

ANNUAL STATEMENT

OF THE

Colorado Casualty Insurance Company

of **Englewood**

in the state of **Colorado**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED
December 31, 2006

PROPERTY AND CASUALTY

2006



41785200620100100

ANNUAL STATEMENT
For the Year Ended December 31, 2006
OF THE CONDITION AND AFFAIRS OF THE
Colorado Casualty Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 41785 Employer's ID Number 84-0856682
(Current Period) (Prior Period)
Organized under the Laws of Colorado, State of Domicile or Port of Entry Colorado
Country of Domicile United States of America
Incorporated/Organized: April 24, 1980 Commenced Business: November 27, 1981
Statutory Home Office: 10700 E. Geddes Avenue Suite 300 Englewood, CO 80112
Main Administrative Office: 10700 E. Geddes Avenue Suite 300 Englewood, CO 80112 720-873-9200
Mail Address: P.O. Box 173636 Denver, CO 80217-3636
Primary Location of Books and Records: 10700 E. Geddes Avenue Suite 300 Englewood, CO 80112 720-873-9200
Internet Website Address: www.LibertyMutualAgencyMarkets.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: 10700 E. Geddes Avenue Suite 300 Englewood, CO 80112 720-873-9200

OFFICERS
Chairman of the Board
Gary Richard Gregg

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

Vice-Presidents

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

DIRECTORS OR TRUSTEES

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

State of Massachusetts
County of Suffolk ss

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

<u>(Signature)</u> <u>Gary Richard Gregg</u> (Printed Name) 1. <u>President and Chief Executive Officer</u> (Title)	<u>(Signature)</u> <u>Edmund Campion Kenealy</u> (Printed Name) 2. <u>Secretary</u> (Title)	<u>(Signature)</u> <u>James Francis Dore</u> (Printed Name) 3. <u>Treasurer and Chief Financial Officer</u> (Title)
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Subscribed and sworn to before me this
31st day of January, 2007

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	10,849,386		10,849,386	6,465,815
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 (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (2,502,459) , Schedule E-Part 1), cash equivalents (\$ 996,558 Schedule E-Part 2) and short-term investments (\$ 5,931,116 , Schedule DA)	4,425,215		4,425,215	11,052,969
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				13,125
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	15,274,601		15,274,601	17,531,909
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	176,480		176,480	88,773
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				4,781,287
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	60,925		60,925	85,839
16.2 Net deferred tax asset				
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)	37,060	37,060		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	6,929,577		6,929,577	1,088,522
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	39,401	36,251	3,150	3,412
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	22,518,044	73,311	22,444,733	23,579,742
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	22,518,044	73,311	22,444,733	23,579,742

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other Assets	39,401	36,251	3,150	3,412
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	39,401	36,251	3,150	3,412

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)		
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		1,688
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability	7,000	16,000
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 \$ 73,412,939 and including warranty reserves of \$ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		8,678,214
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	5,894,507	
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	34,812	7,546
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	5,936,319	8,703,448
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	5,936,319	8,703,448
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,000,000	3,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	11,328,506	11,328,506
33. Unassigned funds (surplus)	2,179,908	547,788
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)		
34.2 0 shares preferred (value included in Line 29 \$ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	16,508,414	14,876,294
36. TOTALS (Page 2, Line 26, Col. 3)	22,444,733	23,579,742

DETAILS OF WRITE-INS		
2301. Other Liabilities	34,812	7,546
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	34,812	7,546
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME		
	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)		
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)		
3. Loss expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	628,713	807,465
10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses))	(69)	37,500
11. Net investment gain (loss) (Lines 9 + 10)	628,644	844,965
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		
13. Finance and service charges not included in premiums	692,327	649,051
14. Aggregate write-ins for miscellaneous income	(23)	
15. Total other income (Lines 12 through 14)	692,304	649,051
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,320,948	1,494,016
17. Dividends to policyholders		
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)	1,320,948	1,494,016
19. Federal and foreign income taxes incurred	(271,695)	(203,575)
20. Net income (Line 18 minus Line 19) (to Line 22)	1,592,643	1,697,591
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	14,876,298	12,958,736
22. Net income (from Line 20)	1,592,643	1,697,591
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	9,000	134,001
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	30,473	85,970
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,632,116	1,917,562
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	16,508,414	14,876,298

DETAILS OF WRITE-INS		
0501.		
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)		
1401. Other income/ (expense)	(23)	
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)	(23)	
3701.		
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)		

CASH FLOW

Cash from Operations		
	1	2
	Current Year	Prior Year
1. Premiums collected net of reinsurance	(8,678,214)	8,678,214
2. Net investment income	514,428	1,001,638
3. Miscellaneous income	692,239	648,729
4. Total (Lines 1 through 3)	(7,471,547)	10,328,581
5. Benefit and loss related payments	(4,779,598)	4,779,598
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions		
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	(296,609)	(65,559)
10. Total (Lines 5 through 9)	(5,076,207)	4,714,039
11. Net cash from operations (Line 4 minus Line 10)	(2,395,340)	5,614,542
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	3,500,000	15,103,319
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	13,125	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	3,513,125	15,103,319
13. Cost of investments acquired (long-term only):		
13.1 Bonds	7,856,992	
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		13,125
13.7 Total investments acquired (Lines 13.1 to 13.6)	7,856,992	13,125
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)	(4,343,867)	15,090,194
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	111,453	(10,250,581)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	111,453	(10,250,581)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(6,627,754)	10,454,155
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	11,052,969	598,814
19.2 End of year (Line 18 plus Line 19.1)	4,425,215	11,052,969

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

20.0001.		
20.0002.		
20.0003.		

NONE Underwriting and Investment Exhibit - Part 1

NONE Underwriting and Investment Exhibit - Part 1A

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

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	716,576			716,576		
2. Allied lines	1,103,498			1,103,498		
3. Farmowners multiple peril	8,990,376			8,990,376		
4. Homeowners multiple peril	9,197,515			9,197,515		
5. Commercial multiple peril	63,860,853			63,860,853		
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	6,356,666			6,356,666		
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	111,498			111,498		
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability - occurrence	6,175,012			6,175,012		
17.2 Other liability - claims-made						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	9,799,682			9,799,682		
19.3, 19.4 Commercial auto liability	27,246,704			27,246,704		
21. Auto physical damage	17,769,113			17,769,113		
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft	260,251			260,251		
27. Boiler and machinery	1,047,317			1,047,317		
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	152,635,061			152,635,061		

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	13,343		13,343					
2. Allied lines	373,321		373,321					
3. Farmowners multiple peril	3,275,988		3,275,988					
4. Homeowners multiple peril	2,128,991		2,128,991					
5. Commercial multiple peril	20,573,851		20,573,851					
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	1,389,473		1,389,473					
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation								
17.1 Other liability - occurrence	105,661		105,661					
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	500,000		500,000					
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	3,631,641		3,631,641					
19.3, 19.4 Commercial auto liability	9,483,594		9,483,594					
21. Auto physical damage	7,768,714		7,768,714					
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft	(865)		(865)					
27. Boiler and machinery	98,122		98,122					
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	49,341,834		49,341,834					
DETAILS OF WRITE-INS								
3301.								
3302.								
3303.								
3398. Summary of remaining write-ins for Line 33 from overflow page								
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)								

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
1. Fire	170,000		170,000		22,636		22,636		
2. Allied lines	96,820		96,820		34,651		34,651		
3. Farmowners multiple peril	1,076,252		1,076,252		276,706		276,706		
4. Homeowners multiple peril	621,210		621,210		432,164		432,164		
5. Commercial multiple peril	14,450,377		14,450,377		21,371,522		21,371,522		
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	257,107		257,107		201,959		201,959		
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation					39		39		
17.1 Other liability - occurrence	87,623		87,623		3,886,672		3,886,672		
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	4,299		4,299		474,434		474,434		
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability	3,252,495		3,252,495		2,329,799		2,329,799		
19.3, 19.4 Commercial auto liability	14,203,110		14,203,110		11,563,446		11,563,446		
21. Auto physical damage	783,901		783,901						
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft					8,552		8,552		
27. Boiler and machinery					32,720		32,720		
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	35,003,194		35,003,194		40,635,300		40,635,300		

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	11,431,306			11,431,306
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	11,431,306			11,431,306
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		22,242,433		22,242,433
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		22,242,433		22,242,433
2.4 Contingent-direct		4,746,844		4,746,844
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded		4,746,844		4,746,844
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)				
3. Allowances to manager and agents				
4. Advertising			17	17
5. Boards, bureaus and associations			1	1
6. Surveys and underwriting reports				
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			3,910	3,910
8.2 Payroll taxes			170	170
9. Employee relations and welfare			170	170
10. Insurance			13	13
11. Directors' fees				
12. Travel and travel items			130	130
13. Rent and rent items			55	55
14. Equipment			61	61
15. Cost or depreciation of EDP equipment and software			32	32
16. Printing and stationery			9	9
17. Postage, telephone and telegraph, exchange and express			19	19
18. Legal and auditing			372	372
19. Totals (Lines 3 to 18)			4,959	4,959
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			25,506	25,506
25. Total expenses incurred			30,465 (a)	30,465
26. Less unpaid expenses-current year				
27. Add unpaid expenses-prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)			30,465	30,465

DETAILS OF WRITE-INS				
2401. Other expenses			25,506	25,506
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			25,506	25,506

(a) Includes management fees of \$ 5,537 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) 326,108	361,795
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 245,822	297,843
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(461)	(461)
10. Total gross investment income	571,469	659,177
11. Investment expenses		(g) 30,464
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		30,464
17. Net investment income (Line 10 minus Line 16)		628,713
DETAILS OF WRITE-INS		
0901. Miscellaneous Income //(Expense)	(461)	(461)
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)	(461)	(461)
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 \$ 40,288 accrual of discount less \$ 13,709 amortization of premium and less \$ 109,533 paid for accrued interest on purchases.		
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.		
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.		
(e) Includes \$ 57,752 accrual of discount less \$ 0 amortization of premium and less \$ 79,660 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 capital losses and \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.		
(i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds				
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)				
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)				
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)	(69)			(69)
10. Total capital gains (losses)	(69)			(69)
DETAILS OF WRITE-INS				
0901. Gain/ (Loss) Sale of Miscellaneous Assets	(69)			(69)
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)	(69)			(69)

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		443,393	443,393
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
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			
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	37,060	54,351	17,291
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	36,251	49,434	13,183
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	73,311	547,178	473,867
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	73,311	547,178	473,867

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other Assets	36,251	49,434	13,183
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	36,251	49,434	13,183

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 Colorado, the accompanying financial statements of Colorado Casualty 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. 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.

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.

Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3.

The Company does not own unaffiliated common stocks.
4.

The Company does not own unaffiliated preferred stocks.
5.

The Company does not own mortgage loans.
6.

The Company does not own mortgage backed/asset backed securities.
7.

The Company does not own any subsidiaries, controlled, or affiliated entities.
8.

The Company does not own any joint ventures, partnerships or limited liability companies.
9.

Derivative Securities, refer to Note 8.
10.

Refer to Note 30.
11.

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

The Company did not change its capitalization policy in 2006.
13.

The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

The Company has no loan-backed securities.

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

The Company does not hold investments in low-income housing tax credits.

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, 2006.

Note 8- Derivative Instruments

The Company’s investment activities do not include derivatives. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

Note 9 - Income Taxes

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

	December 31, 2006	December 31, 2005	Change
Total of gross deferred tax assets	1,000	4,000	(3,000)
Total of deferred tax liabilities	(8,000)	(20,000)	12,000
Net deferred tax liability	(7,000)	(16,000)	9,000
Net deferred tax asset non-admitted	0	0	0
Net deferred tax liability	(7,000)	(16,000)	9,000

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

NOTES TO FINANCIAL STATEMENTS

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

	2006	2005
Federal tax on operations	(271,695)	(203,575)
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	(271,695)	(203,575)
Tax on capital gains	0	20,366
Total income tax incurred	(271,695)	(183,209)

The Company’s deferred tax assets and liabilities result primarily from statutory non-admitted assets.

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

	2006
Change in net deferred income tax (without unrealized gain or loss)	9,000
Tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	9,000

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

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

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

- Access Insurance Services, Co.

Ambco Capital Corporation

America First Insurance Company

America First Lloyds Insurance Company

American Ambassador Casualty Company

Berkeley Holding Company Associates, Inc.

Berkeley Management Corporation

Bridgefield Casualty Insurance Company

Bridgefield Employers Insurance Company

Capitol Agency, Inc. (Arizona corporation)

Capitol Agency, Inc. (Ohio corporation)

Capitol Agency, Inc. (Tennessee corporation)

Cascade Disability Management, Inc.

Colorado Casualty Insurance Company

Companies Agency Insurance Services of California

Companies Agency of Alabama, Inc.

Companies Agency of Georgia, Inc.

Companies Agency of Kentucky, Inc.

Companies Agency of Massachusetts, Inc.

Companies Agency of Michigan, Inc.

Companies Agency of New York, Inc.

Companies Agency of Pennsylvania, Inc.

Companies Agency of Phoenix, Inc.

Consolidated Insurance Company

Copley Venture Capital, Inc.

Countrywide Services Corporation

Diversified Settlements, Inc.

Employers Insurance Company of Wausau

Excelsior Insurance Company

First State Agency, Inc.

Florida State Agency, Inc.

Globe American Casualty Company

Golden Eagle Insurance Corporation

Gulf States AIF, Inc.

Hawkeye-Security Insurance Company

Helmsman Insurance Agency of Illinois, Inc.

Helmsman Insurance Agency of Texas, Inc.

Heritage-Summit Healthcare of Florida, Inc.

Indiana Insurance Company

LEXCO Limited

Liberty Assignment Corporation

Liberty Energy Corporation

Liberty Financial Services, Inc.

Liberty Hospitality Group, Inc.

Liberty Insurance Company of America

Liberty Insurance Corporation

Liberty Insurance Holdings, Inc.
- Liberty Life Holdings, Inc.

Liberty Lloyds of Texas Insurance Company

Liberty Management Services, Inc.

Liberty Mexico Holdings, Inc.

Liberty Mutual Fire Insurance Company

Liberty Mutual Group Inc.

Liberty Mutual Holding Company, Inc.

Liberty Mutual Insurance Company

Liberty Mutual Managed Care, Inc.

Liberty Mutual Personal Insurance Company

Liberty Northwest Insurance Corporation

Liberty Personal Insurance Company

Liberty RE (Bermuda) Limited

Liberty Real Estate Corporation

Liberty Sponsored Insurance (Vermont) Inc.

Liberty Surplus Insurance Corporation

Liberty-USA Corporation

LIH-Re of America Corporation

LIH U.S. P&C Corporation

LIIA Insurance Agency, Inc.

LIU Specialty Insurance Agency, Inc.

LLS Insurance Agency of Nevada, Inc.

LM Insurance Corporation

LMHC Massachusetts Holding, Inc.

LRE Properties, Inc.

Mid-American Agency, Inc.

Mid-American Fire and Casualty Company

Missouri Agency, Inc.

North Pacific Insurance Company

Oregon Automobile Insurance Company

Peerless Indemnity Insurance Company

Peerless Insurance Company

LM Personal Insurance Company

LM General Insurance Company

LM Property and Casualty Insurance Company

San Diego Insurance Company

State Agency, Inc. (Indiana corporation)

State Agency, Inc. (Wisconsin corporation)

St. James Insurance Company

Summit Consulting, Inc.

Summit Consulting, Inc. of Louisiana

Summit Holding Southeast, Inc.

The First Liberty Insurance Corporation

The Midwestern Indemnity Company

The National Corporation

The Netherlands Insurance Company

Wausau Business Insurance Company

NOTES TO FINANCIAL STATEMENTS

Liberty Insurance Underwriters, Inc.	Wausau General Insurance Company
Liberty International Asia Pacific Holdings, Inc.	Wausau Service Corporation
Liberty International Holdings, Inc.	Wausau Signature Agency, Inc.
Liberty Life Assurance Company of Boston	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 Liberty Mutual Insurance Company (“LMIC”), an insurance company incorporated in the Commonwealth of Massachusetts. The ultimate parent of LMIC is Liberty Mutual Holding Company, Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Notes 10 F and 26.
- D. At December 31, 2006, the Company reported \$1,035,070 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates that result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. The Company entered into a services agreement (the “Agreement”), effective January 1, 2001, with the Peerless Insurance Company (“PIC”) and other affiliates. The Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into investment management agreements, effective September 1998 with LMIC, and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Under these agreements, LMIC and LMIA provide investment management services to the Company.

The Company entered into a management services agreement, effective December 15, 2001, with 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 an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which the Company may borrow up to \$50,000,000 from LMIC. Each loan will be for six months or less. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments.

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

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

Note 11- Debt

- A. Capital Notes
Not applicable
- B. All Other 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 the Management Services Agreements as described in Note 10 F.

NOTES TO FINANCIAL STATEMENTS

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

1. Common Stock
- The Company has 400,000 shares authorized, and 400,000 shares issued and outstanding as of December 31, 2006. All shares have a stated par value of \$7.50.
2. Preferred Stock
- Not applicable
3. Dividend Restrictions
- There are no dividend restrictions.
4. The maximum amount of dividends that can be paid by Colorado-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout that may be made without prior approval in 2007 is \$1,650,841.
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 does not hold special surplus funds.
9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.
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 10 E. The Company has made no guarantees on behalf of affiliates.
- B. Assessments
- The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of 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.
- As a result of the inter-company Reinsurance Agreement with PIC (see Note 26), the Company has no net liability for guaranty fund and other assessments.
- 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.
- As disclosed in Note 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes Liberty Mutual Group Inc. ("LMGI"). LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

Note 15- Leases

As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (See Note 26), the Company has no net lease obligations.

NOTES TO FINANCIAL STATEMENTS

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 concentration of credit risk.

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

- A. Transfers of Receivables reported as sales

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

- B. Transfers and servicing of financial assets

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

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Not applicable

- B. Administrative Services Contract (ASC) Plans

Not applicable

- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 – September 11 Events

Not applicable

Note 21- Other Items

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

- B. Troubled Debt Restructuring for Debtors

Not applicable

- C. Other Disclosures

- 1) Assets in the amount of \$3,475,045 and \$3,491,608 as of December 31, 2006 and 2005, respectively, were on deposit with government authorities or trustees as required by law.

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

- E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

- F. Hybrid Securities

The Company does not hold hybrid securities.

- G. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

- H. Impact of Medicare Modification Act on Post Retirement Benefits

Not applicable. (Refer to Note 12)

Note 22- Events Subsequent

There were no events subsequent to December 31, 2006 which would require disclosure.

NOTES TO FINANCIAL STATEMENTS

Note 23- Reinsurance

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

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, 2006.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$0	\$0	\$73,412,939	\$10,697,951	(\$73,412,939)	(\$10,697,951)
All Other	0	0	0	0	0	0
Total	\$0	\$0	\$73,412,939	\$10,697,951	(\$73,412,939)	(\$10,697,951)

Direct unearned premium reserve of \$73,412,939

2. Additional or return commission predicated on loss experience or other profit sharing arrangements in this annual statement as a result of existing contractual arrangements are accrued as follows:

Direct	\$4,837,824
Assumed	0
Ceded	(4,837,824)
Net	\$0

- D. The Company did not write off any uncollectible balances in 2006.
- E. The Company does not have ceded commutations.
- F. The Company does not have any retroactive reinsurance agreements.
- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2006.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not have net accrued retrospective premiums.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (see Note 26), the Company has no exposure to changes in incurred losses and loss adjustment expenses.

Note 26- Intercompany Pooling Arrangements

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

		NAIC Co. #	Pooling %	Lines of Business
Lead Company	Peerless Insurance Company (PIC)	24198	70.93%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	0.30%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	13.25%	All Lines
				(Except WC)
	Indiana Insurance Company (IIC)	22659	12.25%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.27%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (fka Merchants & Business Men’s Mutual Insurance Company) (LMMAIC)	14486	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	America First Lloyd’s Insurance Company (AFLIC)	11526	0.00%	All Lines
			100.00%	

NOTES TO FINANCIAL STATEMENTS

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
	Liberty Northwest Insurance Company (LNW)	41939	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the lead company.
- (b) Each 100% Quota Share Affiliated Company cedes its net underwriting activity to PIIC.
- (c) After recording the assumed affiliate transactions noted above, the lead company records 100% of its external assumed and ceded reinsurance activity.
- (d) The lead company’s remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company’s pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that 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 Oregon Department of Insurance, effective January 1, 2006, PIC, the lead company in the PIC inter-company Reinsurance Agreement (“the Pool”) entered into an inter-company 100% Quota Share Agreements with Liberty Northwest Insurance Company (“LNW”), Oregon Auto Insurance Company (“OAIC”) and North Pacific Insurance Company (“NPIC”). Also, pursuant to the approval of the Oregon Department of Insurance, effective on January 1, 2006, LNW cancelled its inter-company 100% Quota Share Agreements with OAIC and NPIC. Under the terms of the new inter-company 100% Quota Share Reinsurance Agreements, LNW, OAIC and NPIC, after processing external reinsurance, would cede its remaining underwriting activity to PIC. Also, LNW transferred its in-force business, as of January 1, 2006, to the Pool and compensated the Pool by a like amount. There were no gains or losses to surplus as a result.

Note 27- Structured Settlements

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

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

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

Note 31- High Dollar Deductible Policies

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

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

Not applicable

Note 33 - Asbestos/Environmental Reserves

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

NOTES TO FINANCIAL STATEMENTS

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	10,849,386	71.029	10,849,386	71.029
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage- backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	4,425,214	28.971	4,425,214	28.971
9. Other invested assets				
10. Total invested assets	15,274,600	100.000	15,274,600	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

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

Yes ☒ No ☐
- 1.2

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

Yes ☒ No ☐ N/A ☐
- 1.3

State Regulating?

Colorado
- 2.1

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

Yes ☐ No ☒
- 2.2

If yes, date of change:
- 3.1

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

12/31/2003
- 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.

12/31/2003
- 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).

01/04/2005
- 3.4

By what department or departments? Colorado Division of Insurance Financial Affairs Section
- 4.1

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

4.11

sales of new business?

Yes ☐ No ☒

4.12

renewals?

Yes ☐ No ☒
- 4.2

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

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒
- 5.1

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

Yes ☐ No ☒
- 5.2

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

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

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) Yes ☒ No ☐ Suspend or revoked by any governmental entity during the reporting period?
- 6.2

If yes, give full information

- 7.1

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

Yes ☐ No ☒
- 7.2

If yes,

7.21

State the percentage of foreign control

0%

7.22

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

1	2
Nationality	Type of Entity

- 8.1

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

Yes ☐ No ☒
- 8.2

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young LLP
200 Clarendon Street Boston, MA 02116
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

William M. Finn, FCAS, MAAA
62 Maple Avenue, Keene NH 03431
Vice President & Chief 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

0

\$ 0

- 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 [] No [X]
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)

\$ 0

\$ 0

\$ 0
- 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)

\$ 0

\$ 0

\$ 0
- 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

\$ 0

\$ 0

\$ 0

\$ 0
- 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
18.22 Amount paid as expenses
18.23 Other amounts paid

\$ 0

\$ 0

\$ 0
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

\$0

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 [] No [X]

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

21.21 Loaned to others

21.22 Subject to repurchase agreements

21.23 Subject to reverse repurchase agreements

21.24 Subject to dollar repurchase agreements

21.25 Subject to reverse dollar repurchase agreements

21.26 Pledged as collateral

21.27 Placed under option agreements

21.28 Letter stock or securities restricted as to sale

21.29 Other

\$0

\$0

\$0

\$0

\$0

\$0

\$0

\$0

\$0

21.3 For category (21.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

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

Yes [] No [X]

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

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

If no, attach a description with this statement.

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

Yes [] No [X]

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

\$0

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

Yes [X] No []

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

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

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

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

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

Yes [] No [X]

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

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

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	2	3
Central Registration Depository Number(s)	Name	Address

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 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 [X]
- 25.2 If yes, complete the following schedule:

1	2	3
CUSIP#	Name of Mutual Fund	Book/Adjusted Carrying Value
25.2999	Total	

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	10,849,386	10,812,535	36,851
26.2 Preferred stocks			
26.3 Totals	10,849,386	10,812,535	36,851

- 26.4 Describe the sources or methods utilized in determining the fair values: Fair values are based on quoted market prices when available
- If quoted market prices are not available, fair values are based on quoted market price of comparable instruments or values obtained from independant pricing services.

- 27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes [X] No []
- 27.2 If no, list exceptions:
-
-

OTHER

- 28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 0
- 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	2
Name	Amount Paid
	\$
	\$
	\$

- 29.1 Amount of payments for legal expenses, if any? \$ 2,131
- 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	2
Name	Amount Paid
US DEPT OF LABOR	\$ 2,000
	\$
	\$

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0
- 30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

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

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1

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

YES [] NO [X]

1.2

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

\$

1.3

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

\$

1.31

Reason for excluding

1.4

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

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

\$

All years prior to most current three years:

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

\$

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

\$

All years prior to most current three years:

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

\$

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$

\$

2.2

Premium Denominator

\$

\$

2.3

Premium Ratio (2.1/2.2)

2.4

Reserve Numerator

\$

\$

2.5

Reserve Denominator

\$

\$

2.6

Reserve Ratio (2.4/2.5)

3.1

Does the reporting entity issue both participating and non-participating policies?

YES [] NO [X]

3.2

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

3.21

Participating policies

\$

3.22

Non-participating policies

\$

4.

For Mutual Reporting Entities and Reciprocal Exchange only:

4.1

Does the reporting entity issue assessable policies?

YES [] NO [X]

4.2

Does the reporting entity issue non-assessable policies?

YES [] NO [X]

4.3

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

%

4.4

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

\$

5.

For Reciprocal Exchanges Only:

5.1

Does the exchange appoint local agents?

YES [] NO [X]

5.2

If yes, is the commission paid:

5.21

Out of Attorney's-in-fact compensation

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

5.22

As a direct expense of the exchange

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

5.3

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

5.4

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

YES [] NO [X]

5.5

If yes, give full information

17

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1

What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2006, the Company purchased Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$975m 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 Northeast 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 2006, the Company purchased property catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,650m 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 Interrogatroy 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4

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

YES ☐ NO ☒
- 9.5

If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10.

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

YES ☐ NO ☐ N/A ☒
- 11.1

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

YES ☐ NO ☒
- 11.2

If yes, give full information

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

12.1

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

12.11

Unpaid losses

\$

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$

12.2

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

\$

12.3

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

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

12.4

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

12.41

From

12.42

To

%

%

12.5

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

YES [] NO [X]

12.6

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

12.61

Letters of Credit

\$

12.62

Collateral and other funds

\$

13.1

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

\$

13.2

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]

13.3

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

14.1

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

YES [X] NO []

14.2

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

14.3

If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?

YES [] NO [X]

14.4

If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?

YES [X] NO []

14.5

If the answer to 14.4 is no, please explain:

15.1

Has the reporting entity guaranteed any financed premium accounts?

YES [] NO [X]

15.2

If yes, give full information

16.1

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
16.11 Home	\$	\$	\$	\$	\$
16.12 Products	\$	\$	\$	\$	\$
16.13 Automobile	\$	\$	\$	\$	\$
16.14 Other*	\$	\$	\$	\$	\$

*

Disclose type of coverage:

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

17.12 Unfunded portion of Interrogatory 17.11

17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11

17.14 Case reserves portion of Interrogatory 17.11

17.15 Incurred but not reported portion of Interrogatory 17.11

17.16 Unearned premium portion of Interrogatory 17.11

17.17 Contingent commission portion of Interrogatory 17.11

YES [] NO [X]

\$

\$

\$

\$

\$

\$

\$

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

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

17.19 Unfunded portion of Interrogatory 17.18

17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18

17.21 Case reserves portion of Interrogatory 17.18

17.22 Incurred but not reported portion of Interrogatory 17.18

17.23 Unearned premium portion of Interrogatory 17.18

17.24 Contingent commission portion of Interrogatory 17.18

\$

\$

\$

\$

\$

\$

\$

FIVE-YEAR HISTORICAL DATA

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

	1 2006	2 2005	3 2004	4 2003	5 2002
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	43,221,398	34,627,911	29,582,133	22,559,618	16,274,751
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	26,317,602	22,011,746	19,283,501	16,063,574	11,844,541
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	83,096,061	75,551,778	66,235,649	55,772,217	48,351,788
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
6. Total (Line 34)	152,635,061	132,191,435	115,101,283	94,395,409	76,471,080
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
12. Total (Line 34)					
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)					
14. Net investment gain (loss) (Line 11)	628,644	844,965	607,026	295,884	419,366
15. Total other income (Line 15)	692,304	649,051			
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	(271,695)	(203,575)	(630,840)	(1,814,066)	
18. Net income (Line 20)	1,592,643	1,697,591	1,237,866	2,109,950	419,366
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	22,444,733	23,579,742	22,392,708	36,100,374	22,023,323
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)				8,574,477	850,627
20.2 Deferred and not yet due (Line 13.2)				13,265,405	14,597,017
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	5,936,319	8,703,448	9,433,975	24,180,378	12,365,257
22. Losses (Page 3, Line 1)		1,688			
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	16,508,414	14,876,294	12,958,733	11,919,994	9,658,063
Risk-Based Capital Analysis					
27. Total adjusted capital	16,508,414	14,876,294	12,958,733	11,919,994	9,658,063
28. Authorized control level risk-based capital	175,733	55,610	35,118	94,174	146,824
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	71.0	36.9	97.3	106.0	124.4
30. Stocks (Lines 2.1 & 2.2)					
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	29.0	63.0	2.7	(6.0)	(24.4)
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)					
36. Receivables for securities (Line 8)		0.1			
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)					
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	1,632,116	1,917,561	1,038,741	2,261,931	1,229,413
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	13,720,896	9,991,912	7,714,987	6,974,102	7,481,326
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,543,986	7,962,087	6,585,275	5,395,661	4,524,586
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	26,076,952	23,653,937	18,299,415	23,647,815	27,069,923
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
55. Total (Line 34)	49,341,834	41,607,936	32,599,677	36,017,578	39,075,835
Net Losses Paid (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
61. Total (Line 34)					
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)					
64. Loss expenses incurred (Line 3)					
65. Other underwriting expenses incurred (Line 4)					100.0
66. Net underwriting gain (loss) (Line 8)					
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)					
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
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)					
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)					
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)					
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)					
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)					

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	10,849,386	10,812,535	10,851,867	10,850,000
	2. Canada				
	3. Other Countries				
	4. Totals	10,849,386	10,812,535	10,851,867	10,850,000
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals				
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals				
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	10,849,386	10,812,535	10,851,867	10,850,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	10,849,386	10,812,535	10,851,867	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	6,465,815	7. Amortization of premium	13,709
2. Cost of bonds and stocks acquired, Column 7, Part 3	7,856,992	8. Foreign Exchange Adjustment:	
3. Accrual of discount	40,288	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2		9. Book/adjusted carrying value at end of current period	10,849,386
4.4 Column 11 - 13, Part 4		10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4		11. Subtotal (Lines 9 plus 10)	10,849,386
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	3,500,000	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	10,849,386

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

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

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
				4	5	6	7	8	9			
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	246	246	103	103	56	56	1		X X X
2. 1997	38,972	38,972		18,232	18,232	1,639	1,639	2,634	2,634	135		X X X
3. 1998	51,545	51,545		28,853	28,853	2,698	2,698	3,511	3,511	125		X X X
4. 1999	51,543	51,543		35,315	35,315	2,470	2,470	4,122	4,122	528		X X X
5. 2000	55,745	55,745		34,212	34,212	1,823	1,823	4,064	4,064	1,024		X X X
6. 2001	61,860	61,860		31,279	31,279	3,069	3,069	3,792	3,792	634		X X X
7. 2002	70,587	70,587		35,478	35,478	2,670	2,670	6,127	6,127	510		X X X
8. 2003	83,784	83,784		29,979	29,979	2,556	2,556	7,519	7,519	1,035		X X X
9. 2004	104,013	104,013		30,302	30,302	1,989	1,989	7,350	7,350	1,507		X X X
10. 2005	125,031	125,031		34,118	34,118	1,244	1,244	8,250	8,250	1,405		X X X
11. 2006	143,668	143,668		24,925	24,925	261	261	9,695	9,695	739		X X X
12. Totals	X X X	X X X	X X X	302,939	302,939	20,522	20,522	57,120	57,120	7,643		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	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1. Prior	32	32	216	216			296	296	30	30			X X X
2. 1997	661	661	127	127			228	228	53	53			X X X
3. 1998	404	404	350	350			326	326	72	72			X X X
4. 1999	736	736	432	432			472	472	105	105			X X X
5. 2000	559	559	581	581			810	810	108	108			X X X
6. 2001	1,456	1,456	715	715			1,132	1,132	187	187			X X X
7. 2002	624	624	1,342	1,342			1,427	1,427	205	205			X X X
8. 2003	1,736	1,736	2,036	2,036			2,338	2,338	348	348			X X X
9. 2004	3,707	3,707	3,739	3,739			3,017	3,017	668	668			X X X
10. 2005	10,698	10,698	8,019	8,019			4,862	4,862	1,596	1,596			X X X
11. 2006	14,388	14,388	23,079	23,079			7,376	7,376	3,687	3,687			X X X
12. Totals	35,001	35,001	40,636	40,636			22,284	22,284	7,059	7,059			X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X		
2. 1997	23,574	23,574		60.490	60.490						
3. 1998	36,214	36,214		70.257	70.257						
4. 1999	43,652	43,652		84.690	84.690						
5. 2000	42,157	42,157		75.625	75.625						
6. 2001	41,630	41,630		67.297	67.297						
7. 2002	47,873	47,873		67.821	67.821						
8. 2003	46,512	46,512		55.514	55.514						
9. 2004	50,772	50,772		48.813	48.813						
10. 2005	68,787	68,787		55.016	55.016						
11. 2006	83,411	83,411		58,058	58,058						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X		

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

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

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.		1 Is Insurer Licen- sed? (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				9,000	(318,050)	9,883		
2. Alaska	AK	NO								
3. Arizona	AZ	YES	30,772,975	27,931,304		9,837,755	14,308,735	17,604,878	132,762	
4. Arkansas	AR	NO								
5. California	CA	NO								
6. Colorado	CO	YES	63,783,939	60,966,233		17,647,184	20,357,974	24,638,969	275,180	
7. Connecticut	CT	NO								
8. Delaware	DE	NO								
9. Dist. Columbia	DC	NO								
10. Florida	FL	YES					(73,544)	1,914		
11. Georgia	GA	YES				210	(17,275)	8,471		
12. Hawaii	HI	NO								
13. Idaho	ID	YES					(59,385)			
14. Illinois	IL	YES								
15. Indiana	IN	NO								
16. Iowa	IA	NO								
17. Kansas	KS	YES								
18. Kentucky	KY	NO								
19. Louisiana	LA	YES					(593,731)			
20. Maine	ME	NO								
21. Maryland	MD	NO								
22. Massachusetts	MA	NO								
23. Michigan	MI	NO								
24. Minnesota	MN	NO								
25. Mississippi	MS	NO								
26. Missouri	MO	YES				1,002,000	996,453	55,028		
27. Montana	MT	YES	(1,100)	(1,100)		10,000	177,859	921,139	(5)	
28. Nebraska	NE	NO								
29. Nevada	NV	YES	13,903,392	12,098,808		4,213,181	6,514,833	6,592,030	59,983	
30. New Hampshire	NH	NO								
31. New Jersey	NJ	NO								
32. New Mexico	NM	YES	15,259,632	15,088,212		3,968,006	6,272,795	7,643,962	65,834	
33. New York	NY	NO								
34. No. Carolina	NC	YES				104,180	88,883	87,345		
35. No. Dakota	ND	NO								
36. Ohio	OH	NO								
37. Oklahoma	OK	NO								
38. Oregon	OR	YES								
39. Pennsylvania	PA	NO								
40. Rhode Island	RI	NO								
41. So. Carolina	SC	YES				131,017	196,797	263,761		
42. So. Dakota	SD	NO								
43. Tennessee	TN	NO								
44. Texas	TX	YES								
45. Utah	UT	YES	15,361,635	13,996,131		7,215,357	9,789,185	11,325,282	66,274	
46. Vermont	VT	NO								
47. Virginia	VA	NO								
48. Washington	WA	YES				142,885	(711,823)	219,802		
49. West Virginia	WV	NO								
50. Wisconsin	WI	YES								
51. Wyoming	WY	YES	13,554,587	13,588,606		5,061,057	5,989,679	6,266,031	58,478	
52. American Samoa	AS	NO								
53. Guam	GU	NO								
54. Puerto Rico	PR	NO								
55. U.S. Virgin Islands	VI	NO								
56. Northern Mariana Islands	MP	NO								
57. Canada	CN	NO								
58. Aggregate other alien	OT	X X X								
59. Totals	(a)	21	152,635,060	143,668,194		49,341,832	62,919,385	75,638,495	658,506	

DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	X X X								

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

