estate Corporation
Companies Agency of Alabama, Inc.	Liberty Sponsored Insurance (Vermont) Inc.
Companies Agency of Georgia, Inc.	Liberty Surplus Insurance Corporation
Companies Agency of Kentucky, Inc.	Liberty-USA Corporation
Companies Agency of Massachusetts, Inc.	LIH-Re of America Corporation
Companies Agency of Michigan, Inc.	LIH U.S. P&C Corporation
Companies Agency of New York, Inc.	LIIA Insurance Agency, Inc.
Companies Agency of Pennsylvania, Inc.	LIU Specialty Agency, Inc.
Companies Agency of Phoenix, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency, Inc.	LM Insurance Corporation
Companies Annuity Agency of Texas, Inc.	LMHC Massachusetts Holding, Inc.
Consolidated Insurance Company	LRE Properties, Inc.
Copley Venture Capital, Inc.	Mid-American Agency, Inc.
Countrywide Services Corporation	Mid-American Fire and Casualty Company
Diversified Settlements, Inc.	Missouri Agency, Inc.
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	Oregon Automobile Insurance Company
First State Agency, Inc.	Peerless Indemnity Insurance Company
Florida State Agency, Inc.	Peerless Insurance Company
Globe American Casualty Company	LM Personal Insurance Company
Golden Eagle Insurance Corporation	LM General Insurance Company
Gulf States AIF, Inc.	LM Property and Casualty Insurance Company
Hawkeye-Security Insurance Company	San Diego Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	State Agency, Inc. (Indiana corporation)
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Wisconsin corporation)
Heritage-Summit Healthcare of Florida, Inc.	St. James Insurance Company
Indiana Insurance Company	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty Assignment Corporation	Summit Holding Southeast, Inc.
Liberty Energy Corporation	The First Liberty Insurance Corporation
Liberty Financial Services, Inc.	The Midwestern Indemnity Company

NOTES TO FINANCIAL STATEMENTS

Liberty Hospitality Group, Inc.
 Liberty Insurance Company of America
 Liberty Insurance Corporation
 Liberty Insurance Holdings, Inc.
 Liberty Insurance Underwriters, Inc.
 Liberty International Asia Pacific Holdings, Inc.

The National Corporation
 The Netherlands Insurance Company
 Wausau Business Insurance Company
 Wausau General Insurance Company
 Wausau Service Corporation
 Wausau Underwriters Insurance Company

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All outstanding shares in the Company are owned by Liberty-USA Corporation, an insurance holding company incorporated in the State of Delaware. The outstanding shares of Liberty-USA are owned by Peerless Insurance Company, an insurance company incorporated in the State of New Hampshire. Peerless Insurance Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C is wholly owned by Liberty Mutual Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Mutual Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company, a Massachusetts 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 \$38,060,059 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 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 entered into a Federal Tax Sharing Agreement, effective January 1, 2002, between LMIG 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 owns 100% of American Ambassador Casualty Company, Globe American Casualty Company, Hawkeye-Security Insurance Company, Liberty International Underwriters Inc. and The Midwestern Indemnity Company. The companies are carried at underlying statutory equity, as reported in their respective annual statements. There are no differences between the amount at which the Company's investment in its subsidiaries are carried at and the amount of underlying equity in net assets.

The Company's subsidiaries are not publicly traded.

At December 31, 2005, the statement value of the Company's subsidiaries' assets, liabilities and results of operations are as follows:

	Assets	Liabilities	Results of Operations
Total of all subsidiaries	\$233,190,762	\$60,680,670	\$6,847,111

- J. The Company did not recognize any impairment write down for its subsidiary, controlled, or affiliated companies during the statement period.

Note 11- Debt

Not applicable.

Note 12- Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated

NOTES TO FINANCIAL STATEMENTS

Absences and Other Postretirement Benefit Plans

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

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

1. Capital Stock

The Company has 10,000 shares authorized, issued and outstanding as of December 31, 2005. All shares have a stated par value of \$350.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of policyholders' surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2006 is \$59,752,613.

5. The Company does not have restricted unassigned surplus.

6. The Company had no advances to surplus.

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

8. The Company had no changes in special surplus funds.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is (\$126,777,405)

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

The Company is subject to guaranty 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 \$57,585 that is offset by future premium tax credits of \$15,986. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2005.

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

NOTES TO FINANCIAL STATEMENTS

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:

2006	\$30,473
2007	25,787
2008	22,432
2009	13,983
2010	11,620
2011 & thereafter	27,890
Total	<u>\$132,185</u>

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

Not applicable

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

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

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

A. Transfers of receivables reported as sales:

The Company did not 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 \$45,537,499, with corresponding collateral value at \$46,513,590.

C. Wash Sales

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

Note 18-Gain or Loss from Uninsured 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

NOTES TO FINANCIAL STATEMENTS

- 1) Assets in the amount of \$5,576,379 and \$6,217,070 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.
- D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.
- E. Business Interruption Insurance Recoveries
- The Company does not purchase Business Interruption coverage.
- F. Additional Pension and Postretirement Disclosure Requirements
- Refer to Note 12.

Note 22- Events Subsequent

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

Note 23- Reinsurance

- A. Excluding amounts arising pursuant to the 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. The Company did not have any Assumed & Ceded Reinsurance
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.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$111,546,222	\$14,572,903	\$116,423,831	\$15,210,135	(\$4,877,609)	(\$637,232)
All Other	0	0	0	0	0	0
Total	<u>\$111,546,222</u>	<u>\$14,572,903</u>	<u>\$116,423,831</u>	<u>\$15,210,135</u>	<u>(\$4,877,609)</u>	<u>(\$637,232)</u>

Direct unearned premium reserve of \$9,111,383

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 | \$8,451 |
| Assumed | 9,170,909 |
| Ceded | (8,817,727) |
| Net | <u>\$361,633</u> |
- 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	Pooling	Lines of
Co. #	%	Business

NOTES TO FINANCIAL STATEMENTS

Lead Company	Peerless Insurance Company (PIC)	24198	70.93%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	0.30%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	13.25%	All Lines (Except WC)
	Indiana Insurance Company (IIC)	22659	12.25%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.27%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	Merchants and Business Men's Mutual Insurance Company (M&B)	14486	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	0.00%	All Lines
			<u>100.00%</u>	
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 \$71,978 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 \$71,978 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

NOTES TO FINANCIAL STATEMENTS

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.

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 \$1,492,271 are carried at a discounted value of \$1,447,250 representing a discount of \$45,021.

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.

NOTES TO FINANCIAL STATEMENTS

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.

Asbestos:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct Basis					
Beginning Reserves	32,077	33,628	45,624	51,719	54,259
Incurred losses and LAE	4,596	17,250	10,318	9,698	7,235
Calendar year payments	3,045	5,254	4,223	7,158	7,462
Ending Reserves	<u>33,628</u>	<u>45,624</u>	<u>51,719</u>	<u>54,259</u>	<u>54,032</u>
Assumed Reinsurance Basis					
Beginning Reserves	7,812	6,006	4,013	2,846	903
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	1,806	1,993	1,167	1,943	-
Ending Reserves	<u>6,006</u>	<u>4,013</u>	<u>2,846</u>	<u>903</u>	<u>903</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	31,756	31,926	37,964	47,195	43,122
Incurred losses and LAE	4,160	12,150	14,621	3,578	5,816
Calendar year payments	3,990	6,112	5,390	7,651	7,462
Ending Reserves	<u>31,926</u>	<u>37,964</u>	<u>47,195</u>	<u>43,122</u>	<u>41,476</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					41,143
Assumed Reinsurance Basis					903
Net of Ceded Reinsurance Basis					32,885
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					11,549
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					10,078

Environmental:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Direct Basis					
Beginning Reserves	85,517	61,787	37,603	37,256	40,049
Incurred losses and LAE	(10,058)	-	1,642	5,422	24,859
Calendar year payments	13,672	24,184	1,989	2,629	14,060
Ending Reserves	<u>61,787</u>	<u>37,603</u>	<u>37,256</u>	<u>40,049</u>	<u>50,848</u>
Assumed Reinsurance Basis					
Beginning Reserves	1,548	1,966	2,258	16,816	15,597
Incurred losses and LAE	-	-	15,000	-	413
Calendar year payments	(418)	(292)	442	1,219	56
Ending Reserves	<u>1,966</u>	<u>2,258</u>	<u>16,816</u>	<u>15,597</u>	<u>15,954</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	61,343	55,259	31,369	52,392	43,892
Incurred losses and LAE	7,021	-	23,454	581	12,996
Calendar year payments	13,105	23,890	2,431	9,081	14,116
Ending Reserves	<u>55,259</u>	<u>31,369</u>	<u>52,392</u>	<u>43,892</u>	<u>42,772</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					34,762
Assumed Reinsurance Basis					15,597
Net of Ceded Reinsurance Basis					39,469
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					14,116
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					12,317

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	57,282,144	10.899	57,282,144	10.899
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	26,729,650	5.086	26,729,650	5.086
1.22 Issued by U.S. government sponsored agencies	10,008,212	1.904	10,008,212	1.904
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	11,926,692	2.269	11,926,692	2.269
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	5,457,230	1.038	5,457,230	1.038
1.43 Revenue and assessment obligations	10,326,726	1.965	10,326,726	1.965
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	3,633,114	0.691	3,633,114	0.691
1.512 Issued or guaranteed by FNMA and FHLMC	47,171,189	8.975	47,171,189	8.975
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	34,242,624	6.515	34,242,624	6.515
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	9,838,657	1.872	9,838,657	1.872
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	59,620,735	11.344	59,620,735	11.344
2.2 Unaffiliated foreign securities	5,895,082	1.122	5,895,082	1.122
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	35,541,162	6.762	35,541,162	6.762
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	172,510,092	32.822	172,510,092	32.822
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	1,786		1,786	
8. Cash, cash equivalents and short-term investments	24,148,477	4.595	24,148,477	4.595
9. Other invested assets	11,256,525	2.142	11,256,525	2.142
10. Total invested assets	525,590,097	100.000	525,590,097	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes No N/A
- 1.3 State Regulating? Illinois
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes No
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended. _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2001
- 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). 06/01/2004
- 3.4 By what department or departments?
The 12/31/2004 exam is being conducted by the Company's current state of domicile Illinois Department of Insurance.
The 12/31/2001 exam had been conducted by the Company's prior state of domicile New York Department of Insurance.
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes No
- 4.12 renewals? Yes No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes No
- 4.22 renewals? Yes No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes No
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Company Code | 3
State of Domicile |
|---------------------|------------------------|------------------------|
| | | |
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.) Yes No
- 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
Nationality | 2
Type of Entity |
|------------------|---------------------|
| | |
| | |
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes No
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? 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? Yes [] No [X]
 11.11 Name of real estate holding company _____
 11.12 Number of parcels involved _____
 11.13 Total book/adjusted carrying value \$ _____

11.2 If yes, provide explanation _____

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

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

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
 14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
 15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 16.11 To directors or other officers \$ _____
 16.12 To stockholders not officers \$ _____
 16.13 Trustees, supreme or grand (Fraternal only) \$ _____
 16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
 16.21 To directors or other officers \$ _____
 16.22 To stockholders not officers \$ _____
 16.23 Trustees, supreme or grand (Fraternal only) \$ _____
 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
 17.2 If yes, state the amount thereof at December 31 of the current year:
 17.21 Rented from others \$ _____
 17.22 Borrowed from others \$ _____
 17.23 Leased from others \$ _____
 17.24 Other \$ _____

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

18.2 If answer is yes:
 18.21 Amount paid as losses or risk adjustment \$ _____

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

18.22 Amount paid as expenses \$ _____
 18.23 Other amounts paid \$ _____

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

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

21.21 Loaned to others		\$ 45,537,499
21.22 Subject to repurchase agreements		\$ _____
21.23 Subject to reverse repurchase agreements		\$ _____
21.24 Subject to dollar repurchase agreements		\$ _____
21.25 Subject to reverse dollar repurchase agreements		\$ _____
21.26 Pledged as collateral		\$ _____
21.27 Placed under option agreements		\$ _____
21.28 Letter stock or securities restricted as to sale		\$ _____
21.29 Other		\$ _____

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No
 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
 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
 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 No

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

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

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

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

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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

25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#100	LMIA HIGH YIELD FUND	35,541,162
25.2999	Total	35,541,162

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
LMIA HIGH YIELD FUND	JP MORGAN PRIME MONEY MARKET FUND	1,666,881	12/31/2005
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CRP	664,620	12/31/2005
LMIA HIGH YIELD FUND	PIERRE FOODS INC	497,576	12/31/2005
LMIA HIGH YIELD FUND	VALENT PHARMACEUTICALS	486,914	12/31/2005
LMIA HIGH YIELD FUND	SUPERIOR ENERGY SERV	451,373	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	303,575,046	301,679,806	(1,895,240)
26.2 Preferred stocks			
26.3 Totals	303,575,046	301,679,806	(1,895,240)

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

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

27.2 If no, list exceptions:

OTHER

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

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? \$ _____ 50

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
IL State Treasury State of IL	\$ 50
	\$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1 Name	2 Amount Paid
	\$

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

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

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

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ _____	\$ _____
2.2 Premium Denominator	\$ 8,655,426	\$ 718,895,191
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ 7	\$ 675
2.5 Reserve Denominator	\$ 23,063,988	\$ 963,861,712
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 \$ 126,950
 3.22 Non-participating policies \$ 16,242,698

4. For Mutual Reporting Entities and Reciprocal Exchange only:
 4.1 Does the reporting entity issue assessable policies? YES [] NO [X]
 4.2 Does the reporting entity issue non-assessable policies? YES [] NO [X]
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? _____ %
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ _____

5. For Reciprocal Exchanges Only:
 5.1 Does the exchange appoint local agents? YES [] NO [X]
 5.2 If yes, is the commission paid:
 5.21 Out of Attorney's-in-fact compensation YES [] NO [] N/A [X]
 5.22 As a direct expense of the exchange YES [] NO [] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact? _____
 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? YES [] NO [X]
 5.5 If yes, give full information _____

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2005 the Company purchased Workers' Compensation Catastrophe reinsurance, 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 separately and reviews quarterly. It uses RiskLink from RMS and AIR from AIR for EQ and wind. It uses RiskLink for WC. Concentrations are in the NE for wind and New Madrid for EQ.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In 2005 the Company purchased Property Catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,300m xs. \$50m. The coverage is sufficient to protect against the Company's 250 year event.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;
 - (d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
 - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.
- YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 - (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.
- YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 - (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 - (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- YES NO
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES NO N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES NO
- 11.2 If yes, give full information

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$ _____
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$ _____
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ _____
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [] NO [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): \$ _____ 15,000
- 14.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [] NO [X]
- 14.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. _____ 3
- 15.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO []
- 15.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: _____
 Premiums and recoverables were allocated pursuant to separate intercompany pooling agreements. _____
- 15.3 If the answer to 15.1 is yes, are the methods described in item 15.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [] NO [X]
- 15.4 If the answer to 15.3 is no, are all the methods described in 15.2 entirely contained in written agreements? YES [X] NO []
- 15.5 If the answer to 15.4 is no, please explain: _____
- 16.1 Has the reporting entity guaranteed any financed premium accounts? YES [] NO [X]
- 16.2 If yes, give full information _____
- 17.1 Does the reporting entity write any warranty business? YES [] NO [X]
- If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage: _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

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

FIVE-YEAR HISTORICAL DATA

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

	1 2005	2 2004	3 2003	4 2002	5 2001
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(16,679,210)	433,769,407	361,446,850	309,667,446	277,387,545
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(10,075,742)	194,247,226	194,013,669	170,898,045	149,729,749
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(66,189,017)	422,319,164	326,867,898	242,017,324	177,027,010
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(503,935)	558,844	533,084	2,242,830	6,268,786
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)			(2,997)		6,330
6. Total (Line 34)	(93,447,904)	1,050,894,641	882,858,504	724,825,645	610,419,420
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(136,852,905)	318,877,107	254,861,754	222,383,514	176,161,422
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(60,492,797)	134,035,310	118,009,353	104,462,382	81,033,227
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(153,358,567)	332,623,048	245,712,694	191,475,463	129,709,123
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(503,935)	558,604	536,437	1,740,721	4,218,536
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)			(2,997)		1,360
12. Total (Line 34)	(351,208,204)	786,094,069	619,117,241	520,062,080	391,123,668
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	138,148	297,672	33,058,506	(45,902,128)	(28,288,549)
14. Net investment gain (loss) (Line 11)	30,059,063	60,521,658	47,606,390	51,847,081	50,678,559
15. Total other income (Line 15)	(9,989)	424,439	(3,024,454)	(2,005,655)	(5,252,946)
16. Dividends to policyholders (Line 17)	14,299	989,128	1,065,735	1,175,234	1,092,840
17. Federal and foreign income taxes incurred (Line 19)	(29,579,690)	26,466,565	24,190,481	8,087,304	5,358,386
18. Net income (Line 20)	59,752,613	33,788,076	52,384,226	(5,323,240)	10,685,838
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	633,822,800	1,579,863,464	1,412,478,410	1,164,308,809	1,026,243,051
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	16,800,254	35,438,356	87,292,713	23,899,924	59,509,320
20.2 Deferred and not yet due (Line 13.2)	2,326,579	204,088,595	176,953,923	135,663,741	95,139,850
20.3 Accrued retrospective premiums (Line 13.3)			4,649,318		
21. Total liabilities excluding protected cell business (Page 3, Line 24)	57,464,824	1,035,224,569	907,623,786	754,751,249	631,814,448
22. Losses (Page 3, Lines 1 and 2)	17,311,051	480,141,800	375,434,290	351,004,313	238,807,457
23. Loss adjustment expenses (Page 3, Line 3)	1,519,164	112,881,875	74,691,839	75,029,282	54,126,218
24. Unearned premiums (Page 3, Line 9)	4,233,774	370,838,037	302,045,922	249,436,849	195,902,511
25. Capital paid up (Page 3, Lines 28 & 29)	3,500,000	3,500,000	3,500,000	1,000,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	576,357,976	544,638,895	504,854,624	409,557,560	394,428,603
Risk-Based Capital Analysis					
27. Total adjusted capital	576,357,976	544,638,895	504,854,624	409,557,560	394,428,603
28. Authorized control level risk-based capital	23,497,486	76,414,645	57,728,331	43,198,177	32,104,194
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	53.7	73.1	70.5	69.5	80.9
30. Stocks (Lines 2.1 & 2.2)	39.6	18.0	19.4	17.7	13.3
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	4.6	7.2	8.4	11.6	4.6
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)	2.1	1.4	1.6	1.2	1.2
36. Receivables for securities (Line 8)		0.2	0.1		
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	172,510,092	163,174,217	159,759,684	100,911,945	109,510,311
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	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
45. Total of above Lines 39 to 44	182,510,092	173,174,217	169,759,684	110,911,945	119,510,311
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)	31.7	30.0	31.6	24.7	27.8

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	7,168,387	4,280,301	13,023,737	(9,313,987)	6,905,621
48. Dividends to stockholders (Line 35)			(2,000,000)		
49. Change in surplus as regards policyholders for the year (Line 38)	31,719,081	39,784,271	95,297,064	15,128,957	21,859,797
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	365,714,639	165,399,046	179,026,173	186,410,793	202,207,814
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	36,568,497	80,796,723	84,897,347	78,967,042	91,478,488
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	197,952,775	128,868,533	124,970,814	113,212,243	129,216,438
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	364,469	376,774	867,675	2,753,303	3,409,997
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	1,520,420		198,048		694,831
55. Total (Line 34)	602,120,800	375,441,076	389,960,057	381,343,381	427,007,568
Net Losses Paid (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	301,037,226	112,424,543	113,840,721	108,371,034	97,470,152
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	7,283,979	49,292,244	49,760,756	44,537,222	44,304,031
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	159,032,548	85,221,860	89,838,524	73,475,891	77,884,574
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	317,277	121,829	196,187	1,081,062	956,908
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	1,520,420		198,048		150,878
61. Total (Line 34)	469,191,450	247,060,476	253,834,236	227,465,209	220,766,543
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	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)
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	(0.9)	30.6	32.5	29.3	31.5
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)	(60.9)	144.3	122.6	127.0	99.2
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(188)	6,502	(1,698)	22,653	11,640
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)	(0.0)	1.3	(0.4)	5.7	3.2
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	(57)	30,823	311,650,360	25,039	(2,431)
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)	(0.0)	7.5	6.8	6.7	(0.7)

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	92,406,374	92,060,063	92,464,783	91,743,486
	2. Canada				
	3. Other Countries				
	4. Totals	92,406,374	92,060,063	92,464,783	91,743,486
States, Territories and Possessions (Direct and guaranteed)	5. United States	11,926,692	11,784,810	11,925,934	11,955,000
	6. Canada				
	7. Other Countries				
8. Totals	11,926,692	11,784,810	11,925,934	11,955,000	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	14,783,958	14,836,424	14,784,582	14,820,000
	10. Canada				
	11. Other Countries				
12. Totals	14,783,958	14,836,424	14,784,582	14,820,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	87,452,234	85,720,458	87,489,541	87,715,491
	14. Canada				
	15. Other Countries				
16. Totals	87,452,234	85,720,458	87,489,541	87,715,491	
Public Utilities (unaffiliated)	17. United States	8,079,308	7,878,500	8,098,175	8,000,000
	18. Canada				
	19. Other Countries				
20. Totals	8,079,308	7,878,500	8,098,175	8,000,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	61,588,406	61,906,559	61,825,594	60,500,923
	22. Canada	1,499,027	1,465,950	1,498,890	1,500,000
	23. Other Countries	4,396,056	4,584,050	4,390,953	4,350,000
24. Totals	67,483,489	67,956,559	67,715,437	66,350,923	
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	282,132,055	280,236,814	282,478,452	280,584,900
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
34. Totals					
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
38. Totals					
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
48. Totals					
Industrial and Miscellaneous (unaffiliated)	49. United States	35,541,162	35,541,162	34,761,503	
	50. Canada				
	51. Other Countries				
52. Totals	35,541,162	35,541,162	34,761,503		
Parent, Subsidiaries and Affiliates	53. Totals	172,510,092	172,510,092	300,428,859	
	54. Total Common Stocks	208,051,254	208,051,254	335,190,362	
	55. Total Stocks	208,051,254	208,051,254	335,190,362	
	56. Total Bonds and Stocks	490,183,309	488,288,068	617,668,814	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	<u>1,099,434,532</u>	7. Amortization of premium	<u>1,327,775</u>
2. Cost of bonds and stocks acquired, Column 7, Part 3	<u>482,422,792</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount	<u>566,013</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	<u>(31,221)</u>	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>8,242,982</u>		
4.4 Column 11 - 13, Part 4	<u>(1,436,298)</u>	9. Book/adjusted carrying value at end of current period	<u>490,183,309</u>
5. Total gain (loss), Column 19, Part 4	<u>6,289,417</u>	10. Total valuation allowance	
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	<u>1,103,977,133</u>	11. Subtotal (Lines 9 plus 10)	<u>490,183,309</u>
		12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	<u>490,183,309</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 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	62	4	9		3		1	70	X X X
2. 1996	4,554	545	4,009	2,988	337	251	20	289	18	119	3,153	X X X
3. 1997	5,186	877	4,309	3,257	600	274	42	378	61	139	3,206	X X X
4. 1998	6,024	1,174	4,850	3,886	1,048	306	66	495	126	144	3,447	X X X
5. 1999	5,581	873	4,708	3,798	739	282	45	475	93	138	3,678	X X X
6. 2000	5,322	686	4,636	3,614	606	270	24	423	54	127	3,623	X X X
7. 2001	5,699	783	4,916	3,373	555	258	16	403	58	118	3,405	X X X
8. 2002	7,512	1,766	5,746	3,769	793	238	45	336	88	116	3,417	X X X
9. 2003	8,488	1,421	7,067	3,345	527	192	24	539	98	117	3,427	X X X
10. 2004	8,603	720	7,883	2,655	100	83	2	444	20	118	3,060	X X X
11. 2005	9,096	441	8,655	1,741	30	36		401	7	60	2,141	X X X
12. Totals	X X X	X X X	X X X	32,488	5,339	2,199	284	4,186	623	1,197	32,627	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	154	7	32	2		10	1	6	1		191	X X X	
2. 1996	22	3	11	7		5		2			30	X X X	
3. 1997	57	20	16	12		9	1	3			52	X X X	
4. 1998	132	88	63	51		16	4	4	1	1	71	X X X	
5. 1999	129	92	65	52		19	4	7	1	2	71	X X X	
6. 2000	150	76	60	49		28	4	10	1	4	118	X X X	
7. 2001	193	73	86	52		41	4	16	2	10	205	X X X	
8. 2002	387	80	220	117		103	10	28	3	22	528	X X X	
9. 2003	449	113	269	109		141	12	56	5	32	676	X X X	
10. 2004	964	71	858	162		332	24	92	10	56	1,979	X X X	
11. 2005	1,388	49	1,588	94		428	2	272	20	86	3,511	X X X	
12. Totals	4,025	672	3,268	707		1,132	66	496	44	213	7,432	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	177	14
2. 1996	3,568	385	3,183	78.349	70.642	79.396			0.300	23	7
3. 1997	3,994	736	3,258	77.015	83.922	75.609			0.300	41	11
4. 1998	4,902	1,384	3,518	81.375	117.888	72.536			0.300	56	15
5. 1999	4,775	1,026	3,749	85.558	117.526	79.630			0.300	50	21
6. 2000	4,555	814	3,741	85.588	118.659	80.695			0.300	85	33
7. 2001	4,370	760	3,610	76.680	97.063	73.434			0.300	154	51
8. 2002	5,081	1,136	3,945	67.638	64.326	68.656			0.300	410	118
9. 2003	4,991	888	4,103	58.801	62.491	58.059			0.300	496	180
10. 2004	5,428	389	5,039	63.094	54.028	63.922			0.300	1,589	390
11. 2005	5,854	202	5,652	64.358	45.805	65.303			0.300	2,833	678
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	5,914	1,518

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	1,929	1,893	1,938	1,965	1,951	1,863	1,979	1,960	1,940	1,937	(3)	(23)	
2. 1996	2,960	2,921	2,927	2,914	2,921	2,927	2,938	2,932	2,911	2,913	2	(19)	
3. 1997	X X X	2,820	2,912	2,913	2,912	2,912	2,917	2,926	2,934	2,940	6	14	
4. 1998	X X X	X X X	3,104	3,100	3,100	3,105	3,095	3,111	3,148	3,146	(2)	35	
5. 1999	X X X	X X X	X X X	3,112	3,184	3,229	3,274	3,314	3,348	3,363	15	49	
6. 2000	X X X	X X X	X X X	X X X	3,090	3,230	3,290	3,355	3,352	3,368	16	13	
7. 2001	X X X	X X X	X X X	X X X	X X X	3,229	3,161	3,219	3,276	3,252	(24)	33	
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	3,716	3,761	3,734	3,689	(45)	(72)	
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3,702	3,655	3,615	(40)	(87)	
10. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	4,651	4,538	(113)	X X X	
11. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	5,007	X X X	X X X	
											12. Totals	(188)	(57)

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 Payment	Number of Claims Closed Without Loss Payment
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		
1. Prior	000	106	1,070	1,308	1,443	1,540	1,617	1,656	1,679	1,746	X X X	X X X
2. 1996	1,570	2,200	2,466	2,667	2,772	2,848	2,876	2,885	2,878	2,882	X X X	X X X
3. 1997	X X X	1,409	2,106	2,437	2,646	2,768	2,827	2,862	2,886	2,889	X X X	X X X
4. 1998	X X X	X X X	1,506	2,261	2,624	2,819	2,937	3,005	3,055	3,078	X X X	X X X
5. 1999	X X X	X X X	X X X	1,582	2,384	2,762	3,009	3,139	3,246	3,296	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	1,570	2,425	2,813	3,042	3,175	3,254	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	1,598	2,395	2,725	2,969	3,060	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	1,503	2,388	2,828	3,169	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	1,726	2,570	2,986	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	1,643	2,636	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	1,747	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	546	357	264	183	139	89	130	218	110	39
2. 1996	681	283	163	61	41	17	17	18	8	9
3. 1997	X X X	650	327	149	88	40	24	23	17	12
4. 1998	X X X	X X X	755	290	183	113	52	38	45	24
5. 1999	X X X	X X X	X X X	630	280	164	87	51	63	28
6. 2000	X X X	X X X	X X X	X X X	575	320	187	117	94	35
7. 2001	X X X	X X X	X X X	X X X	X X X	654	340	161	172	71
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	1,312	673	276	196
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	866	426	289
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	1,647	1,004
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	1,920

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	YES							
2. Alaska	AK	YES							
3. Arizona	AZ	YES	24,597	9,920		2,499	2,499	112	
4. Arkansas	AR	YES	661,968	671,587	740,074	110,985	839,868	3,015	
5. California	CA	YES	683,186	401,570	1,365	(112,082)	(388,659)	3,111	
6. Colorado	CO	YES							
7. Connecticut	CT	YES	86,669	(4,421,158)	685	1,218	543	395	
8. Delaware	DE	YES	44,306	33,691		13,013	13,013	202	
9. Dist. Columbia	DC	YES	1,820	327		26	26	8	
10. Florida	FL	YES							
11. Georgia	GA	YES	1,260	1,306		43	45	6	
12. Hawaii	HI	YES							
13. Idaho	ID	YES							
14. Illinois	IL	YES	96,956	39,613	28,963	31,939	2,983	442	
15. Indiana	IN	YES	528,558	311,949	56,183	101,603	207,213	2,407	
16. Iowa	IA	YES	207	107		11	11	1	
17. Kansas	KS	YES							
18. Kentucky	KY	YES	32,358	16,938		3,289	3,289	147	
19. Louisiana	LA	YES	8,579,207	7,893,631	9,183,528	17,376,315	10,486,448	39,070	
20. Maine	ME	YES	32	3		1	1		
21. Maryland	MD	YES	147,681	110,226	2,160	24,693	22,532	673	
22. Massachusetts	MA	YES	31,862	9,182	79,200	(53,199)	277,444	145	
23. Michigan	MI	YES	133,782	150,627	16,256	38,968	29,753	609	
24. Minnesota	MN	YES	727	112		(50)	(50)	3	
25. Mississippi	MS	YES							
26. Missouri	MO	YES	32,179	16,183		3,210	3,235	147	
27. Montana	MT	YES							
28. Nebraska	NE	YES	9,010	4,290	5,495	80,420	98,953	41	
29. Nevada	NV	YES							
30. New Hampshire	NH	YES	1,042	1,029		150	150	5	
31. New Jersey	NJ	YES	188,299	101,647	168,397	565,432	2,985,426	858	
32. New Mexico	NM	YES							
33. New York	NY	YES	116,893	93,433	113,608	(137,626)	1,771,096	532	
34. No. Carolina	NC	YES	6,840	2,568		(86)	(86)	31	
35. No. Dakota	ND	YES							
36. Ohio	OH	YES	49,260	38,793		8,427	12,565	224	
37. Oklahoma	OK	YES	1,451,727	1,248,582	136,829	374,475	268,946	6,611	
38. Oregon	OR	YES							
39. Pennsylvania	PA	YES	846,079	150,111	172,450	(61,316)	605,053	3,853	
40. Rhode Island	RI	YES	966,918	540,825	74,044	238,187	168,280	4,403	
41. So. Carolina	SC	YES							
42. So. Dakota	SD	YES							
43. Tennessee	TN	YES	17,566	10,006		1,862	1,862	80	
44. Texas	TX	YES	614,368	357,223	39,294	148,162	118,479	2,798	
45. Utah	UT	YES							
46. Vermont	VT	YES	1,363	688		47	47	6	
47. Virginia	VA	YES	14,488	9,271		1,450	1,450	66	
48. Washington	WA	YES							
49. West Virginia	WV	YES							
50. Wisconsin	WI	YES	998,440	298,873	17,995	24,055	18,288	4,547	
51. Wyoming	WY	YES							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Canada	CN	NO							
57. Aggregate other alien	OT	XXX							
58. Totals	(a) 51		16,369,648	8,103,153	10,836,526	18,786,121	17,550,703	74,548	

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

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

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

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

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

PART 1 - ORGANIZATIONAL CHART

