

**ANNUAL STATEMENT**

OF THE

**Peerless Insurance Company**

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of **Keene**

in the state of **New Hampshire**

TO THE

**Insurance Department**

OF THE

STATE OF

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

PROPERTY AND CASUALTY

**2005**



24198200520100100

ANNUAL STATEMENT

For the Year Ended December 31, 2005

OF THE CONDITION AND AFFAIRS OF THE

Peerless Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 24198 Employer's ID Number 02-0177030

Organized under the Laws of New Hampshire, State of Domicile or Port of Entry New Hampshire

Country of Domicile United States of America

Incorporated/Organized: March 7, 1901 Commenced Business: November 23, 1903

Statutory Home Office: 62 Maple Avenue Keene, NH 03431

Main Administrative Office: 62 Maple Avenue Keene, NH 03431 603-352-3221

Mail Address: 175 Berkeley Street Boston, MA 02117

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

Internet Website Address: www.peerless-ins.com

Statutory Statement Contact: Douglas Link 617-357-9500 45668 Douglas.Link@LibertyMutual.com 617-574-5955 (E-Mail Address) (Fax Number)

Policyowner Relations Contact: 62 Maple Avenue Keene, NH 03431 603-352-3221

OFFICERS

Chairman of the Board Gary Richard Gregg #

Table with 2 columns: Name, Title. Rows for Gary Richard Gregg #, Edmund Campion Kenealy #, James Francis Dore #.

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Rows for Anthony Alexander Fontanes, Scott Rhodes Goodby #, Joseph Anthony Gilles #, Executive Vice President.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows for James Francis Dore, Gary Richard Gregg #, John Derek Doyle, Christopher Charles Mansfield, Joseph Anthony Gilles #, Scott Rhodes Goodby #.

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)	2,572,613,176		2,572,613,176	1,331,362,801
2. Stocks (Schedule D):				
2.1 Preferred stocks	17,150,700		17,150,700	17,150,700
2.2 Common stocks	684,924,507		684,924,507	625,621,429
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)	6,484,540		6,484,540	6,878,465
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (52,844,970) , Schedule E-Part 1), cash equivalents (\$ 50,432,773 Schedule E-Part 2) and short-term investments (\$ 177,879,870 , Schedule DA)	175,467,673		175,467,673	(56,960,765)
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	4,167,735		4,167,735	6,050,026
8. Receivables for securities	966,086		966,086	139,395
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	3,461,774,417		3,461,774,417	1,930,242,051
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	24,266,263		24,266,263	12,914,646
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	248,259,214	8,250,256	240,008,958	54,364,866
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 21,315,923 earned but unbilled premiums)	552,081,243	2,000,482	550,080,761	310,292,205
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	116,389,160		116,389,160	48,301,435
14.2 Funds held by or deposited with reinsured companies	7,093,655		7,093,655	3,942,467
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				556,651
16.2 Net deferred tax asset	140,486,000	18,673,852	121,812,148	57,254,553
17. Guaranty funds receivable or on deposit	3,779,542		3,779,542	2,293,291
18. Electronic data processing equipment and software	53,385,833	53,383,186	2,647	
19. Furniture and equipment, including health care delivery assets (\$ 0 )	166,718	166,718		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				97,330,126
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	51,977,131	25,706,062	26,271,069	24,497,423
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	4,659,659,176	108,180,556	4,551,478,620	2,541,989,714
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	4,659,659,176	108,180,556	4,551,478,620	2,541,989,714

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. Receivable for administrative services - OneBeacon	12,121,188		12,121,188	18,007,116
2302. OneBeacon Goodwill	22,504,459	22,504,459		
2303. Equities and deposits in pools and associations	9,229,326		9,229,326	4,480,809
2398. Summary of remaining write-ins for Line 23 from overflow page	8,122,158	3,201,603	4,920,555	2,009,498
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	51,977,131	25,706,062	26,271,069	24,497,423

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	1,398,181,035	715,719,512
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	164,553,519	51,594,221
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	359,180,936	171,591,280
4. Commissions payable, contingent commissions and other similar charges	88,341,239	41,769,126
5. Other expenses (excluding taxes, licenses and fees)	35,466,241	5,185,555
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	23,621,991	16,878,294
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	54,574,097	
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 435,171,624 and including warranty reserves of \$ 0 )	1,001,005,264	563,718,584
10. Advance premium	3,020,948	2,172,904
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	74,032,256	31,772,767
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	21,289,129	9,651,987
14. Amounts withheld or retained by company for account of others	8,015,753	6,302,100
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	6,174,744	6,041,223
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		2,140
19. Payable to parent, subsidiaries and affiliates	87,461,192	
20. Payable for securities	5,055,505	31,775,167
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	204,842,842	25,763,081
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	3,534,816,691	1,679,937,941
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	3,534,816,691	1,679,937,941
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	8,848,635	8,848,635
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	549,537,163	549,537,163
33. Unassigned funds (surplus)	458,441,847	303,831,691
34. Less treasury stock, at cost:		
34.1 14,998 shares common (value included in Line 28 \$ 37,495 )	165,716	165,716
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)	1,016,661,929	862,051,773
36. TOTALS (Page 2, Line 26, Col. 3)	4,551,478,620	2,541,989,714

<b>DETAILS OF WRITE-INS</b>		
2301. Other liabilities	3,101,007	1,711,988
2302. Collateral held for securities loaned	200,516,695	22,195,435
2303. Restructure liability - OneBeacon	1,225,140	2,121,318
2398. Summary of remaining write-ins for Line 23 from overflow page		(265,660)
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	204,842,842	25,763,081
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)		

<b>STATEMENT OF INCOME</b>		1	2
		Current Year	Prior Year
<b>UNDERWRITING INCOME</b>			
1. Premiums earned (Part 1, Line 34, Column 4)		2,046,431,084	1,092,794,260
DEDUCTIONS			
2. Losses incurred (Part 2, Line 34, Column 7)		1,009,638,422	585,489,454
3. Loss expenses incurred (Part 3, Line 25, Column 1)		269,254,441	140,718,938
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		734,875,370	368,821,902
5. Aggregate write-ins for underwriting deductions			(2,687,026)
6. Total underwriting deductions (Lines 2 through 5)		2,013,768,233	1,092,343,268
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		32,662,851	450,992
<b>INVESTMENT INCOME</b>			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		116,272,570	73,129,292
10. Net realized capital gains (losses) less capital gains tax of \$ 3,249,308 (Exhibit of Capital Gains (Losses))		6,034,429	16,455,649
11. Net investment gain (loss) (Lines 9 + 10)		122,306,999	89,584,941
<b>OTHER INCOME</b>			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 2,682,695 )		(2,682,695)	(2,911,689)
13. Finance and service charges not included in premiums		13,459,209	11,776,402
14. Aggregate write-ins for miscellaneous income		(7,377,075)	(1,932,366)
15. Total other income (Lines 12 through 14)		3,399,439	6,932,347
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		158,369,289	96,968,280
17. Dividends to policyholders		3,380,696	1,503,576
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)		154,988,593	95,464,704
19. Federal and foreign income taxes incurred		115,997,734	32,459,646
20. Net income (Line 18 minus Line 19) (to Line 22)		38,990,859	63,005,058
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		862,051,773	799,688,683
<b>GAINS AND (LOSSES) IN SURPLUS</b>			
22. Net income (from Line 20)		38,990,859	63,005,058
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (466,431)		31,263,135	34,561,069
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax		47,668,569	16,396,563
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		32,452,079	(48,370,012)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		(133,521)	(5,650,223)
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		4,369,035	2,420,635
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)		154,610,156	62,363,090
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		1,016,661,929	862,051,773
<b>DETAILS OF WRITE-INS</b>			
0501. North Carolina private passenger auto escrow			(2,687,026)
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)			(2,687,026)
1401. Other income / (expense)		(7,377,075)	(1,932,366)
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)		(7,377,075)	(1,932,366)
3701. Other surplus adjustments		4,369,035	2,420,635
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)		4,369,035	2,420,635

<b>CASH FLOW</b>		1	2
<b>Cash from Operations</b>		Current Year	Prior Year
1. Premiums collected net of reinsurance		2,097,421,578	1,172,030,637
2. Net investment income		107,042,926	74,326,199
3. Miscellaneous income		8,534,770	11,584,696
4. Total (Lines 1 through 3)		2,212,999,274	1,257,941,532
5. Benefit and loss related payments		261,624,031	385,959,727
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions		732,936,246	438,200,831
8. Dividends paid to policyholders		3,380,696	1,503,576
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)		64,116,294	48,092,866
10. Total (Lines 5 through 9)		1,062,057,267	873,757,000
11. Net cash from operations (Line 4 minus Line 10)		1,150,942,007	384,184,532
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds		479,453,747	834,068,917
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			172,389
12.5 Other invested assets		4,294,500	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		(13,515)	
12.7 Miscellaneous proceeds			27,640,342
12.8 Total investment proceeds (Lines 12.1 to 12.7)		483,734,732	861,881,648
13. Cost of investments acquired (long-term only):			
13.1 Bonds		1,714,152,311	1,122,534,659
13.2 Stocks		27,478,185	4,570,656
13.3 Mortgage loans			
13.4 Real estate		355,486	1,289,877
13.5 Other invested assets		2,079,185	
13.6 Miscellaneous applications		27,546,352	
13.7 Total investments acquired (Lines 13.1 to 13.6)		1,771,611,519	1,128,395,192
14. Net increase (decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		(1,287,876,787)	(266,513,544)
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)		369,363,218	(186,082,977)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		369,363,218	(186,082,977)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)		232,428,438	(68,411,989)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year		(56,960,765)	11,451,224
19.2 End of year (Line 18 plus Line 19.1)		175,467,673	(56,960,765)

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	27,683,055	6,735,891	11,841,772	22,577,174
2. Allied lines	24,659,131	6,017,987	10,488,464	20,188,654
3. Farmowners multiple peril	19,441,829	5,265,200	8,212,657	16,494,372
4. Homeowners multiple peril	212,138,201	55,973,086	91,410,036	176,701,251
5. Commercial multiple peril	834,253,182	180,096,531	335,467,598	678,882,115
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	73,956,123	15,034,801	28,007,047	60,983,877
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	8,432,037	2,097,481	3,675,343	6,854,175
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	310,232,327	56,703,044	111,090,567	255,844,804
17.1 Other liability - occurrence	138,453,081	29,069,411	55,156,897	112,365,595
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	2,850,985	674,231	1,193,167	2,332,049
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	205,790,030	52,605,464	78,087,910	180,307,584
19.3, 19.4 Commercial auto liability	349,617,532	76,820,677	140,297,366	286,140,843
21. Auto physical damage	262,423,499	65,167,189	103,286,370	224,304,318
22. Aircraft (all perils)				
23. Fidelity	(203,046)	(300,582)	123,332	(626,960)
24. Surety	1,736,555	1,081,496	861,019	1,957,032
26. Burglary and theft	689,860	71,338	132,977	628,221
27. Boiler and machinery	637,775	165,817	356,821	446,771
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	2,472,792,156	553,279,062	979,689,343	2,046,381,875

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	11,841,772				11,841,772
2. Allied lines	10,488,464				10,488,464
3. Farmowners multiple peril	8,212,657				8,212,657
4. Homeowners multiple peril	91,410,036				91,410,036
5. Commercial multiple peril	343,566,700		(8,099,102)		335,467,598
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	28,007,047				28,007,047
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	3,675,343				3,675,343
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	120,813,591		(9,723,026)		111,090,565
17.1 Other liability - occurrence	58,650,692		(3,493,795)		55,156,897
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	1,193,167				1,193,167
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	78,087,910				78,087,910
19.3, 19.4 Commercial auto liability	140,297,366				140,297,366
21. Auto physical damage	103,286,370				103,286,370
22. Aircraft (all perils)					
23. Fidelity	49,327	74,005			123,332
24. Surety	635,478	225,541			861,019
26. Burglary and theft	132,977				132,977
27. Boiler and machinery	356,821				356,821
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	1,000,705,718	299,546	(21,315,923)		979,689,341
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					21,315,923
37. Balance (Sum of Line 34 through 36)					1,001,005,264

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	18,420,927	13,852,346	1,339,891	5,484,817	445,292	27,683,055
2. Allied lines	15,049,041	15,781,358	587,382	4,908,475	1,850,175	24,659,131
3. Farmowners multiple peril	5,687,021	16,975,953	48	3,169,483	51,710	19,441,829
4. Homeowners multiple peril	121,526,157	125,830,416	1,194,775	36,011,073	402,074	212,138,201
5. Commercial multiple peril	338,865,515	714,494,180	(155,488)	177,176,892	41,774,133	834,253,182
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	46,438,424	46,863,274	2,456	17,765,210	1,582,821	73,956,123
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	1,877,598	8,787,997	848	1,641,914	592,492	8,432,037
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	124,287,372	285,572,895	31,431,866	73,553,126	57,506,680	310,232,327
17.1 Other liability - occurrence	64,590,623	109,133,781	63,130	27,858,028	7,476,425	138,453,081
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	1,951,541	1,416,215	(1,415)	497,863	17,493	2,850,985
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	113,484,195	121,893,911	3,883,920	32,367,604	1,104,392	205,790,030
19.3, 19.4 Commercial auto liability	133,659,002	276,804,636	8,882,029	67,022,675	2,705,460	349,617,532
21. Auto physical damage	138,572,517	169,260,580	1,200,588	45,645,666	964,520	262,423,499
22. Aircraft (all perils)						
23. Fidelity	5,447	7,244		215,737		(203,046)
24. Surety	1,231,863	31,397		(363,927)	(109,368)	1,736,555
26. Burglary and theft	76,303	324,185	5,123	(287,822)	3,573	689,860
27. Boiler and machinery	516,482	1,058,963		96,467	841,203	637,775
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	1,126,240,028	1,908,089,331	48,435,153	492,763,281	117,209,075	2,472,792,156

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	4,299,973	6,909,130	4,562,472	6,646,631	2,342,820	1,913,629	7,075,822	31.341
2. Allied lines	5,766,766	10,929,902	5,709,142	10,987,526	7,573,956	957,786	17,603,696	87.196
3. Farmowners multiple peril	1,987,005	7,419,716	4,473,154	4,933,567	3,552,756	2,464,527	6,021,796	36.508
4. Homeowners multiple peril	51,090,161	71,995,290	52,745,548	70,339,903	37,081,540	22,024,988	85,396,455	48.328
5. Commercial multiple peril	99,718,598	240,993,568	263,339,115	77,373,051	447,427,681	217,391,604	307,409,128	45.282
6. Mortgage guaranty								
8. Ocean marine		1,795	147,926	(146,131)	(3,785,750)	208,949	(4,140,830)	
9. Inland marine	9,464,245	12,837,417	8,659,471	13,642,191	6,267,455	3,018,469	16,891,177	27.698
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake			47,974	(47,974)	71	68,004	(115,907)	(1.691)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	45,020,844	129,837,477	182,229,493	(7,371,172)	342,178,097	167,397,655	167,409,270	65.434
17.1 Other liability - occurrence	11,599,893	39,511,150	69,118,151	(18,007,108)	110,098,928	54,564,715	37,527,105	33.397
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	16,386	406,959	900,647	(477,302)	(958,569)	1,099,748	(2,535,619)	(108.729)
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	81,437,545	116,872,180	145,527,511	52,782,214	169,087,355	110,665,561	111,204,008	61.675
19.3, 19.4 Commercial auto liability	50,582,833	112,473,496	140,326,529	22,729,800	259,462,050	126,521,959	155,669,891	54.403
21. Auto physical damage	58,003,266	82,201,881	42,892,293	97,312,854	7,050,257	2,901,029	101,462,082	45.234
22. Aircraft (all perils)								
23. Fidelity	21,742	(2,391)	26,137	(6,786)	20,070	34,409	(21,125)	3.369
24. Surety	703,414	84,880	614,178	174,116	2,539,623	449,923	2,263,816	115.676
26. Burglary and theft	12,417	33,145	1,043,074	(997,512)	(38,095)	1,459,802	(2,495,409)	(397.218)
27. Boiler and machinery	6,920	90,970	1,142,762	(1,044,872)	4,295,446	239,938	3,010,636	673.866
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X		1,648,527	(1,648,527)	3,985,344	2,336,817		
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	419,732,008	832,596,565	925,154,104	327,174,469	1,398,181,035	715,719,512	1,009,635,992	49.338

**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	1,612,485	1,098,289	841,165	1,869,609	443,121	232,461	202,372	2,342,819	86,519
2. Allied lines	3,442,616	6,447,716	3,693,451	6,196,881	319,214	2,044,424	986,563	7,573,956	(216,518)
3. Farmowners multiple peril	960,191	3,098,132	1,179,754	2,878,569	231,048	721,402	278,263	3,552,756	843,547
4. Homeowners multiple peril	16,787,521	25,885,981	13,710,963	28,962,539	7,401,664	4,188,043	3,470,705	37,081,541	8,383,816
5. Commercial multiple peril	109,184,693	298,526,054	141,878,381	265,832,366	91,361,738	178,492,013	88,258,436	447,427,681	186,173,382
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	3,497,897	4,039,520	2,191,129	5,346,288	722,828	(5,303,086)	(1,517,336)	(3,785,750)	(34,353)
10. Financial guaranty						1,138,267	939,928	6,267,455	1,625,047
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake		100	29	71		117	117	71	(250,777)
13. Group accident and health								(a)	1,634
14. Credit accident and health (group and individual)								(a)	116
15. Other accident and health									
16. Workers' compensation	64,283,515	255,477,028	128,577,609	191,182,934	79,284,852	246,337,641	174,627,332	342,178,095	52,846,464
17.1 Other liability - occurrence	17,132,705	65,092,674	45,571,716	36,653,663	16,596,895	116,013,563	59,165,193	110,098,928	25,502,282
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	56,698	575,336	186,869	445,165	1,589,594	(3,333,882)	(340,554)	(958,569)	590,868
18.2 Products liability - claims - made									787
19.1, 19.2 Private passenger auto liability	71,647,714	103,825,550	58,288,689	117,184,575	35,177,728	42,055,068	25,330,015	169,087,356	38,386,788
19.3, 19.4 Commercial auto liability	50,448,821	133,943,684	57,234,447	127,158,058	56,596,029	144,054,889	68,346,924	259,462,052	42,305,076
21. Auto physical damage	3,554,678	6,441,054	3,070,107	6,925,625		254,338	129,706	7,050,257	1,639,128
22. Aircraft (all perils)									
23. Fidelity	25,987	9	7,559	18,437		2,303	669	20,071	65,910
24. Surety	2,704,202	169,930	1,268,159	1,605,973	1,216,820	599,478	882,648	2,539,623	988,643
26. Burglary and theft	10,261	183	3,036	7,408	(9,143)	(55,026)	(18,665)	(38,096)	309,811
27. Boiler and machinery	4,299	7,799	6,566	5,532	206,624	5,146,648	1,063,359	4,295,445	(67,234)
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	545,102	158,461	386,641	X X X	5,073,598	1,474,895	3,985,344	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	345,354,283	905,174,141	457,868,090	792,660,334	291,139,012	737,662,259	423,280,570	1,398,181,035	359,180,936

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	57,782,306			57,782,306
1.2 Reinsurance assumed	114,531,503			114,531,503
1.3 Reinsurance ceded	45,444,546			45,444,546
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	126,869,263			126,869,263
2. Commission and brokerage:				
2.1 Direct, excluding contingent		169,736,666		169,736,666
2.2 Reinsurance assumed, excluding contingent		280,160,207		280,160,207
2.3 Reinsurance ceded, excluding contingent		139,944,518		139,944,518
2.4 Contingent-direct		142,844,436		142,844,436
2.5 Contingent-reinsurance assumed		(21,414,407)		(21,414,407)
2.6 Contingent-reinsurance ceded		38,934,823		38,934,823
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)		392,447,561		392,447,561
3. Allowances to manager and agents		592,384		592,384
4. Advertising	1,528,544	5,770,020	1,859	7,300,423
5. Boards, bureaus and associations	1,915,996	2,425,335		4,341,331
6. Surveys and underwriting reports	31,936	9,795,649		9,827,585
7. Audit of assureds' records	42	116		158
8. Salary and related items:				
8.1 Salaries	64,430,682	138,497,118	436,027	203,363,827
8.2 Payroll taxes	4,683,532	12,509,628	16,727	17,209,887
9. Employee relations and welfare	13,733,198	37,557,988	22,117	51,313,303
10. Insurance	3,715,967	1,176,777	496	4,893,240
11. Directors' fees	508	8,561		9,069
12. Travel and travel items	4,051,913	12,688,501	6,257	16,746,671
13. Rent and rent items	4,760,446	16,685,883	6,753	21,453,082
14. Equipment	5,448,214	12,293,998	7,496	17,749,708
15. Cost or depreciation of EDP equipment and software	6,004,502	9,561,216	4,585	15,570,303
16. Printing and stationery	1,170,916	3,169,235	991	4,341,142
17. Postage, telephone and telegraph, exchange and express	2,804,436	8,236,369	16,975	11,057,780
18. Legal and auditing	1,134,502	2,809,699	38,783	3,982,984
19. Totals (Lines 3 to 18)	115,415,334	273,778,477	559,066	389,752,877
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 598,595		50,747,034		50,747,034
20.2 Insurance department licenses and fees		1,405,870		1,405,870
20.3 Gross guaranty association assessments		94,778		94,778
20.4 All other (excluding federal and foreign income and real estate)		1,668,859		1,668,859
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		53,916,541		53,916,541
21. Real estate expenses			1,309,327	1,309,327
22. Real estate taxes			316,794	316,794
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	26,969,845	14,732,792	51,285	41,753,922
25. Total expenses incurred	269,254,442	734,875,371	2,236,472	(a) 1,006,366,285
26. Less unpaid expenses-current year	359,180,936	147,353,239	76,231	506,610,406
27. Add unpaid expenses-prior year	171,591,280	63,832,975		235,424,255
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)	81,664,786	651,355,107	2,160,241	735,180,134

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	19,657,131			19,657,131
2402. Other Expenses	7,312,714	14,732,792	51,285	22,096,791
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	26,969,845	14,732,792	51,285	41,753,922

(a) Includes management fees of \$ 619,533 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) 12,326,032	15,628,388
1.1 Bonds exempt from U.S. tax	(a) 1,020,936	5,540,842
1.2 Other bonds (unaffiliated)	(a) 52,943,620	56,270,623
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 1,001,150	1,067,400
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	5,363,405	5,363,405
2.21 Common stocks of affiliates	1,600,000	1,600,000
3. Mortgage loans	(c)	
4. Real estate	(d) 2,666,439	2,666,439
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 3,001,416	3,137,518
7. Derivative instruments	(f)	
8. Other invested assets	271,760	271,760
9. Aggregate write-ins for investment income	27,712,078	27,712,078
10. Total gross investment income	107,906,836	119,258,453

11. Investment expenses		(g) 2,236,473
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) 749,411
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		2,985,884
17. Net investment income (Line 10 minus Line 16)		116,272,569

DETAILS OF WRITE-INS		
0901. Miscellaneous Income/ (Expense)	412,956	412,956
0902. Investment Income due to Pooling restatement	27,299,122	27,299,122
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	27,712,078	27,712,078
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 \$ 1,352,456 accrual of discount less \$ 2,735,437 amortization of premium and less \$ 10,464,569 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 \$ 2,666,439 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 179,190 accrual of discount less \$ 5,178 amortization of premium and less \$ 293,852 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 \$ 749,411 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	363,650			363,650
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)	8,599,331		(1,028,189)	7,571,142
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)			(2,091,607)	(2,091,607)
2.21 Common stocks of affiliates			33,916,500	33,916,500
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	(13,515)			(13,515)
7. Derivative instruments				
8. Other invested assets	334,271			334,271
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	9,283,737		30,796,704	40,080,441

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	8,250,256	5,301,340	(2,948,916)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,000,482	1,027,535	(972,947)
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	18,673,852	35,096,447	16,422,595
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	53,383,186	68,737,921	15,354,735
19. Furniture and equipment, including health care delivery assets	166,718	508,342	341,624
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	25,706,062	29,961,050	4,254,988
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	108,180,556	140,632,635	32,452,079
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	108,180,556	140,632,635	32,452,079

<b>DETAILS OF WRITE-INS</b>			
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	3,201,603	3,001,639	(199,964)
2302. OneBeacon Goodwill	22,504,459	26,959,411	4,454,952
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	25,706,062	29,961,050	4,254,988

## NOTES TO FINANCIAL STATEMENTS

### Note 1- Summary of Significant Accounting Policies

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of New Hampshire, the accompanying financial statements of Peerless 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 on according to Note 1 C(7).
4. Preferred stocks are carried at cost or market in accordance with the SVO Manual.
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, *Investment in Subsidiaries Controlled Entities and Affiliates*, 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

#### A. Statutory Purchase Method

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

#### B. Statutory Mergers

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

## NOTES TO FINANCIAL STATEMENTS

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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

1. The Company did not incur any impairments on real estate during the year.
2. The Company does not engage in retail land sale operations.

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

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

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

Not applicable

**Note 7- Investment Income**

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2005.

**Note 8- Derivative Instruments**

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

**Note 9 - Income Taxes**



## NOTES TO FINANCIAL STATEMENTS

- 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	171,124,000	103,460,049	67,663,951
Total of deferred tax liabilities	(30,638,000)	(11,109,049)	(19,528,951)
Net deferred tax asset	140,486,000	92,351,000	48,135,000
Net deferred tax asset non-admitted	(18,673,852)	(35,096,447)	16,422,595
Net admitted deferred tax asset	<b>121,812,148</b>	<b>57,254,553</b>	<b>64,557,595</b>

- B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.
- C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2005	2004
Federal tax on operations	115,997,734	26,700,169
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	115,997,734	26,700,169
Tax on capital gains	3,249,308	5,759,477
Total income tax incurred	119,247,042	32,459,646

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, fixed asset depreciation differences, 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)	47,668,569
Tax effect of unrealized (gains) losses	466,431
Total change in net deferred income tax	48,135,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, dividends-received deductions, goodwill, revisions to prior year estimates, and the change in non-admitted deferred tax assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$95,106,000 from the current year and none from the preceding year.

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

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

Access Insurance Services, Co.	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

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**NOTES TO FINANCIAL STATEMENTS**


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

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

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

- A. The Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty 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. Peerless Insurance Company owns all outstanding shares of Liberty-USA Corporation, an insurance holding company incorporated in the State of Delaware. Liberty-USA Corporation owns all of the outstanding shares of Peerless Indemnity Insurance Company (IL), The National Corporation as Attorney-in-Fact for the National Insurance Association (IN) and LIH-RE of America (DE).
- A. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- B. Refer to Note 26.
- D. At December 31, 2005, the Company reported \$87,461,192 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. The Company entered into a Services Agreement, effective January 1, 1999, with The Netherlands Insurance Company (NIC), Excelsior Insurance Company (EIC), America First Insurance Company (AMF), Indiana Insurance Company (IIC), Consolidated Insurance Company (CIC), Peerless Indemnity Insurance Company (fka Atlas Assurance Company of America) (PIIC), Liberty Insurance Underwriters (LIU), Globe American Casualty Company (Globe), American Ambassador Casualty Company (AACC), and Mid-American Fire and Casualty Company (MAF). Amendments 1 and 2 added affiliates Montgomery Mutual Insurance Company (MMIC), Colorado Casualty Insurance Company (CCIC) and Golden Eagle Insurance Company (GEIC) to the agreement in 2000 and 2001.

The Services 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 also entered into service agreements with Hawkeye-Security Insurance Company (FKA, Tower Insurance Company) (HSIC) and National Corporation in 1999. Under those agreements the Company is allowed to perform 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 a management services agreement, effective December 15, 2001, with Liberty Mutual Insurance Company (LMIC). Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

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

The Company entered into a management agreement, effective April 1, 2002, with Merchants and Business Men's Mutual Insurance Company (M&B) with services related to common management functions including, but not limited to, coordinating marketing and advertising, actuarial support, and accounting, as well as consulting and other services as the Parties may request.

## NOTES TO FINANCIAL STATEMENTS

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

- 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 a 100% interest in Liberty USA Corporation, whose carrying value is equal to or exceeds 10% of the admitted assets of the Company. The Company carries Liberty USA Corporation, at STAT equity of \$592,004,870.

Based on the Company's ownership percentage of Liberty USA Corporation, the statutory statement carrying values of Liberty USA Corporation assets and liabilities as of December 31, 2005 were \$662,859,292 and \$70,854,423, respectively.

The company's share of net income of Liberty USA Corporation was \$63,550,032 for the year ended December 31, 2005.

- 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 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, Shareholders' Dividend restrictions and Quasi-Reorganizations**

- 1. Common Stock

The Company has 5,000,000 shares authorized, and 3,524,456 shares issued and outstanding as of December 31, 2005. All shares have a stated par value of \$2.50.

- 2. Preferred Stock

The Company has 113,043 shares authorized, but no shares are issued and outstanding as of December 31, 2005. All shares have a stated par value of \$2.50.

- 3. Dividend Restrictions

The Company has no dividend restrictions.

- 4. The maximum amount of dividends which can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of policyholder surplus less any dividends paid in the preceding twelve months. The maximum dividend payout which may be made without prior approval in 2006 is \$101,666,193.
- 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 \$121,274,286.

- 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, the Company has made no guarantees on behalf of affiliates.

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**NOTES TO FINANCIAL STATEMENTS**


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## 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 \$13,615,079 that is offset by future premium tax credits of \$3,779,542. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next ten years.

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

## C. Gain Contingencies

Not applicable

## D. All other Contingencies

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

**Note 15- Leases**

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

2006	\$7,204,813
2007	6,096,907
2008	5,303,623
2009	3,306,042
2010	2,747,396
2011 & thereafter	6,594,089
Total	<u>\$31,252,870</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. 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 \$327,889,046, with corresponding collateral value at \$335,075,876.

## C. Wash Sales

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

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

## A. Administrative Services Only (ASO) Plans

Not applicable

## B. Administrative Services Contract (ASC) Plans

## NOTES TO FINANCIAL STATEMENTS

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

**Note 20 – September 11 Events**

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

**Note 21- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$22,421,414 and \$30,918,645 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, the following are the unsecured reinsurance recoverables of an individual reinsurer which exceed 3% of policyholders surplus.

<u>Reinsurer</u>	<u>NAIC Co.</u>	<u>Fed ID #</u>	<u>Recoverable Amount</u>
One Beacon Insurance Company	21970	23-1502700	\$119,079,000
Swiss Reinsurance America Corporation	25364	13-1675535	\$108,022,000
American Reinsurance Company	10227	13-4924125	\$42,978,000
Partner Re of the United States	38636	13-3031176	\$34,153,000

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

C. Reinsurance Assumed & Ceded

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

<u>Assumed Reinsurance</u>	<u>Ceded Reinsurance</u>	<u>Net Reinsurance</u>
Commission	Commission	Commission

## NOTES TO FINANCIAL STATEMENTS

	UEP	Equity	UEP	Equity	UEP	Equity
Affiliates	\$891,614,682	\$134,376,065	\$410,252,686	\$61,829,558	\$481,361,996	\$72,546,507
All Other	16,752,544	2,524,791	24,918,938	3,755,556	(8,166,394)	(1,230,765)
<b>Total</b>	<b>\$908,367,226</b>	<b>\$136,900,856</b>	<b>\$435,171,624</b>	<b>\$65,585,114</b>	<b>\$473,195,602</b>	<b>\$71,315,742</b>

Direct unearned premium reserve \$527,809,662

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	\$72,172,062
Assumed	48,597,762
Ceded	(35,267,768)
<b>Net</b>	<b>\$85,502,056</b>

- D. The Company did not write off any uncollectible balances in 2005.
- E. The Company commuted three ceded reinsurance treaties in the current year. The net effect of all commutations was an increase in loss and loss adjustment expense of \$477,193.

**Income Statement Classification**

Losses Incurred	\$508,766
LAE Incurred	0
Premiums Earned	0
Other	(31,573)
<b>Total</b>	<b>\$477,193</b>

- F. The Company has no retroactive reinsurance.
- G. There are no contracts recorded as deposit accounting.

**Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

The Company does not write loss sensitive 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 the lead company of the Peerless Insurance Company (PIC) Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

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

## NOTES TO FINANCIAL STATEMENTS

- (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 \$17,017,735 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 \$17,017,735 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.

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$11,228,154

### **Note 28 - Health Care Receivables**

Not applicable

### **Note 29 - Participating Policies**

Not applicable

### **Note 30 - Premium Deficiency Reserves**

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

### **Note 31- High Dollar Deductible Policies**

The Company does not have any high deductible policies.

### **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 \$357,488,951 are carried at a discounted value of \$342,178,096 representing a discount of \$15,310,855.

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

## NOTES TO FINANCIAL STATEMENTS

### Note 33 - Asbestos/Environmental Reserves

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

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

#### Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

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

#### Uncertainty Regarding Reserving Methodologies

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

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

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

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

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years.

#### Asbestos:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Direct Basis</b>					
Beginning Reserves	7,584,139	7,951,042	10,787,197	12,228,236	12,828,614
Incurred losses and LAE	1,086,750	4,078,475	2,439,597	2,292,831	1,710,512
Calendar year payments	719,847	1,242,320	998,558	1,692,453	1,764,161
Ending Reserves	<u>7,951,042</u>	<u>10,787,197</u>	<u>12,228,236</u>	<u>12,828,614</u>	<u>12,774,965</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	1,846,908	1,419,812	948,706	672,870	213,500
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	427,096	471,106	275,836	459,370	-



## NOTES TO FINANCIAL STATEMENTS

Ending Reserves	1,419,812	948,706	672,870	213,500	213,500
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	7,508,232	7,548,580	8,976,048	11,158,585	10,195,653
Incurred losses and LAE	983,651	2,872,665	3,456,932	845,986	1,375,140
Calendar year payments	943,303	1,445,197	1,274,395	1,808,918	1,764,161
Ending Reserves	7,548,580	8,976,048	11,158,585	10,195,653	9,806,632
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					9,727,668
Assumed Reinsurance Basis					213,499
Net of Ceded Reinsurance Basis					7,775,100
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					2,730,592
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					2,382,715
<b>Environmental:</b>					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Direct Basis</b>					
Beginning Reserves	20,219,080	14,608,426	8,890,530	8,808,399	9,468,655
Incurred losses and LAE	(2,378,138)	-	388,247	1,281,885	5,877,531
Calendar year payments	3,232,516	5,717,896	470,378	621,629	3,324,304
Ending Reserves	14,608,426	8,890,530	8,808,399	9,468,655	12,021,882
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	366,041	464,916	533,896	3,975,895	3,687,651
Incurred losses and LAE	-	-	3,546,500	-	97,591
Calendar year payments	(98,875)	(68,980)	104,501	288,244	13,244
Ending Reserves	464,916	533,896	3,975,895	3,687,651	3,771,998
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	14,503,590	13,064,938	7,416,529	12,386,874	10,377,041
Incurred losses and LAE	1,659,917	-	5,545,224	137,323	3,072,698
Calendar year payments	3,098,569	5,648,409	574,879	2,147,156	3,337,548
Ending Reserves	13,064,938	7,416,529	12,386,874	10,377,041	10,112,191
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					8,218,902
Assumed Reinsurance Basis					3,687,651
Net of Ceded Reinsurance Basis					9,331,900
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					3,337,390
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					2,912,208

**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	414,783,237	11.982	414,783,237	11.982
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	157,270,122	4.543	157,270,122	4.543
1.22 Issued by U.S. government sponsored agencies	62,043,799	1.792	62,043,799	1.792
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	112,328,125	3.245	112,328,125	3.245
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	90,947,564	2.627	90,947,564	2.627
1.43 Revenue and assessment obligations	254,724,459	7.358	254,724,459	7.358
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	9,000,289	0.260	9,000,289	0.260
1.512 Issued or guaranteed by FNMA and FHLMC	373,063,200	10.777	373,063,200	10.777
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	371,549,212	10.733	371,549,212	10.733
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	144,313,645	4.169	144,313,645	4.169
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)	532,824,459	15.392	532,824,459	15.392
2.2 Unaffiliated foreign securities	49,765,064	1.438	49,765,064	1.438
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	92,919,638	2.684	92,919,638	2.684
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	17,150,700	0.495	17,150,700	0.495
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	592,004,868	17.101	592,004,868	17.101
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	6,484,540	0.187	6,484,540	0.187
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	966,086	0.028	966,086	0.028
8. Cash, cash equivalents and short-term investments	175,467,674	5.069	175,467,674	5.069
9. Other invested assets	4,167,735	0.120	4,167,735	0.120
10. Total invested assets	3,461,774,416	100.000	3,461,774,416	100.000

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]
- 1.3 State Regulating? New Hampshire
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]
- 2.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended. \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2001
- 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? State of New Hampshire Insurance Department
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [X]
- 4.12 renewals? Yes [ ] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [X]
- 4.22 renewals? Yes [ ] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
|                     |                        |                        |
|                     |                        |                        |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.) Yes [ ] No [X]
- 6.2 If yes, give full information \_\_\_\_\_
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).
- | 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
|                  |                     |
|                  |                     |
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. \_\_\_\_\_
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

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

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

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? William M. Finn, FCAS, MAAA  
 62 Maple Avenue, Keene, NH 03431  
 Vice President & Chief 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 [ X ]  
 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ \_\_\_\_\_

#### INVESTMENT

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

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

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

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

21.21 Loaned to others		\$ 327,889,046
21.22 Subject to repurchase agreements		\$ _____
21.23 Subject to reverse repurchase agreements		\$ _____
21.24 Subject to dollar repurchase agreements		\$ _____
21.25 Subject to reverse dollar repurchase agreements		\$ _____
21.26 Pledged as collateral		\$ _____
21.27 Placed under option agreements		\$ _____
21.28 Letter stock or securities restricted as to sale		\$ _____
21.29 Other		\$ _____

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

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

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

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

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

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

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

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [ ] No [ X ]

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

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

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

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

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

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes  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	92,919,648
25.2999	Total	92,919,648

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	4,357,931	12/31/2005
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CRP	1,737,597	12/31/2005
LMIA HIGH YIELD FUND	PIERRE FOODS INC	1,300,875	12/31/2005
LMIA HIGH YIELD FUND	VALENT PHARMACEUTICALS	1,272,999	12/31/2005
LMIA HIGH YIELD FUND	SUPERIOR ENERGY SERV	1,180,080	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	2,800,925,819	2,774,242,105	(26,683,714)
26.2 Preferred stocks	17,150,700	17,419,000	268,300
26.3 Totals	2,818,076,519	2,791,661,105	(26,415,414)

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? \$ 3,181,363

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

1 Name	2 Amount Paid
Insurance Services Office Inc.	\$ 866,850
	\$
	\$

29.1 Amount of payments for legal expenses, if any? \$ 680,437

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

1 Name	2 Amount Paid
	\$
	\$

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

1 Name	2 Amount Paid
	\$

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

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

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

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

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

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

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

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ _____	\$ _____
2.2 Premium Denominator	\$ 2,046,431,084	\$ 1,092,794,260
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ 1,750	\$ 1,026
2.5 Reserve Denominator	\$ 2,922,920,754	\$ 1,481,942,597
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 \$ 5,553,915  
     3.22 Non-participating policies \$ 1,120,686,117

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

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |  |                                                                         |  |          |
|--|-------------------------------------------------------------------------|--|----------|
|  | 12.11 Unpaid losses                                                     |  | \$ _____ |
|  | 12.12 Unpaid underwriting expenses (including loss adjustment expenses) |  | \$ _____ |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ \_\_\_\_\_
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [ ] NO [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): \$ 3,546,500
- 14.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [ ] NO [X]
- 14.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. \_\_\_\_\_ 3
- 15.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO [ ]
- 15.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 For one of the contracts, premiums and recoverables were allocated pursuant to a separate written agreement.  
 For the remaining contracts, premiums were allocated based on exposures; recoverables were based on losses incurred.
- 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 [ ] NO [X]
- 15.5 If the answer to 15.4 is no, please explain: Premiums were allocated at the inception of the treaties based on exposures.  
 Recoveries were based on actual losses incurred after the event.
- 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
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,277,053,701	1,258,705,194	1,051,701,694	1,040,520,415	712,262,191
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	478,440,838	505,684,589	479,444,374	497,327,327	327,909,734
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,325,994,022	1,300,870,601	1,029,606,066	957,767,624	565,570,098
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,275,951	2,071,142	3,783,862	10,236,100	16,542,101
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)			(10,956)		4,970
6. Total (Line 34)	3,082,764,512	3,067,331,526	2,564,525,040	2,505,851,466	1,622,289,094
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,006,943,955	484,676,623	387,415,948	338,045,699	293,183,387
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	397,843,705	203,747,388	179,386,296	158,793,511	135,565,121
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,066,470,987	505,621,080	373,508,440	291,062,297	216,912,159
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,533,509	849,135	815,439	2,646,075	7,612,025
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)			(4,557)		2,067
12. Total (Line 34)	2,472,792,156	1,194,894,226	941,121,566	790,547,582	653,274,759
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	32,662,851	450,992	54,835,927	(69,775,932)	(42,950,260)
14. Net investment gain (loss) (Line 11)	122,306,999	89,584,941	88,588,058	62,181,398	38,304,612
15. Total other income (Line 15)	3,399,439	6,932,347	19,932,532	(19,344,982)	(1,598,976)
16. Dividends to policyholders (Line 17)	3,380,696	1,503,576	1,620,026	1,786,476	1,661,229
17. Federal and foreign income taxes incurred (Line 19)	115,997,734	32,459,646	54,479,105		1,463,214
18. Net income (Line 20)	38,990,859	63,005,058	107,257,386	(28,725,992)	(9,369,067)
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	4,551,478,620	2,541,989,714	2,268,270,424	1,726,268,794	1,214,992,973
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	240,008,958	54,364,866	139,185,626	36,814,320	90,125,122
20.2 Deferred and not yet due (Line 13.2)	550,080,761	310,292,205	268,988,072	206,222,770	144,622,307
20.3 Accrued retrospective premiums (Line 13.3)			7,067,223		
21. Total liabilities excluding protected cell business (Page 3, Line 24)	3,534,816,691	1,679,937,941	1,468,581,741	1,562,063,583	984,419,540
22. Losses (Page 3, Lines 1 and 2)	1,562,734,554	767,313,733	595,661,503	555,102,828	417,774,396
23. Loss adjustment expenses (Page 3, Line 3)	359,180,936	171,591,280	113,539,239	114,052,187	82,277,390
24. Unearned premiums (Page 3, Line 9)	1,001,005,264	563,718,584	459,140,713	379,169,538	297,791,866
25. Capital paid up (Page 3, Lines 28 & 29)	8,848,635	8,848,635	8,848,635	8,848,635	8,848,635
26. Surplus as regards policyholders (Page 3, Line 35)	1,016,661,929	862,051,773	799,688,683	164,205,211	230,573,433
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	1,016,661,929	862,051,773	799,688,683	164,205,211	230,573,433
28. Authorized control level risk-based capital	203,723,687	178,109,077	136,757,700	70,564,110	44,981,479
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	74.3	69.0	62.0	83.8	92.4
30. Stocks (Lines 2.1 & 2.2)	20.3	33.3	36.5	6.8	3.5
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)	0.2	0.4	0.4	0.5	1.1
33. Cash, cash equivalents and short-term investments (Line 5)	5.1	(3.0)	0.7	8.9	3.0
34. Contract loans (Line 6)				XXX	XXX
35. Other invested assets (Line 7)	0.1	0.3	0.4		
36. Receivables for securities (Line 8)					
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	592,004,868	558,088,370	523,378,425		
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44	592,004,868	558,088,370	523,378,425		
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)	58.2	64.7	65.4		

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2005	2 2004	3 2003	4 2002	5 2001
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	31,263,135	34,561,069	56,557,428	(1,695,877)	(2,989,637)
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	154,610,156	62,363,090	635,483,472	(66,368,222)	14,981,247
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	587,758,763	525,108,646	455,003,928	430,685,957	368,203,279
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	190,458,142	185,415,457	217,720,898	195,726,892	154,876,070
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	473,304,023	358,697,635	415,890,226	333,723,691	279,800,926
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	807,645	1,216,654	2,348,879	7,689,140	3,735,337
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)		2,530	760,220		551,456
55. Total (Line 34)	1,252,328,573	1,070,440,922	1,091,724,151	967,825,680	807,167,068
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	49,656,432	170,894,377	173,049,540	164,735,062	92,479,810
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	127,543,716	74,929,256	75,641,442	67,701,135	65,103,270
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	151,455,518	129,545,949	136,563,758	111,690,875	94,974,292
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	167,330	185,194	298,223	1,643,325	989,400
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	(1,648,527)		301,053		(737,614)
61. Total (Line 34)	327,174,469	375,554,776	385,854,016	345,770,397	252,809,158
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	49.3	53.6	51.3	64.9	64.9
64. Loss expenses incurred (Line 3)	13.2	12.9	8.0	12.8	9.3
65. Other underwriting expenses incurred (Line 4)	35.9	33.8	34.1	32.1	33.9
66. Net underwriting gain (loss) (Line 8)	1.6		6.4	(9.8)	(8.1)
<b>Other Percentages</b>					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	29.6	30.1	29.4	31.3	27.7
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)	243.2	138.6	117.7	481.4	283.3
<b>One Year Loss Development (000 omitted)</b>					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(44,067)	9,872	(2,580)	34,435	17,714
71. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Col. 1 x 100.0)	(5.1)	1.2	(1.7)	14.9	8.6
<b>Two Year Loss Development (000 omitted)</b>					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	(12,458)	46,845	42,292	38,063	(3,692)
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)	(1.6)	28.5	18.2	17.7	(1.8)

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b> Governments (Including all obligations guaranteed by governments)	1. United States	642,326,674	635,820,966	643,961,645	636,464,601
	2. Canada				
	3. Other Countries				
	4. Totals	642,326,674	635,820,966	643,961,645	636,464,601
States, Territories and Possessions (Direct and guaranteed)	5. United States	198,305,819	198,330,681	198,285,890	199,465,000
	6. Canada				
	7. Other Countries				
8. Totals	198,305,819	198,330,681	198,285,890	199,465,000	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	244,100,761	244,776,032	244,080,441	245,510,000
	10. Canada				
	11. Other Countries				
12. Totals	244,100,761	244,776,032	244,080,441	245,510,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	777,598,594	764,625,694	777,892,558	780,206,322
	14. Canada				
	15. Other Countries				
16. Totals	777,598,594	764,625,694	777,892,558	780,206,322	
Public Utilities (unaffiliated)	17. United States	74,365,707	73,293,300	74,565,580	73,000,000
	18. Canada				
	19. Other Countries				
20. Totals	74,365,707	73,293,300	74,565,580	73,000,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	586,150,556	580,133,149	590,922,352	583,325,268
	22. Canada	11,943,999	11,727,600	11,932,150	12,000,000
	23. Other Countries	37,821,065	37,222,039	37,787,995	37,423,000
24. Totals	635,915,620	629,082,788	640,642,497	632,748,268	
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	2,572,613,175	2,545,929,461	2,579,428,611	2,567,394,191
<b>PREFERRED STOCKS</b> Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
34. Totals					
Industrial and Miscellaneous (unaffiliated)	35. United States	17,150,700	17,419,000	17,150,700	
	36. Canada				
	37. Other Countries				
38. Totals	17,150,700	17,419,000	17,150,700		
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>	17,150,700	17,419,000	17,150,700	
<b>COMMON STOCKS</b> Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
48. Totals					
Industrial and Miscellaneous (unaffiliated)	49. United States	92,919,638	92,919,638	90,774,555	
	50. Canada				
	51. Other Countries				
52. Totals	92,919,638	92,919,638	90,774,555		
Parent, Subsidiaries and Affiliates	53. Totals	592,004,869	592,004,868	471,847,486	
	<b>54. Total Common Stocks</b>	684,924,507	684,924,506	562,622,041	
	55. Total Stocks	702,075,207	702,343,506	579,772,741	
	56. Total Bonds and Stocks	3,274,688,382	3,248,272,967	3,159,201,352	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	1,974,134,930	7. Amortization of premium	2,735,438
2. Cost of bonds and stocks acquired, Column 7, Part 3	1,741,630,497	8. Foreign Exchange Adjustment:	
3. Accrual of discount	1,352,455	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	(1,028,189)	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	31,824,892	9. Book/adjusted carrying value at end of current period	3,274,688,382
4.4 Column 11 - 13, Part 4	30,796,703	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	8,962,981	11. Subtotal (Lines 9 plus 10)	3,274,688,382
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	479,453,746	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	3,274,688,382

**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	14,690	834	2,049	18	630	64	251	16,453	X X X
2. 1996	1,076,754	128,920	947,834	706,521	79,588	59,344	4,662	68,290	4,240	28,055	745,665	X X X
3. 1997	1,226,165	207,397	1,018,768	770,092	141,815	64,804	9,860	89,280	14,437	32,756	758,064	X X X
4. 1998	1,424,222	277,626	1,146,596	918,672	247,785	72,269	15,537	117,055	29,809	34,010	814,865	X X X
5. 1999	1,319,522	206,395	1,113,127	898,012	174,834	66,593	10,554	112,347	22,072	32,650	869,492	X X X
6. 2000	1,258,262	162,266	1,095,996	854,394	143,330	63,889	5,768	99,894	12,805	29,940	856,274	X X X
7. 2001	1,347,537	185,181	1,162,356	797,395	131,181	60,898	3,711	95,333	13,663	27,915	805,071	X X X
8. 2002	1,775,996	417,646	1,358,350	891,106	187,538	56,296	10,610	79,386	20,827	27,324	807,813	X X X
9. 2003	2,006,840	335,901	1,670,939	790,822	124,560	45,314	5,675	127,542	23,244	27,726	810,199	X X X
10. 2004	2,034,034	170,320	1,863,714	627,628	23,754	19,725	432	104,944	4,797	27,959	723,314	X X X
11. 2005	2,150,693	104,261	2,046,432	411,607	7,169	8,516	1	94,763	1,550	14,090	506,166	X X X
12. Totals	X X X	X X X	X X X	7,680,939	1,262,388	519,697	66,828	989,464	147,508	282,676	7,713,376	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	36,476	1,682	7,487	560		2,430	260	1,404	207	21	45,088	X X X	
2. 1996	5,227	614	2,705	1,590		1,077	53	536	79	60	7,209	X X X	
3. 1997	13,438	4,646	3,708	2,905		2,173	329	717	99	85	12,057	X X X	
4. 1998	31,186	20,867	14,954	12,020		3,708	960	1,008	128	169	16,881	X X X	
5. 1999	30,543	21,664	15,309	12,178		4,492	901	1,631	199	453	17,033	X X X	
6. 2000	35,378	18,048	14,280	11,679		6,531	840	2,451	294	881	27,779	X X X	
7. 2001	45,626	17,333	20,313	12,291		9,603	980	3,885	431	2,425	48,392	X X X	
8. 2002	91,414	19,026	52,048	27,690		24,257	2,363	6,731	698	5,242	124,673	X X X	
9. 2003	106,061	26,625	63,692	25,734		33,394	2,800	13,242	1,185	7,510	160,045	X X X	
10. 2004	227,885	16,816	202,847	38,258		78,436	5,660	21,693	2,257	13,205	467,870	X X X	
11. 2005	328,260	11,514	375,426	22,341		101,302	455	64,315	4,660	20,265	830,333	X X X	
12. Totals	951,494	158,835	772,769	167,246		267,403	15,601	117,613	10,237	50,316	1,757,360	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	41,721	3,367
2. 1996	843,700	90,826	752,874	78.356	70.451	79.431			70.930	5,728	1,481
3. 1997	944,212	174,091	770,121	77.005	83.941	75.593			70.930	9,595	2,462
4. 1998	1,158,852	327,106	831,746	81.367	117.823	72.540			70.930	13,253	3,628
5. 1999	1,128,927	242,402	886,525	85.556	117.446	79.643			70.930	12,010	5,023
6. 2000	1,076,817	192,764	884,053	85.580	118.795	80.662			70.930	19,931	7,848
7. 2001	1,033,053	179,590	853,463	76.662	96.981	73.425			70.930	36,315	12,077
8. 2002	1,201,238	268,752	932,486	67.637	64.349	68.648			70.930	96,746	27,927
9. 2003	1,180,067	209,823	970,244	58.802	62.466	58.066			70.930	117,394	42,651
10. 2004	1,283,158	91,974	1,191,184	63.084	54.001	63.915			70.930	375,658	92,212
11. 2005	1,384,189	47,690	1,336,499	64.360	45.741	65.309			70.930	669,831	160,502
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,398,182	359,178

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	456,119	447,532	458,223	464,603	461,369	440,590	467,907	466,334	462,044	461,946	(98)	(4,388)
2. 1996	699,814	690,598	692,016	689,036	690,605	691,927	694,749	693,330	688,366	688,800	434	(4,530)
3. 1997	X X X	666,840	688,442	688,829	688,545	688,542	689,726	691,847	693,578	695,040	1,462	3,193
4. 1998	X X X	X X X	733,979	733,003	732,916	734,147	731,785	735,638	744,381	743,766	(615)	8,128
5. 1999	X X X	X X X	X X X	735,838	752,844	763,367	774,175	783,542	791,604	795,237	3,633	11,695
6. 2000	X X X	X X X	X X X	X X X	730,551	763,677	777,883	793,153	792,504	796,373	3,869	3,220
7. 2001	X X X	X X X	X X X	X X X	X X X	763,331	747,287	761,078	774,550	768,809	(5,741)	7,731
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	878,549	889,184	882,921	872,220	(10,701)	(16,964)
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	875,363	864,235	854,820	(9,415)	(20,543)
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	1,099,745	1,072,850	(26,895)	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	1,183,914	X X X	X X X
12. Totals											(44,067)	(12,458)

**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	25,001	253,035	309,282	341,233	364,147	382,414	391,513	397,060	412,947	X X X	X X X
2. 1996	371,125	520,190	583,093	630,471	655,468	673,267	679,977	682,049	680,373	681,615	X X X	X X X
3. 1997	X X X	333,109	497,814	576,244	625,488	654,351	668,331	676,620	682,302	683,221	X X X	X X X
4. 1998	X X X	X X X	355,984	534,613	620,414	666,396	694,405	710,543	722,269	727,619	X X X	X X X
5. 1999	X X X	X X X	X X X	374,023	563,583	652,982	711,524	742,051	767,566	779,217	X X X	X X X
6. 2000	X X X	X X X	X X X	X X X	371,241	573,462	665,175	719,274	750,632	769,185	X X X	X X X
7. 2001	X X X	X X X	X X X	X X X	X X X	377,889	566,165	644,301	701,890	723,401	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	355,388	564,643	668,649	749,254	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	407,994	607,567	705,901	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	388,556	623,167	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	412,953	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	129,081	84,421	62,356	43,271	32,822	21,014	30,833	51,511	25,980	9,097
2. 1996	160,925	66,958	38,475	14,394	9,742	3,927	3,947	4,249	1,947	2,139
3. 1997	X X X	153,720	77,370	35,227	20,774	9,544	5,703	5,367	4,018	2,647
4. 1998	X X X	X X X	178,624	68,677	43,234	26,784	12,250	8,967	10,675	5,682
5. 1999	X X X	X X X	X X X	149,012	66,183	38,678	20,590	12,164	14,912	6,722
6. 2000	X X X	X X X	X X X	X X X	135,936	75,620	44,196	27,607	22,221	8,292
7. 2001	X X X	X X X	X X X	X X X	X X X	154,578	80,366	38,086	40,629	16,645
8. 2002	X X X	X X X	X X X	X X X	X X X	X X X	310,114	159,184	65,249	46,252
9. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	204,820	100,769	68,552
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	389,467	237,365
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	453,932



**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	5,611	(1,507,127)		10,726	30,868	26	
2. Alaska	AK	YES	100	103					
3. Arizona	AZ	YES	1,946,566	1,714,250		573,129	642,862	777,074	8,865
4. Arkansas	AR	YES	3,440,022	3,115,932		1,052,401	1,639,484	1,584,968	15,666
5. California	CA	YES	265,211,904	259,995,970		75,135,093	88,679,998	138,392,628	1,207,799
6. Colorado	CO	YES	788	923		(151,550)	(163,586)	32,259	4
7. Connecticut	CT	YES	69,975,768	71,888,996	118,731	32,272,286	31,755,497	43,144,271	318,676
8. Delaware	DE	YES	8,015,154	8,064,312	78,714	3,199,502	6,179,837	7,476,102	36,502
9. Dist. Columbia	DC	YES	2,625,118	2,988,851	4,762	771,369	1,490,444	3,364,407	11,955
10. Florida	FL	YES	60,827	57,133		(12,454)	(107,643)	106,737	277
11. Georgia	GA	YES	21,330,070	23,024,516		7,509,461	13,196,051	10,034,988	97,139
12. Hawaii	HI	NO		6					
13. Idaho	ID	YES	680	(1,026)			331	331	3
14. Illinois	IL	YES	11,321,831	12,858,426		3,730,334	4,915,240	8,464,843	51,561
15. Indiana	IN	YES	31,111,083	29,277,753	1,800	7,568,013	12,057,152	17,881,487	141,683
16. Iowa	IA	YES	1,296,112	1,103,284		369,495	580,762	577,495	5,903
17. Kansas	KS	YES	2,406,940	2,440,063		701,443	1,289,269	1,484,494	10,961
18. Kentucky	KY	YES	5,570,794	5,553,352		2,645,515	3,258,742	5,367,211	25,370
19. Louisiana	LA	YES	7,296,135	6,728,741		8,591,258	18,734,492	11,468,970	33,227
20. Maine	ME	YES	69,539,017	69,254,475	52,343	27,800,294	26,667,786	31,089,796	316,687
21. Maryland	MD	YES	31,116,379	35,067,673	75,970	8,771,817	16,731,550	25,973,052	141,707
22. Massachusetts	MA	YES	26,777,845	24,177,226	2,065	5,839,403	9,218,818	12,596,172	121,949
23. Michigan	MI	YES	3,438,593	4,184,788	(4,694)	1,195,030	23,633	5,476,432	15,660
24. Minnesota	MN	YES	4,073,958	4,428,099		1,734,374	1,051,845	3,282,585	18,553
25. Mississippi	MS	YES	215	(20,671)			3,918	1,418	1
26. Missouri	MO	YES	13,339,343	14,026,668		6,102,047	6,163,985	7,795,137	60,749
27. Montana	MT	YES		792					
28. Nebraska	NE	YES	1,652,458	1,782,833		650,163	1,090,519	1,147,388	7,525
29. Nevada	NV	YES		25		(5,343)	(55,073)	64,820	
30. New Hampshire	NH	YES	109,732,318	113,536,910	111,434	39,720,142	48,471,307	54,336,414	499,731
31. New Jersey	NJ	NO	(771)	6,195	(29)	73,980	(1,140)	69,862	(4)
32. New Mexico	NM	YES	605	604			72	135	3
33. New York	NY	YES	93,173,345	91,822,379	224,364	41,244,227	47,477,718	53,025,214	424,320
34. No. Carolina	NC	YES	81,854,316	83,631,397	17,066	36,630,614	39,536,136	35,936,031	372,772
35. No. Dakota	ND	YES		(8,165)					
36. Ohio	OH	YES	7,953,345	6,979,490		1,705,773	1,741,843	2,358,397	36,220
37. Oklahoma	OK	YES	6,330,943	6,284,814		3,133,816	3,026,167	2,817,779	28,832
38. Oregon	OR	YES	206	(1,953)		350,000	331,700	(5,061)	1
39. Pennsylvania	PA	YES	111,675,051	114,817,940	16,310	41,953,333	53,687,389	68,763,862	508,578
40. Rhode Island	RI	YES	28,080,439	28,990,213		14,937,715	14,255,103	21,292,167	127,881
41. So. Carolina	SC	YES	15,241,754	15,148,143		8,050,691	8,031,402	8,776,488	69,412
42. So. Dakota	SD	YES							
43. Tennessee	TN	YES	5,255,785	5,527,080	1,457	2,218,672	3,392,862	7,002,530	23,935
44. Texas	TX	YES	10,781,842	11,130,464		2,184,134	3,697,293	4,772,879	49,101
45. Utah	UT	YES	340	340			(12)	(12)	2
46. Vermont	VT	YES	41,067,005	41,097,374	35,258	14,193,326	17,430,243	25,372,114	187,023
47. Virginia	VA	YES	31,575,879	35,244,683	52,603	16,805,742	12,523,505	14,586,592	143,799
48. Washington	WA	YES		(1,676)				312	
49. West Virginia	WV	YES	122	(14,920)			73	110	1
50. Wisconsin	WI	YES	1,965,948	1,665,434	(11,623)	486,763	254,743	(78,451)	8,953
51. Wyoming	WY	YES		(949)					
52. American Samoa	AS	NO							
53. Guam	GU	NO	(1,755)	(1,225)					(8)
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Canada	CN	NO							
57. Aggregate other alien	OT	X X X				(150,000)	(150,000)		
58. Totals	(a) 49		1,126,240,028	1,136,060,938	776,531	419,732,008	498,763,043	636,493,295	5,129,000

DETAILS OF WRITE-INS									
5701. Other alien	X X X					(150,000)	(150,000)		
5702.	X X X								
5703.	X X X								
5798. Summary of remaining write-ins for Line 57 from overflow page	X X X								
5799. Totals (Lines 5701 through 5703 + 5798) (Line 57 above)	X X X					(150,000)	(150,000)		

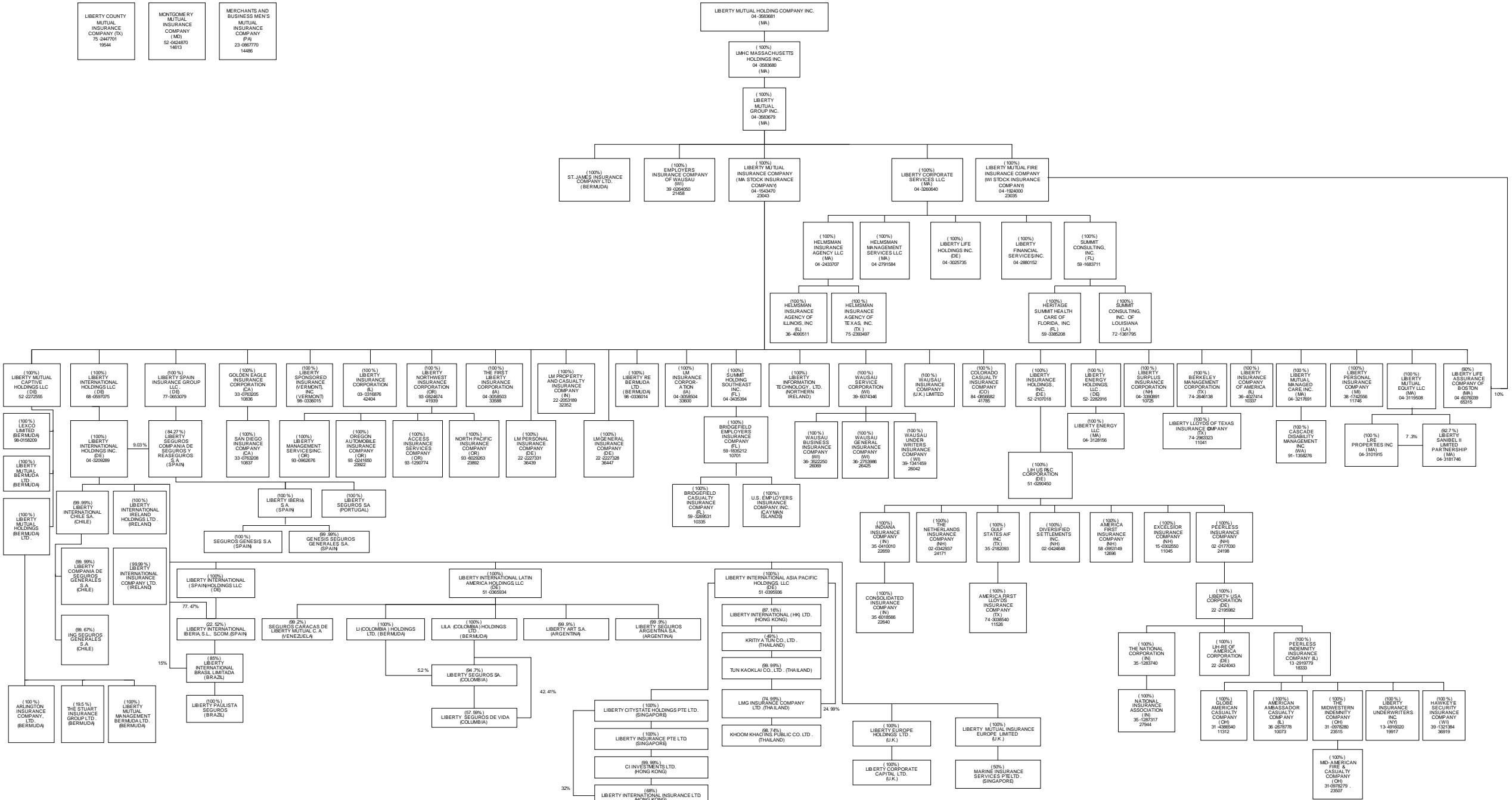
**Explanation of basis of allocation of premiums by states, etc.**

- \*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



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation  
ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets

**REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS**

0904.				
0905.				
0906.				
0907.				
0908.				
0909.				
0910.				
0911.				
0912.				
0913.				
0914.				
0915.				
0916.				
0917.				
0918.				
0919.				
0920.				
0921.				
0922.				
0923.				
0924.				
0925.				
0997. Totals (Lines 0904 through 0925) (Page 2, Line 0998)				

**REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS**

2304. Other assets	8,122,158	3,201,603	4,920,555	2,009,498
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	8,122,158	3,201,603	4,920,555	2,009,498

**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation  
LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
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**REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES**

2304. Amounts held under uninsured plans		(265,660)
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)		(265,660)

**REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS**

2704.		
2705.		
2706.		
2707.		
2708.		
2709.		
2710.		
2711.		
2712.		
2713.		
2714.		
2715.		
2716.		
2717.		
2718.		
2719.		
2720.		
2721.		
2722.		
2723.		
2724.		
2725.		
2797. Totals (Lines 2704 through 2725) (Page 3, Line 2798)		

**REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS**

3004.		
3005.		
3006.		
3007.		
3008.		
3009.		
3010.		
3011.		
3012.		
3013.		
3014.		
3015.		
3016.		
3017.		
3018.		
3019.		
3020.		
3021.		
3022.		
3023.		
3024.		
3025.		
3097. Totals (Lines 3004 through 3025) (Page 3, Line 3098)		