

ANNUAL STATEMENT

OF THE

Employers Insurance

Company of Wausau

of **Wausau**

in the state of **Wisconsin**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED
December 31, 2006

PROPERTY AND CASUALTY

2006



21458200620100100

ANNUAL STATEMENT

For the Year Ended December 31, 2006

OF THE CONDITION AND AFFAIRS OF THE

Employers Insurance Company of Wausau

NAIC Group Code 0111 0111 NAIC Company Code 21458 Employer's ID Number 39-0264050

(Current Period) (Prior Period)

Organized under the Laws of Wisconsin, State of Domicile or Port of Entry Wisconsin

Country of Domicile United States of America

Incorporated/Organized: August 21, 1911 Commenced Business: September 1, 1911

Statutory Home Office: 2000 Westwood Drive Wausau, WI 54401

Main Administrative Office: 2000 Westwood Drive Wausau, WI 54401 715-845-5211

Mail Address: Post Office Box 8017 Wausau, WI 54402-8017

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

Internet Website Address: www.wausau.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: 2000 Westwood Drive Wausau, WI 54401 715-845-5211 6570

OFFICERS

Table with 2 columns: Name, Title. Rows include Mark Edward Fiebrink (President and Chief Operating Officer), James Stanley Hoffert (Vice President-General Counsel and Secretary), Laurance Henry Soyer Yahia (Vice President and Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents such as Susan Marie Doyle (EVP GM Field Operations), Timothy Charles Mulloy (Sr Vice President GM Signature Div.), etc.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors/trustees such as Anthony Alexander Fontanes (Mark Edward Fiebrink), Gary Richard Gregg (Edmund Francis Kelly), etc.

State of Wisconsin County of Marathon ss

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

(Signature) Mark Edward Fiebrink (Printed Name) 1. President and Chief Operating Officer (Title) (Signature) James Stanley Hoffert (Printed Name) 2. Vice President-General Counsel and Secretary (Title) (Signature) Laurance Henry Soyer Yahia (Printed Name) 3. Vice President and Treasurer (Title)

Subscribed and sworn to before me this day of , 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)	3,853,602,430		3,853,602,430	3,644,055,575
2. Stocks (Schedule D):				
2.1 Preferred stocks	82,676,300		82,676,300	976,800
2.2 Common stocks	215,595		215,595	1,927,643
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)	19,582,784		19,582,784	22,088,639
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 26,992,584, Schedule E-Part 1), cash equivalents (\$ 15,283,590 Schedule E-Part 2) and short-term investments (\$ 81,053,467, Schedule DA)	123,329,641		123,329,641	43,941,673
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	132,830,110		132,830,110	70,028,317
8. Receivables for securities	4,569,583		4,569,583	3,562,286
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	4,216,806,443		4,216,806,443	3,786,580,933
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	40,270,930		40,270,930	39,027,201
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	169,508,121	5,018,793	164,489,328	146,298,699
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 7,284 earned but unbilled premiums)	458,832,965	807	458,832,158	331,165,209
13.3 Accrued retrospective premiums	123,513,137	12,182,634	111,330,503	112,656,110
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	65,796,354		65,796,354	56,401,816
14.2 Funds held by or deposited with reinsured companies				28,080
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	514,874	514,874		
16.1 Current federal and foreign income tax recoverable and interest thereon				5,373,925
16.2 Net deferred tax asset	236,737,000	106,727,534	130,009,466	102,799,900
17. Guaranty funds receivable or on deposit	7,865,699		7,865,699	9,059,607
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)	130,015	130,015		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	10,628,948		10,628,948	10,090,494
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	94,173,532	4,576,852	89,596,680	87,678,359
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	5,424,778,018	129,151,509	5,295,626,509	4,687,160,333
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	5,424,778,018	129,151,509	5,295,626,509	4,687,160,333

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	8,489,380	2,436,300	6,053,080	8,195,882
2302. Cash surrender value - life insurance	38,986,817		38,986,817	34,413,524
2303. Equities and deposits in pools and associations	4,931,822		4,931,822	5,036,324
2398. Summary of remaining write-ins for Line 23 from overflow page	41,765,513	2,140,552	39,624,961	40,032,629
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	94,173,532	4,576,852	89,596,680	87,678,359

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	2,446,787,889	2,273,141,941
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	162,760,010	16,537,792
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	501,555,668	465,559,373
4. Commissions payable, contingent commissions and other similar charges	31,419,503	22,601,040
5. Other expenses (excluding taxes, licenses and fees)	72,513,089	64,735,742
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	50,132,858	47,953,481
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	10,340,730	
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 427,240,397 and including warranty reserves of \$ 0)	749,402,922	671,888,149
10. Advance premium	5,472,753	8,230,712
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	962,406	558,533
12. Ceded reinsurance premiums payable (net of ceding commissions)	43,299,186	61,939,547
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	38,260,258	72,856,185
14. Amounts withheld or retained by company for account of others	9,069,492	8,536,954
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	2,848,830	7,332,488
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	66,119,695	75,487,146
19. Payable to parent, subsidiaries and affiliates	3,476,693	12,876,080
20. Payable for securities	68,885,979	13,892,535
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(176,052,271)	(207,629,819)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	4,087,255,690	3,616,497,879
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	4,087,255,690	3,616,497,879
27. Aggregate write-ins for special surplus funds	195,160,452	187,963,303
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	340,000,000	340,000,000
33. Unassigned funds (surplus)	668,210,367	537,699,151
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)	1,208,370,819	1,070,662,454
36. TOTALS (Page 2, Line 26, Col. 3)	5,295,626,509	4,687,160,333

DETAILS OF WRITE-INS		
2301. Other liabilities	37,593,380	39,672,513
2302. Retroactive reinsurance reserve	(367,349,214)	(361,172,264)
2303. Amounts held under uninsured plans	116,886,896	113,869,932
2398. Summary of remaining write-ins for Line 23 from overflow page	36,816,667	
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(176,052,271)	(207,629,819)
2701. Special surplus from retroactive reinsurance	195,160,452	187,963,303
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)	195,160,452	187,963,303
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)	1,819,426,106	1,657,550,542
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	1,111,789,964	1,057,149,962
3. Loss expenses incurred (Part 3, Line 25, Column 1)	277,664,702	312,433,469
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	487,301,226	413,382,466
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,876,755,892	1,782,965,897
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(57,329,786)	(125,415,355)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	195,676,428	184,389,273
10. Net realized capital gains (losses) less capital gains tax of \$ 2,363,972 (Exhibit of Capital Gains (Losses))	4,419,916	18,439,451
11. Net investment gain (loss) (Lines 9 + 10)	200,096,344	202,828,724
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 371,720 amount charged off \$ 2,914,732)	(2,543,012)	(5,763,482)
13. Finance and service charges not included in premiums	8,802,663	9,070,754
14. Aggregate write-ins for miscellaneous income	(20,112,245)	(22,527,416)
15. Total other income (Lines 12 through 14)	(13,852,594)	(19,220,144)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	128,913,964	58,193,225
17. Dividends to policyholders	8,164,416	5,777,263
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)	120,749,548	52,415,962
19. Federal and foreign income taxes incurred	30,628,907	(6,813,745)
20. Net income (Line 18 minus Line 19) (to Line 22)	90,120,641	59,229,707
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,070,662,454	995,148,967
22. Net income (from Line 20)	90,120,641	59,229,707
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 4,496,690	8,764,385	(1,542,970)
25. Change in net unrealized foreign exchange capital gain (loss)	(114,886)	702,306
26. Change in net deferred income tax	15,597,689	(20,144,522)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	18,161,693	37,793,729
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	4,483,658	(2,147,803)
29. Change in surplus notes		(220,000,000)
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		220,000,000
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	695,185	1,623,040
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	137,708,365	75,513,487
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	1,208,370,819	1,070,662,454

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)	(28,257,868)	(27,491,748)
1402. Retroactive reinsurance gain / (loss)	8,145,623	4,964,332
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)	(20,112,245)	(22,527,416)
3701. Other changes in surplus	695,185	1,623,040
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)	695,185	1,623,040

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,730,785,004	1,720,659,991
2. Net investment income	199,004,725	186,139,331
3. Miscellaneous income	(44,996,233)	(27,780,523)
4. Total (Lines 1 through 3)	1,884,793,496	1,879,018,799
5. Benefit and loss related payments	812,306,513	926,964,619
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	710,632,128	669,547,597
8. Dividends paid to policyholders	7,760,543	6,980,564
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	17,273,153	6,019,933
10. Total (Lines 5 through 9)	1,547,972,337	1,609,512,713
11. Net cash from operations (Line 4 minus Line 10)	336,821,159	269,506,086
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	583,341,510	1,110,725,905
12.2 Stocks	3,551,131	3,155,161
12.3 Mortgage loans		
12.4 Real estate	510,756	
12.5 Other invested assets	21,357,896	39,341,218
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	53,986,147	7,214,767
12.8 Total investment proceeds (Lines 12.1 to 12.7)	662,747,440	1,160,437,051
13. Cost of investments acquired (long-term only):		
13.1 Bonds	788,413,826	1,401,306,520
13.2 Stocks	83,404,288	3,450,315
13.3 Mortgage loans		
13.4 Real estate	1,769,721	2,450,482
13.5 Other invested assets	69,406,633	23,182,381
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	942,994,468	1,430,389,698
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)	(280,247,028)	(269,952,647)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		(220,000,000)
16.2 Capital and paid in surplus, less treasury stock		220,000,000
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)	22,813,837	(848,040)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	22,813,837	(848,040)
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)	79,387,968	(1,294,601)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	43,941,673	45,236,274
19.2 End of year (Line 18 plus Line 19.1)	123,329,641	43,941,673

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

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1- PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	46,208,827	20,033,065	22,868,781	43,373,111
2. Allied lines	16,253,552	6,483,354	8,212,697	14,524,209
3. Farmowners multiple peril	64,012			64,012
4. Homeowners multiple peril	254,620,301	118,702,383	145,090,034	228,232,650
5. Commercial multiple peril	41,298,163	16,896,304	20,741,230	37,453,237
6. Mortgage guaranty				
8. Ocean marine	3,926,864	2,046,290	1,931,796	4,041,358
9. Inland marine	56,434,801	5,342,279	6,343,904	55,433,176
10. Financial guaranty				
11.1 Medical malpractice - occurrence	567			567
11.2 Medical malpractice - claims-made				
12. Earthquake	5,755,567	1,953,716	2,670,894	5,038,389
13. Group accident and health	(102)			(102)
14. Credit accident and health (group and individual)				
15. Other accident and health	63,755	10,481	30,361	43,875
16. Workers' compensation	626,762,477	(19,611,265)	(6,660,661)	613,811,873
17.1 Other liability - occurrence	104,852,800	27,789,148	41,814,345	90,827,603
17.2 Other liability - claims-made	27,666,113	12,733,204	12,825,728	27,573,589
18.1 Products liability - occurrence	25,895,284	7,338,338	8,976,722	24,256,900
18.2 Products liability - claims-made	1,164,884	419	102,578	1,062,725
19.1, 19.2 Private passenger auto liability	349,863,753	178,660,206	177,316,538	351,207,421
19.3, 19.4 Commercial auto liability	78,493,487	20,751,851	27,238,806	72,006,532
21. Auto physical damage	188,118,776	124,358,398	126,902,519	185,574,655
22. Aircraft (all perils)	11,868,143	2,655,771	3,968,715	10,555,199
23. Fidelity	859,612	347,472	331,211	875,873
24. Surety	38,909,865	18,032,389	23,362,195	33,580,059
26. Burglary and theft	101,165	51,401	47,239	105,327
27. Boiler and machinery	724,016	267,295	345,895	645,416
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	10,027,355	788,951	999,938	9,816,368
31. Reinsurance-Nonproportional Assumed Liability	8,326,928	931,998	421,037	8,837,889
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	1,898,260,965	546,563,448	625,882,502	1,818,941,911

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

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 1A - RECAPITULATION OF ALL PREMIUMS**

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	22,624,614	244,167			22,868,781
2. Allied lines	8,207,026	5,671			8,212,697
3. Farmowners multiple peril					
4. Homeowners multiple peril	145,090,026				145,090,026
5. Commercial multiple peril	18,065,552	2,675,678			20,741,230
6. Mortgage guaranty					
8. Ocean marine	1,688,119	243,676			1,931,795
9. Inland marine	5,944,503	399,401			6,343,904
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	2,639,277	31,617			2,670,894
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	30,369				30,369
16. Workers' compensation	99,048,945	2,407,169	(7,284)	(108,109,491)	(6,660,661)
17.1 Other liability - occurrence	44,597,858	3,668,704		(6,452,217)	41,814,345
17.2 Other liability - claims-made	9,449,468	3,376,260			12,825,728
18.1 Products liability - occurrence	11,265,936	338,417		(2,627,631)	8,976,722
18.2 Products liability - claims-made	102,578				102,578
19.1, 19.2 Private passenger auto liability	177,316,538				177,316,538
19.3, 19.4 Commercial auto liability	32,461,583	1,380,555		(6,603,333)	27,238,805
21. Auto physical damage	126,869,486	33,292		(258)	126,902,520
22. Aircraft (all perils)	3,968,715				3,968,715
23. Fidelity	315,189	16,022			331,211
24. Surety	21,648,023	1,434,380		279,793	23,362,196
26. Burglary and theft	45,619	1,620			47,239
27. Boiler and machinery	344,846	1,048			345,894
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	999,938				999,938
31. Reinsurance-Nonproportional Assumed Liability	421,037				421,037
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	733,145,245	16,257,677	(7,284)	(123,513,137)	625,882,501
35. Accrued retrospective premiums based on experience					123,513,137
36. Earned but unbilled premiums					7,284
37. Balance (Sum of Line 34 through 36)					749,402,922

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) State here basis of computation used in each case Daily pro rata

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	14,611,284	46,577,643	695,894	(4,709,176)	20,385,170	46,208,827
2. Allied lines	4,200,249	16,540,246	289,648	(1,547,699)	6,324,290	16,253,552
3. Farmowners multiple peril		64,012				64,012
4. Homeowners multiple peril	385,830	254,620,301	111,242	(1,689,302)	2,186,374	254,620,301
5. Commercial multiple peril	45,630,500	116,478,228	755	111,917,322	8,893,998	41,298,163
6. Mortgage guaranty						
8. Ocean marine		3,926,864				3,926,864
9. Inland marine	502,710	56,450,376		(355,909)	874,194	56,434,801
10. Financial guaranty						
11.1 Medical malpractice - occurrence		567				567
11.2 Medical malpractice - claims-made						
12. Earthquake	1,729,496	6,407,279		129,538	2,251,670	5,755,567
13. Group accident and health		(102)				(102)
14. Credit accident and health (group and individual)						
15. Other accident and health		63,755				63,755
16. Workers' compensation	302,458,497	1,361,715,445	65,138,384	1,037,400,162	65,149,687	626,762,477
17.1 Other liability - occurrence	32,353,446	142,534,250	247	61,663,099	8,372,044	104,852,800
17.2 Other liability - claims-made	795,434	27,666,113		198,403	597,031	27,666,113
18.1 Products liability - occurrence	3,323,986	47,493,290		24,921,992		25,895,284
18.2 Products liability - claims-made		1,164,884				1,164,884
19.1, 19.2 Private passenger auto liability		349,863,753				349,863,753
19.3, 19.4 Commercial auto liability	26,788,040	144,865,540	942,123	84,814,896	9,287,320	78,493,487
21. Auto physical damage	5,806,671	202,880,671	23,646	20,436,006	156,206	188,118,776
22. Aircraft (all perils)		11,868,143				11,868,143
23. Fidelity	98,055	859,952		98,395		859,612
24. Surety	50,201	38,909,865		50,201		38,909,865
26. Burglary and theft	103,788	101,649	1,802	51,213	54,861	101,165
27. Boiler and machinery	605,513	724,016		169,162	436,351	724,016
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	10,027,355				10,027,355
31. Reinsurance-Nonproportional Assumed Liability	X X X	8,326,928	(1,375)		(1,375)	8,326,928
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	439,443,700	2,850,131,023	67,202,366	1,333,548,303	124,967,821	1,898,260,965

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 [X] No []
 If yes: 1. The amount of such installment premiums \$ 304,566,170
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 313,287,284

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	29,220,561	18,674,090	29,471,437	18,423,214	15,384,192	17,681,416	16,125,990	37.180
2. Allied lines	11,929,939	15,485,920	12,652,284	14,763,575	9,938,400	9,737,290	14,964,685	103.033
3. Farmowners multiple peril					26,913		26,913	42.044
4. Homeowners multiple peril	321,855	104,867,620	415,866	104,773,609	52,176,506	40,854,346	116,095,769	50.867
5. Commercial multiple peril	29,498,718	55,250,501	63,473,577	21,275,642	49,833,498	37,203,515	33,905,625	90.528
6. Mortgage guaranty								
8. Ocean marine		2,189,511		2,189,511	6,306,901	7,114,159	1,382,253	34.203
9. Inland marine	99,718	51,157,472	99,718	51,157,472	11,966,481	14,919,534	48,204,419	86.960
10. Financial guaranty								
11.1 Medical malpractice - occurrence		1,791		1,791	66,205	(10,379)	78,375	13,822.751
11.2 Medical malpractice - claims - made								
12. Earthquake	757	(1,382)	757	(1,382)	(49,583)	104,815	(155,780)	(3.092)
13. Group accident and health	1,961,509	154,293	1,961,509	154,293	543,757	593,954	104,096	(102,054.902)
14. Credit accident and health (group and individual)								
15. Other accident and health		92,750		92,750	510,589	550,245	53,094	121.012
16. Workers' compensation	241,343,424	553,160,355	514,349,127	280,154,652	1,410,657,637	1,254,231,807	436,580,482	71.126
17.1 Other liability - occurrence	143,741,295	66,506,499	154,492,674	55,755,120	281,740,175	277,952,152	59,543,143	65.556
17.2 Other liability - claims - made	2,326,992	11,094,675	2,326,992	11,094,675	45,762,992	45,908,764	10,948,903	39.708
18.1 Products liability - occurrence	29,395,355	(1,253,775)	34,396,732	(6,255,152)	67,042,306	66,295,821	(5,508,667)	(22.710)
18.2 Products liability - claims - made	141,523	1,068	141,523	1,068	1,811,400	1,183,420	629,048	59.192
19.1, 19.2 Private passenger auto liability	47	218,575,436	47	218,575,436	295,077,872	311,432,844	202,220,464	57.579
19.3, 19.4 Commercial auto liability	22,935,813	64,088,433	47,587,982	39,436,264	96,568,044	104,106,421	31,897,887	44.299
21. Auto physical damage	2,339,860	104,119,432	10,128,934	96,330,358	(5,708,383)	(6,195,401)	96,817,376	52.172
22. Aircraft (all perils)		5,118,932		5,118,932	11,105,728	10,639,486	5,585,174	52.914
23. Fidelity	104,619	97,411	104,619	97,411	2,361,651	1,623,716	835,346	95.373
24. Surety	(69,430)	2,276,998	(69,430)	2,276,998	14,218,414	9,496,153	6,999,259	20.843
26. Burglary and theft	42,179	16,501	42,244	16,436	201,245	322,542	(104,861)	(99.558)
27. Boiler and machinery	100,599	(2,437)	100,599	(2,437)	28,600	(80,126)	106,289	16.468
28. Credit					2,247	2,247		
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	9,538,794		9,538,794	20,017,246	22,472,718	7,083,322	72.158
31. Reinsurance-Nonproportional Assumed Liability	X X X	30,869,064	16,160,746	14,708,318	58,606,592	44,627,133	28,687,777	324.600
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	93,682		93,682	590,264	373,349	310,597	
33. Aggregate write-ins for other lines of business								
34. TOTALS	515,435,333	1,312,173,634	887,837,937	939,771,030	2,446,787,889	2,273,141,941	1,113,416,978	61.212

DETAILS OF WRITE-INS

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	8,172,555	11,853,017	8,312,922	11,712,650	9,453,644	5,526,951	11,309,053	15,384,192	1,909,346
2. Allied lines	3,882,647	8,528,797	4,327,469	8,083,975	9,970,430	3,145,989	11,261,995	9,938,399	1,483,656
3. Farmowners multiple peril						26,913		26,913	16,638
4. Homeowners multiple peril	209,339	30,713,797	255,667	30,667,469		21,515,192	6,154	52,176,507	12,624,065
5. Commercial multiple peril	92,555,605	87,874,891	149,357,518	31,072,978	33,014,680	60,739,420	74,993,580	49,833,498	15,122,436
6. Mortgage guaranty									
8. Ocean marine		4,661,310	24,022	4,637,288	2,053,781	1,669,613	2,053,781	6,306,901	1,594,311
9. Inland marine	178,179	5,475,439	178,179	5,475,439	1,848,669	6,495,655	1,853,282	11,966,481	1,363,177
10. Financial guaranty									
11.1 Medical malpractice - occurrence	300,000	58,939	300,000	58,939		52,592	45,326	66,205	30
11.2 Medical malpractice - claims - made									
12. Earthquake	1,057	17,330	1,057	17,330	105,831	9,547	182,291	(49,583)	6,877
13. Group accident and health	8,088,047	232,673	8,088,047	232,673	15,000	311,084	15,000	(a) 543,757	42,548
14. Credit accident and health (group and individual)									
15. Other accident and health		133,073		133,073		377,516		(a) 510,589	16,385
16. Workers' compensation	1,026,325,467	1,520,098,644	1,694,686,973	851,737,138	482,719,436	1,193,127,872	1,116,926,809	1,410,657,637	169,425,485
17.1 Other liability - occurrence	130,786,347	183,597,181	161,954,138	152,429,390	658,067,408	143,990,311	672,746,934	281,740,175	119,467,625
17.2 Other liability - claims - made	1,941,979	11,691,855	1,941,979	11,691,855	2,351,876	34,071,137	2,351,876	45,762,992	16,577,304
18.1 Products liability - occurrence	155,360,565	28,083,755	166,182,550	17,261,770	64,255,172	61,336,049	75,810,684	67,042,307	44,411,936
18.2 Products liability - claims - made	549,778	407,645	549,778	407,645	83,795	1,403,755	83,795	1,811,400	937,338
19.1, 19.2 Private passenger auto liability	40	191,664,549	128,962	191,535,627		103,542,247	1	295,077,873	81,200,078
19.3, 19.4 Commercial auto liability	30,881,866	90,813,443	64,335,406	57,359,903	15,366,479	63,262,882	39,421,221	96,568,043	17,612,269
21. Auto physical damage		127,308	12,469	114,839		(5,736,606)	86,616	(5,708,383)	9,018,760
22. Aircraft (all perils)		7,819,892	34,214	7,785,678	57,787	3,320,050	57,787	11,105,728	2,298,248
23. Fidelity	99,168	588,124	99,168	588,124	1,967,647	1,777,195	1,971,315	2,361,651	219,009
24. Surety	686,898	2,344,049	686,898	2,344,049	273,195	11,874,437	273,267	14,218,414	4,096,615
26. Burglary and theft	5,095	18,034	5,110	18,019	485,930	190,329	493,034	201,244	194,340
27. Boiler and machinery	55,000	3,159	55,000	3,159	262,598	44,951	282,108	28,600	19,592
28. Credit						2,247		2,247	118
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	20,695,391	9,333,532	11,361,859	X X X	8,655,387		20,017,246	372,485
31. Reinsurance-Nonproportional Assumed Liability	X X X	187,397,976	157,866,332	29,531,644	X X X	460,030,441	430,955,494	58,606,591	1,518,122
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	590,264		590,264	X X X			590,264	6,875
33. Aggregate write-ins for other lines of business									
34. TOTALS	1,460,079,632	2,395,490,535	2,428,717,390	1,426,852,777	1,282,353,358	2,180,763,156	2,443,181,403	2,446,787,888	501,555,668

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

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

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

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	81,949,889			81,949,889
1.2 Reinsurance assumed	211,638,439			211,638,439
1.3 Reinsurance ceded	159,285,388			159,285,388
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	134,302,940			134,302,940
2. Commission and brokerage:				
2.1 Direct, excluding contingent		28,920,979		28,920,979
2.2 Reinsurance assumed, excluding contingent		104,514,808		104,514,808
2.3 Reinsurance ceded, excluding contingent		100,171,097		100,171,097
2.4 Contingent-direct		(2,000,000)		(2,000,000)
2.5 Contingent-reinsurance assumed		19,735,837		19,735,837
2.6 Contingent-reinsurance ceded		(2,000,000)		(2,000,000)
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)		53,000,527		53,000,527
3. Allowances to manager and agents		511		511
4. Advertising	1,719,800	19,226,638	3,936	20,950,374
5. Boards, bureaus and associations	392,833	3,102,459	130	3,495,422
6. Surveys and underwriting reports	1,740	3,750,998	4	3,752,742
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	83,514,905	185,613,171	932,143	270,060,219
8.2 Payroll taxes	4,725,930	15,445,793	40,408	20,212,131
9. Employee relations and welfare	15,907,879	52,196,915	40,437	68,145,231
10. Insurance	8,263,052	2,551,459	3,134	10,817,645
11. Directors' fees		29,744		29,744
12. Travel and travel items	5,665,358	14,335,264	30,971	20,031,593
13. Rent and rent items	5,108,602	16,771,455	13,211	21,893,268
14. Equipment	4,190,443	12,456,753	14,546	16,661,742
15. Cost or depreciation of EDP equipment and software	840,362	3,336,390	7,625	4,184,377
16. Printing and stationery	1,182,997	3,473,747	2,072	4,658,816
17. Postage, telephone and telegraph, exchange and express	3,610,181	10,511,342	14,279	14,135,802
18. Legal and auditing	807,834	3,969,094	88,600	4,865,528
19. Totals (Lines 3 to 18)	135,931,916	346,771,733	1,191,496	483,895,145
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 1,653,828		69,653,822		69,653,822
20.2 Insurance department licenses and fees		1,310,306		1,310,306
20.3 Gross guaranty association assessments		(1,471,975)		(1,471,975)
20.4 All other (excluding federal and foreign income and real estate)		1,475,047		1,475,047
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		70,967,200		70,967,200
21. Real estate expenses			3,977,863	3,977,863
22. Real estate taxes			998,333	998,333
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	7,429,846	16,561,766	138,019	24,129,631
25. Total expenses incurred	277,664,702	487,301,226	6,305,711 (a)	771,271,639
26. Less unpaid expenses-current year	501,555,668	152,924,108	1,141,341	655,621,117
27. Add unpaid expenses-prior year	465,559,373	134,408,919	881,344	600,849,636
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)	241,668,407	468,786,037	6,045,714	716,500,158

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	2,800,842			2,800,842
2402. Other expenses	4,629,004	16,561,766	138,019	21,328,789
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	7,429,846	16,561,766	138,019	24,129,631

(a) Includes management fees of \$ 1,319,844 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) 17,241,109	13,926,386
1.1 Bonds exempt from U.S. tax	(a) 27,582,916	33,746,954
1.2 Other bonds (unaffiliated)	(a) 144,203,287	141,881,930
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 2,150,208	2,735,194
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	317	317
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 9,931,371	9,931,371
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 3,070,465	3,231,370
7. Derivative instruments	(f)	
8. Other invested assets	1,140,920	1,140,920
9. Aggregate write-ins for investment income	(334,923)	(334,923)
10. Total gross investment income	204,985,670	206,259,519
11. Investment expenses		(g) 6,305,711
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 3,808
14. Depreciation on real estate and other invested assets		(i) 4,273,572
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		10,583,091
17. Net investment income (Line 10 minus Line 16)		195,676,428

DETAILS OF WRITE-INS			
0901. Miscellaneous Income/(Expense)		(334,923)	(334,923)
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)		(334,923)	(334,923)
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 \$ 5,222,522 accrual of discount less \$ 5,300,876 amortization of premium and less \$ 1,665,435 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 \$ 9,804,830 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 20,505 accrual of discount less \$ 0 amortization of premium and less \$ 30,930 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 4,273,572 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	643,337			643,337
1.1 Bonds exempt from U.S. tax	1,075			1,075
1.2 Other bonds (unaffiliated)	4,735,209	(3,278,253)	2,559,871	4,016,827
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)			1,066,100	1,066,100
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	(1,023,902)		92,096	(931,806)
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate	508,751			508,751
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets	9,292,715	(4,092,442)	9,543,008	14,743,281
9. Aggregate write-ins for capital gains (losses)	(2,602)			(2,602)
10. Total capital gains (losses)	14,154,583	(7,370,695)	13,261,075	20,044,963

DETAILS OF WRITE-INS			
0901. Gain/(Loss) - Sale of Miscellaneous Asset	(2,602)		(2,602)
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)	(2,602)		(2,602)

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	5,018,793	4,591,900	(426,893)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	807		(807)
13.3 Accrued retrospective premiums	12,182,634	12,668,591	485,957
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	514,874	564,795	49,921
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	106,727,534	122,836,100	16,108,566
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	130,015	214,355	84,340
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	4,576,852	5,900,896	1,324,044
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	129,151,509	146,776,637	17,625,128
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	129,151,509	146,776,637	17,625,128

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	2,436,300	4,412,342	1,976,042
2302. Amounts billed and receivable under high deductible policies	2,140,552	1,488,554	(651,998)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	4,576,852	5,900,896	1,324,044

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 Wisconsin, the accompanying financial statements of Employers Insurance Company of Wausau (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

Effective December 31, 1998, the Company entered into a reinsurance treaty with Nationwide Indemnity Company, with Nationwide Mutual Insurance Company as guarantor of the recoverables ceded under the treaty. The Wisconsin Insurance Commissioner has issued a Permitted Practice Decision allowing the guarantee to be used as credit for reinsurance collateral, reducing the provision for reinsurance by \$43,444,000

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. Common stocks are carried at market value.
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled or affiliated entities.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 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.

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company 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

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

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

F. Real Estate

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

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 that exceed 10% of its admitted assets.
- B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim performance which indicates a probable inability to recover the carrying amount of the asset leads to impairment losses being recognized by management. The Company realized impairment losses of \$4,092,442 during the year.

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 maintains an active Derivative Use Policy (approved in 2004 by the State of New York). There are no current derivatives holdings or current year derivatives transactions executed under this policy. 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

NOTES TO FINANCIAL STATEMENTS

Other Funds are as follows:

	December 31, 2006	December 31, 2005	Change
Total of gross deferred tax assets	279,163,000	256,435,000	22,728,000
Total of deferred tax liabilities	(42,426,000)	(30,799,000)	(11,627,000)
Net deferred tax asset	236,737,000	225,636,000	11,101,000
Net deferred tax asset non-admitted	(106,727,534)	(122,836,100)	16,108,566
Net admitted deferred tax asset	130,009,466	102,799,900	27,209,566

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

	2006	2005
Federal tax on operations	47,141,599	17,599,428
Net operating loss benefit	(16,640,923)	(24,414,950)
Foreign tax on operations	128,231	1,777
Income tax incurred on operations	30,628,907	(6,813,745)
Tax on capital gains	2,363,972	9,930,745
Total income tax incurred	32,992,879	3,117,000

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred compensation, investment impairments, statutory non-admitted assets, and net operating losses.

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

	2006
Change in net deferred income tax (without unrealized gain or loss)	15,597,689
Tax effect of unrealized (gains) losses	(4,496,689)
Total change in net deferred income tax	11,101,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, non-deductible penalties, officer's life insurance, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$36,528,000 from the current year and \$2,498,000 from the preceding year.

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

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

Access Insurance Services, Co.	Liberty Life Holdings, Inc.
Ambco Capital Corporation	Liberty Lloyds of Texas Insurance Company
America First Insurance Company	Liberty Management Services, Inc.
America First Lloyds Insurance Company	Liberty Mexico Holdings, Inc.
American Ambassador Casualty Company	Liberty Mutual Fire Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty Mutual Group Inc.
Berkeley Management Corporation	Liberty Mutual Holding Company, Inc.
Bridgefield Casualty Insurance Company	Liberty Mutual Insurance Company
Bridgefield Employers Insurance Company	Liberty Mutual Managed Care, Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Personal Insurance Company
Capitol Agency, Inc. (Ohio corporation)	Liberty Northwest Insurance Corporation
Capitol Agency, Inc. (Tennessee corporation)	Liberty Personal Insurance Company
Cascade Disability Management, Inc.	Liberty RE (Bermuda) Limited
Colorado Casualty Insurance Company	Liberty Real Estate Corporation
Companies Agency Insurance Services of California	Liberty Sponsored Insurance (Vermont) Inc.
Companies Agency of Alabama, Inc.	Liberty Surplus Insurance Corporation
Companies Agency of Georgia, Inc.	Liberty-USA Corporation
Companies Agency of Kentucky, Inc.	LIH-Re of America Corporation
Companies Agency of Massachusetts, Inc.	LIH U.S. P&C Corporation
Companies Agency of Michigan, Inc.	LIIA Insurance Agency, Inc.
Companies Agency of New York, Inc.	LIU Specialty Insurance Agency, Inc.
Companies Agency of Pennsylvania, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency of Phoenix, Inc.	LM Insurance Corporation
Consolidated Insurance Company	LMHC Massachusetts Holding, Inc.
Copley Venture Capital, Inc.	LRE Properties, Inc.
Countrywide Services Corporation	Mid-American Agency, Inc.
Diversified Settlements, Inc.	Mid-American Fire and Casualty Company
Employers Insurance Company of Wausau	Missouri Agency, Inc.
Excelsior Insurance Company	North Pacific Insurance Company
First State Agency, Inc.	Oregon Automobile Insurance Company
Florida State Agency, Inc.	Peerless Indemnity Insurance Company
Globe American Casualty Company	Peerless Insurance Company

NOTES TO FINANCIAL STATEMENTS

Golden Eagle Insurance Corporation	LM Personal Insurance Company
Gulf States AIF, Inc.	LM General Insurance Company
Hawkeye-Security Insurance Company	LM Property and Casualty Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	San Diego Insurance Company
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Indiana corporation)
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Wisconsin corporation)
Indiana Insurance Company	St. James Insurance Company
LEXCO Limited	Summit Consulting, Inc.
Liberty Assignment Corporation	Summit Consulting, Inc. of Louisiana
Liberty Energy Corporation	Summit Holding Southeast, Inc.
Liberty Financial Services, Inc.	The First Liberty Insurance Corporation
Liberty Hospitality Group, Inc.	The Midwestern Indemnity Company
Liberty Insurance Company of America	The National Corporation
Liberty Insurance Corporation	The Netherlands Insurance Company
Liberty Insurance Holdings, Inc.	Wausau Business Insurance Company
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. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group, Inc. ("LMGI"). LMGI is owned 100% by LMHC Massachusetts Holdings, Inc. ("LMHC MHI") and LMHC MHI is owned 100% by Liberty Mutual Holding Company, Inc. ("LMHCI").
- B. During 2006 the Company made a capital contribution of \$14,481,271 to a subsidiary, St. James/Arlington Real Estate Limited Partnership.
- C. Refer to Note 26.
- D. At December 31, 2006, the Company reported \$7,152,255 net 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 which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 26 for information regarding the Inter-Company Reinsurance Agreement.

There is a "Service Agreement" between the Company and an affiliate, Liberty Mutual Insurance Company ("LMIC"), under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company has an investment services agreement with LMIC. LMIC is reimbursed for the costs of all services which it provides under these agreements. The Company paid \$17,273,158 under the LMIC Tax Sharing Agreement and \$1,319,844 under the LMIC investment services agreement. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (See Note 26), the expenses incurred under the Liberty Mutual management service agreement are allocated to the Company in accordance with the Company's "Pool" participation percentage.

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. See Note 10 I.

Note 11- Debt

Not applicable

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

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

NOTES TO FINANCIAL STATEMENTS

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

1. The Company has 5,000,000 shares authorized, issued, and outstanding as of December 31, 2006. All shares have a stated par value of \$1.00.
2. Preferred Stock
Not applicable
3. Dividend Restrictions
There are no dividend restrictions.
4. The maximum amount of dividends which can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of policyholder surplus, or (b) adjusted net income. The maximum dividend payout which may be made without prior approval in 2007 is \$120,837,082.
5. As of December 31, 2006, the Company has pre-tax restricted surplus of \$195,160,451 resulting from retroactive reinsurance contracts.
6. The Company had no advances to surplus.
7. Stock held for special purpose
The Company did not hold stock for special purposes.
8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2006.
9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$12,196,859.
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 made no commitments or contingent commitments on behalf of affiliates except 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.

The Company has accrued a liability for guaranty fund and other assessments of \$44,271,997 that is offset by future premium tax credits of \$7,883,060. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2006.

During 2006 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

D. All other Contingencies

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

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

NOTES TO FINANCIAL STATEMENTS

controlled group, would be contingently liable to make such contributions.

Note 15- Leases

- A. Aside from certain sale-leaseback transactions disclosed below, the Company is not involved in material lease arrangements.

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all PP&E at the end of each respective lease. The Company's minimum lease obligations under these agreements are as follows:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2007	\$6,372,829	\$16,933,140
2008	5,881,474	15,547,434
2009	4,986,726	11,699,911
2010	3,487,387	8,203,209
2011	918,116	4,064,055
2012 & thereafter	-	21,947,229
Total	\$21,646,532	\$78,394,978

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

Not applicable

Note 16- Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

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

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

- A. Transfers of Receivables reported as sales:

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

- B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Under the terms of the lending agreement, the Company does not participate in term loans. Therefore, the Company does not have collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Under the terms of the securities lending program, all collateral is restricted. Cash collateral is carried as a liability on the balance sheet, as, while the collateral is restricted, the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company. At December 31, 2006 the total market value of fixed maturities on loan was \$44,685,487, with corresponding collateral value of \$45,714,990 of which \$36,816,666 represents cash collateral.

- 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

Net reimbursement for administrative expenses over actual expenses on uninsured plans and the net gain was \$152,046. Claim payment volume was \$6,196,862.

- B. Administrative Services Contract (ASC) Plans

Not applicable

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

Not applicable

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

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

Note 20 – September 11 Events

The Company has exposure to losses arising from the World Trade Center disaster of September 11, 2001. The exposure arises from the property, workers' compensation, auto, and surety policies and reinsurance contracts written by member companies of the Liberty Mutual Group. The Company shares in the losses via the inter-company pooling agreement (see

NOTES TO FINANCIAL STATEMENTS

Note 26). The amount of incurred loss and ALAE recorded by the Company as a result of September 11 events on a direct and net of reinsurance basis are \$63,451,614 and \$14,784,196, respectively. Although uncertainty about the final loss amount still exists, the losses are reasonably estimable and such estimate has been recorded. The Company believes that its reinsurers are financially sound and that reinsurance collectibility is not a significant issue or concern.

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) Florida Special Disability Trust Fund

- a) The Company did not take a credit in the determination of its loss reserves in 2006 and 2005.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$3,085,767 and \$2,137,536, in 2006 and 2005, respectively.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$804,882 and \$924,571, in 2006 and 2005, respectively.

2) Assets in the amount of \$347,409,198 and \$355,560,614 as of December 31, 2006 and 2005, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. Hybrid Securities

The Company currently owns the following securities meeting the NAIC definition of "Hybrid Securities" per SVO report 9B. These are all NAIC Class 1 securities reported on Schedule D1.

<u>CUSIP</u>	<u>Issuer</u>	<u>Description</u>	<u>Book/Adjusted Carrying Value</u>
05563RAA6	BANK OF NY CAPITAL	Redeemable Preferred	4,572,555
065912AA5	BANKAMERICA INSTIT-B	Redeemable Preferred	10,857,705
318924AA5	FIRST CHICAGO CAPITAL	Redeemable Preferred	4,504,298
31945JAA9	FIRST CHICAGO CAPITAL	Redeemable Preferred	7,382,533
338899AA5	FLEET CAPITAL TRUST II	Redeemable Preferred	983,795
46623MAA9	JPM CAPITAL TRUST II	Redeemable Preferred	2,000,000
58551GAA3	MELLON CAPITAL	Redeemable Preferred	3,574,276
58551HAA1	MELLON CAPITAL II	Redeemable Preferred	8,953,558

G. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

H. Impact of Medicare Modification Act on Post Retirement Benefits

Not applicable. (Refer to Note 12)

Note 22- Events Subsequent

Refer to Note 26.

NOTES TO FINANCIAL STATEMENTS

Note 23- Reinsurance

- A. Excluding amounts arising pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 26, the unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus are listed below.

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
Nationwide Group			
Farmland Mutual Insurance Company	13838	42-0618271	
National Casualty Company	11991	38-0865250	
Nationwide Indemnity Insurance Company	10070	31-1399201	
Nationwide Mutual Insurance Company	23787	31-4177100	
Total Nationwide Group			\$1,835,780,000
National Workers' Compensation Reins Pool		AA-9992118	\$172,826,000
U.S. Aircraft Insurance Group		AA-9995043	\$155,479,000
Swiss Re Group			
Employers Reinsurance Corporation	39845	48-0921045	
Facility Insurance Corporation	10818	74-1194354	
GE Reinsurance Corporation	22969	36-2667627	
Swiss Reinsurance Life and Health America	82627	06-0839705	
Swiss Reinsurance America Corporation	25364	13-1675535	
Swiss Reinsurance Co. (UK) Ltd		AA-1121400	
Westport Insurance Corporation	34207	13-1941868	
Total Swiss Re Group			\$134,034,000
Minnesota WCRA		AA-9991423	\$88,806,000
Lloyd's Underwriters		AA-1122000	\$52,483,000

- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurers 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	1,005,915,171	\$17,627,425	\$407,888,680	\$22,720,746	\$598,026,491	\$(5,093,321)
All Other	20,364,342	7,250,074	19,351,717	4,500,066	1,012,625	2,750,008
Total	1,026,279,513	\$24,877,499	\$427,240,397	\$27,220,812	\$599,039,116	\$(2,343,313)

Direct Unearned Premium Reserve: \$150,363,806

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2006 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$0	\$20,752,880	\$0	\$20,752,880
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(31,200,000)	0	(31,200,000)
Totals	\$0	\$(10,447,120)	\$0	\$(10,447,120)

The Company does not use protected cells as an alternative to traditional reinsurance.

- D. During the current year, the Company wrote off reinsurance balances of \$10,488,250 related to the insolvency of the Reliance Insurance Group.
- E. The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an increase in loss and loss adjustment expense of \$1,572,161. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$1,572,161
Loss Adjustment Expenses Incurred	0
Premiums Earned	0
Other	0
Total	\$1,572,161
Reinsurer	Amount
CX RE Ltd	\$759,715
Huhtamaki Reinsurance	\$812,446
Total	\$1,572,161

NOTES TO FINANCIAL STATEMENTS

- F. The Company has one assumed and four ceded retroactive contracts that transferred liabilities for loss that had already occurred. The impact of the inter-company pooling arrangement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$(369,761,725)	\$0
	2. Adjustment – Prior Year(s)	40,150,232	0
	3. Adjustment – Current Year	(6,537,722)	0
	4. Total	\$(336,149,215)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$(173,452,157)	\$0
	2. Adjustment – Prior Year(s)	(3,363,073)	0
	3. Adjustment – Current Year	(4,852,444)	0
	4. Total	\$(181,667,674)	\$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	\$(6,295,187)	\$0
	2. Adjustment – Prior Year(s)	(29,961,176)	0
	3. Adjustment – Current Year	(5,997,888)	0
	4. Total	\$(42,254,251)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$201,152,556	\$0
	2. Adjustment – Prior Year(s)	(13,552,129)	0
	3. Adjustment – Current Year	7,560,024	0
	4. Total	\$195,160,451	\$0
	5. Cumulative Total Transferred to Unassigned Funds	1,575,341	\$0
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(336,149,215)	\$(4,420,667)
	GE Reins Corp, 22969		3,402,336
	Arlington Insurance Co, 98-0405213		959,967
	Other		58,364

There are no reinsurance contracts covering losses that have occurred prior to the inception of the contract that have not been accounted for in conformity with the NAIC Accounting Practices and Procedures Manual.

- G. There are no contracts recorded as deposit accounting.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.
- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated as non-admitted and charged to surplus.

Total accrued retro premium	\$123,513,137
Less: Non-admitted amount	12,182,634
Admitted amount	<u>\$111,330,503</u>

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expenses attributed to insured events in prior years have increased in 2006 as a result of rising loss development trends in workers' compensation and non-proportional assumed liability lines, partially offset by the personal auto and commercial auto lines of business. Original estimates are revised as additional information becomes known regarding individual claims.

NOTES TO FINANCIAL STATEMENTS

Note 26- Inter-Company Pooling Arrangements

The Company is a member of the Liberty Mutual Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	66.5%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	16.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	6.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LM Ins Corp)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FLIC)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (Lloyds)	11041	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2007, the Liberty Mutual Pool participation percentages were revised as follows:

	2007	2006
Liberty Mutual Insurance Company	75.9%	66.5%
Employers Insurance Company of Wausau	10.0%	16.0%
Liberty Insurance Corporation	3.0%	6.0%
Wausau General Insurance Company	0.0%	0.4%

NOTES TO FINANCIAL STATEMENTS

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$172,184,379 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$172,184,379 as of December 31, 2006.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

<u>Life Insurance Company & Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$83,135,723
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$52,092,211
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$25,654,500

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

As of December 31, 2006, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

Note 31- High Dollar Deductible Policies

As of December 31, 2006, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$707,122,803 and the amount billed and recoverable on paid claims was \$41,765,513.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2006, liabilities include \$561,021,314 of liabilities carried at a discounted value of \$347,054,375 representing a discount of \$213,966,939.

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

Note 33 - Asbestos/Environmental Reserves

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

Upon the Company's de-affiliation from the Nationwide Group and re-affiliation with LMIC, the Company, WBIC, WGIC, and WUIC entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether

NOTES TO FINANCIAL STATEMENTS

there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

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

Uncertainty Regarding Reserving Methodologies

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

As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

During the third quarter of 2005, the Company completed its biennial ground-up asbestos reserve study. As part of that review, a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel completed their comprehensive review of the Company's asbestos exposure on a direct, assumed, and ceded basis including potential exposures of large policyholders that were individually evaluated using the company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. Small policyholders were evaluated using aggregate methods that utilized information developed from the large policyholders. Additionally, a provision of pure IBNR was established for the potential emergence of first-time filers of future asbestos claims. Based on this internal study, the Company increased its asbestos reserves by \$32,480,000.

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

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

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

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

Asbestos:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Direct Basis					
Beginning Reserves	\$217,015,437	\$236,649,922	\$252,548,655	\$272,393,997	\$319,720,025
Incurring losses and LAE	66,132,507	68,322,547	65,931,786	88,678,215	16,082,989
Calendar year payments	46,498,022	52,423,814	46,086,444	41,352,187	39,841,342
Ending Reserves	<u>236,649,922</u>	<u>252,548,655</u>	<u>272,393,997</u>	<u>319,720,025</u>	<u>295,961,672</u>
Assumed Reinsurance Basis					
Beginning Reserves	17,437,844	29,913,119	41,961,426	78,334,535	82,220,773
Incurring losses and LAE	12,954,442	18,438,413	41,926,428	8,711,102	7,809,755
Calendar year payments	479,167	6,390,106	5,553,319	4,824,864	3,076,496
Ending Reserves	<u>29,913,119</u>	<u>41,961,426</u>	<u>78,334,535</u>	<u>82,220,773</u>	<u>86,954,032</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	134,874,080	153,602,240	179,934,240	152,234,892	166,776,946
Incurring losses and LAE	46,452,480	50,080,480	565,110	35,099,002	1,952,668
Calendar year payments	27,724,320	23,748,480	28,264,458	20,556,948	25,206,056
Ending Reserves	<u>153,602,240</u>	<u>179,934,240</u>	<u>152,234,892</u>	<u>166,776,946</u>	<u>143,523,558</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					149,836,484
Assumed Reinsurance Basis					65,180,413
Net of Ceded Reinsurance Basis					57,311,013
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					116,529,118
Assumed Reinsurance Basis					722,195
Net of Ceded Reinsurance Basis					50,816,923

NOTES TO FINANCIAL STATEMENTS

<u>Environmental:</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Direct Basis					
Beginning Reserves	91,242,743	71,440,639	51,472,858	113,628,857	109,759,565
Incurred losses and LAE	7,055,496	(8,780,255)	73,619,748	25,370,576	7,656,120
Calendar year payments	26,857,600	11,187,526	11,463,749	29,239,868	36,533,469
Ending Reserves	<u>71,440,639</u>	<u>51,472,858</u>	<u>113,628,857</u>	<u>109,759,565</u>	<u>80,882,216</u>
Assumed Reinsurance Basis					
Beginning Reserves	17,753,417	18,858,720	8,946,661	11,341,598	8,371,088
Incurred losses and LAE	1,382,074	(9,011,585)	3,254,039	(1,956,843)	140,964
Calendar year payments	276,771	900,474	859,102	1,013,667	840,512
Ending Reserves	<u>18,858,720</u>	<u>8,946,661</u>	<u>11,341,598</u>	<u>8,371,088</u>	<u>7,671,540</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	68,062,880	49,033,440	41,238,080	84,274,150	68,291,436
Incurred losses and LAE	(1,742,240)	(1,280,000)	50,557,744	81,498	3,232,118
Calendar year payments	17,287,200	6,515,360	7,521,674	16,064,212	8,264,999
Ending Reserves	<u>49,033,440</u>	<u>41,238,080</u>	<u>84,274,150</u>	<u>68,291,436</u>	<u>63,258,555</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					56,486,518
Assumed Reinsurance Basis					4,683,752
Net of Ceded Reinsurance Basis					43,983,929
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					33,943,316
Assumed Reinsurance Basis					147,494
Net of Ceded Reinsurance Basis					22,885,356

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	126,776,092	3.006	126,776,092	3.006
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	79,169,971	1.877	79,169,971	1.877
1.22 Issued by U.S. government sponsored agencies	90,172,955	2.138	90,172,955	2.138
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	35,438,043	0.840	35,438,043	0.840
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	351,026,040	8.324	351,026,040	8.324
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	232,598,698	5.516	232,598,698	5.516
1.43 Revenue and assessment obligations	561,372,929	13.313	561,372,929	13.313
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	23,072,601	0.547	23,072,601	0.547
1.512 Issued or guaranteed by FNMA and FHLMC	376,250,213	8.923	376,250,213	8.923
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	512,510,862	12.154	512,510,862	12.154
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	37,689,741	0.894	37,689,741	0.894
1.523 All other	200,325,048	4.751	200,325,048	4.751
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	1,111,117,195	26.350	1,111,117,195	26.350
2.2 Unaffiliated foreign securities	116,082,042	2.753	116,082,042	2.753
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	82,676,300	1.961	82,676,300	1.961
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	215,595	0.005	215,595	0.005
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	19,582,784	0.464	19,582,784	0.464
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	4,569,583	0.108	4,569,583	0.108
8. Cash, cash equivalents and short-term investments	123,329,641	2.925	123,329,641	2.925
9. Other invested assets	132,830,110	3.150	132,830,110	3.150
10. Total invested assets	4,216,806,443	100.000	4,216,806,443	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? Wisconsin
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/30/2006
- 3.4 By what department or departments? State of Wisconsin Office of the Commissioner of Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 6.2 If yes, give full information _____
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- _____
- _____
- _____

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 No

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

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

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

21.21 Loaned to others	\$	44,685,487
21.22 Subject to repurchase agreements	\$	0
21.23 Subject to reverse repurchase agreements	\$	0
21.24 Subject to dollar repurchase agreements	\$	0
21.25 Subject to reverse dollar repurchase agreements	\$	0
21.26 Pledged as collateral	\$	0
21.27 Placed under option agreements	\$	0
21.28 Letter stock or securities restricted as to sale	\$	0
21.29 Other	\$	0

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

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

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

23.2 If yes, state the amount thereof at December 31 of the current year. \$ 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 No

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

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245
ROYALTRUST/RBC	77 King Street West, Toronto, Ontario M5W 1P9

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
110126	Highland Capital Management LP	2 Galleria, 13455 Noel Rd, Ste 800, Dallas, Tx 75240

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 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
		0
25.2999	Total	0

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
		0	
		0	
		0	

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	3,934,655,897	3,892,419,949	(42,235,948)
26.2 Preferred stocks	82,676,300	82,983,900	307,600
26.3 Totals	4,017,332,197	3,975,403,849	(41,928,348)

26.4 Describe the sources or methods utilized in determining the fair values: SVO, FTID Corp., Bloomberg, Broker Quotes Analytically Determined

27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes [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? \$ 534,318

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

1 Name	2 Amount Paid
Wisconsin Compensation Rating Bureau	\$ 202,600
	\$ 0
	\$ 0

29.1 Amount of payments for legal expenses, if any? \$ 0

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

1 Name	2 Amount Paid
	\$ 0
	\$ 0
	\$ 0

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 Name	2 Amount Paid
	\$ 0
	\$ 0
	\$ 0
	\$ 0

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 13,258	\$ 22,609
2.2 Premium Denominator	\$ 1,819,426,106	\$ 1,657,550,542
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 1,153,640	\$ 1,218,954
2.5 Reserve Denominator	\$ 3,860,506,489	\$ 3,427,127,255
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 _____

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 a Workers Compensation Catastrophe Treaty with limits of \$390M part of \$500M xs \$500M.
- 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 employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v6.0 from RMS and AIR Clasic/2 v 8.0 from AIR. For WC, Liberty Mutual utilizes Risk Link v6.0 from RMS.
- 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? The company purchased a Property Catastrophe Treaty with limits of \$888M part of \$1.4B xs \$300M.
- 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. 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates. YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES NO
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES NO N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES NO
- 11.2 If yes, give full information

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | |
|-------|---|----------------|
| 12.11 | Unpaid losses | \$ 333,304,424 |
| 12.12 | Unpaid underwriting expenses (including loss adjustment expenses) | \$ 67,204,186 |
- 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? \$ 46,642,249
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES NO N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | |
|-------|------|----------|
| 12.41 | From | 9.000 % |
| 12.42 | To | 10.000 % |
- 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
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | |
|-------|----------------------------|------------------|
| 12.61 | Letters of Credit | \$ 1,315,976,042 |
| 12.62 | Collateral and other funds | \$ 87,462,912 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 58,622,943
- 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
- 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. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES NO
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: Premiums were allocated based on exposures; recoverables were based on losses incurred.
- 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
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES NO
- 14.5 If the answer to 14.4 is no, please explain: Premiums were allocated at the inception of the treaties based on exposures. Recoveries were based on actual losses incurred after an event.
- 15.1 Has the reporting entity guaranteed any financed premium accounts? YES NO
- 15.2 If yes, give full information
- 16.1 Does the reporting entity write any warranty business? YES NO
- 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. YES NO

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	\$	17,000
17.12	Unfunded portion of Interrogatory 17.11	\$	5,000
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	\$	17,000
17.16	Unearned premium portion of Interrogatory 17.11	\$	
17.17	Contingent commission portion of Interrogatory 17.11	\$	

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

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)	2,507,103,999	2,294,647,778	2,145,600,933	1,850,548,993	1,605,584,291
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	356,923,052	335,989,604	496,504,257	447,470,820	395,192,416
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	434,415,404	342,042,593	342,846,609	361,229,638	354,893,193
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	39,981,726	32,141,525	22,219,858	28,097,983	90,017,877
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	18,352,908	13,142,895	19,379,223	35,630,330	23,354,679
6. Total (Line 34)	3,356,777,089	3,017,964,395	3,026,550,880	2,722,977,764	2,469,042,456
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)	1,214,699,365	1,118,026,044	1,046,400,647	921,436,786	803,944,075
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	312,872,688	288,609,093	280,116,407	260,918,318	244,794,737
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	312,501,499	243,663,902	220,863,206	230,628,852	188,626,108
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	39,833,130	31,946,972	21,871,690	28,292,276	86,088,043
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	18,354,283	13,128,404	19,353,335	35,427,100	23,288,557
12. Total (Line 34)	1,898,260,965	1,695,374,415	1,588,605,285	1,476,703,332	1,346,741,520
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(57,329,786)	(125,415,355)	(119,017,226)	(139,897,217)	(110,874,686)
14. Net investment gain (loss) (Line 11)	200,096,344	202,828,724	234,964,723	184,330,411	193,003,098
15. Total other income (Line 15)	(13,852,594)	(19,220,144)	(29,547,855)	(37,320,501)	(20,733,572)
16. Dividends to policyholders (Line 17)	8,164,416	5,777,263	6,309,201	(384,217)	10,380,108
17. Federal and foreign income taxes incurred (Line 19)	30,628,907	(6,813,745)	(20,373,104)	(17,275,869)	2,206,655
18. Net income (Line 20)	90,120,641	59,229,707	100,463,545	24,772,779	48,808,077
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	5,295,626,509	4,687,160,333	4,423,248,464	3,982,482,671	3,694,167,088
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	164,489,328	146,298,699	167,082,617	175,902,061	166,284,345
20.2 Deferred and not yet due (Line 13.2)	458,832,158	331,165,209	306,524,530	246,431,816	207,267,997
20.3 Accrued retrospective premiums (Line 13.3)	111,330,503	112,656,110	122,692,679	127,455,084	111,915,298
21. Total liabilities excluding protected cell business (Page 3, Line 24)	4,087,255,690	3,616,497,879	3,428,099,497	3,231,661,342	2,993,474,130
22. Losses (Page 3, Line 1)	2,446,787,889	2,289,679,733	2,177,411,671	2,129,916,987	2,005,806,447
23. Loss adjustment expenses (Page 3, Line 3)	501,555,668	465,559,373	408,643,122	417,226,552	379,667,924
24. Unearned premiums (Page 3, Line 9)	749,402,922	671,888,149	645,427,117	613,641,688	516,107,568
25. Capital paid up (Page 3, Lines 28 & 29)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	1,208,370,819	1,070,662,454	995,148,967	750,821,329	700,692,958
Risk-Based Capital Analysis					
27. Total adjusted capital	1,208,370,819	1,070,662,454	995,148,967	750,821,329	700,692,958
28. Authorized control level risk-based capital	306,138,589	289,630,426	287,523,360	248,012,590	234,596,075
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)	91.4	96.2	94.7	95.4	95.1
30. Stocks (Lines 2.1 & 2.2)	2.0	0.1		0.2	0.2
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)	0.5	0.6	0.6	1.0	1.1
33. Cash, cash equivalents and short-term investments (Line 5)	2.9	1.2	1.3	1.0	2.5
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)	3.2	1.8	2.1	2.0	1.1
36. Receivables for securities (Line 8)	0.1	0.1	1.3	0.4	
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)					6,975,913
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)				5,292,681	5,294,721
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	14,834,328				
45. Total of above Lines 39 to 44	14,834,328			5,292,681	12,270,634
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)	1.2			0.7	1.8

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)	8,764,385	(1,542,970)	2,073,140	24,270,907	1,298,983
48. Dividends to stockholders (Line 35)					100,000
49. Change in surplus as regards policyholders for the year (Line 38)	137,708,365	75,513,487	244,327,638	50,128,371	50,897,715
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)	1,352,058,931	1,346,229,885	1,381,992,671	1,323,631,668	1,473,801,729
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	233,085,047	245,346,154	180,111,783	304,589,734	155,496,513
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	197,345,299	223,153,836	199,906,224	179,612,569	195,767,093
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	4,618,150	11,896,115	83,480,871	52,548,022	82,663,318
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	40,501,540	52,852,616	34,312,382	63,678,014	40,116,320
55. Total (Line 34)	1,827,608,967	1,879,478,606	1,879,803,931	1,924,060,007	1,947,844,973
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)	598,763,854	597,931,206	649,722,096	544,569,910	628,220,917
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	180,689,673	147,133,533	124,163,959	121,967,739	122,283,034
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	133,355,257	154,343,251	143,029,466	95,076,196	106,869,722
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	2,621,452	8,505,544	81,376,812	47,274,764	69,435,370
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	24,340,794	17,484,728	795,521	16,288,274	16,898,658
61. Total (Line 34)	939,771,030	925,398,262	999,087,854	825,176,883	943,707,701
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)	61.1	63.8	66.5	66.4	68.6
64. Loss expenses incurred (Line 3)	15.3	18.8	16.3	19.1	16.4
65. Other underwriting expenses incurred (Line 4)	26.8	24.9	24.9	24.4	23.7
66. Net underwriting gain (loss) (Line 8)	(3.2)	(7.6)	(7.7)	(10.0)	(8.8)
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)	26.4	25.5	26.2	25.7	23.8
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	76.4	82.6	82.8	85.5	85.1
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)	157.1	158.3	159.6	196.7	192.2
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	79,074	81,856	55,061	117,413	97,838
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)	7.4	8.2	7.3	16.8	15.1
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)	215,357	213,947	263,870	246,499	370,363
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)	21.6	28.5	37.7	37.9	49.7

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	319,191,621	312,215,328	319,247,737	318,716,788
	2. Canada	34,963,015	34,870,300	33,067,441	34,431,389
	3. Other Countries	27,416,028	27,457,949	24,886,760	62,358
	4. Totals	381,570,664	374,543,577	377,201,938	353,210,535
States, Territories and Possessions (Direct and guaranteed)	5. United States	351,026,042	355,251,273	350,893,333	354,525,000
	6. Canada	475,029	483,890	377,440	473,301
	7. Other Countries				
8. Totals	351,501,071	355,735,163	351,270,773	354,998,301	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	232,598,696	233,858,277	232,512,003	234,370,000
	10. Canada				
	11. Other Countries				
12. Totals	232,598,696	233,858,277	232,512,003	234,370,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	1,468,563,999	1,449,239,530	1,468,692,349	1,472,823,040
	14. Canada				
	15. Other Countries				
16. Totals	1,468,563,999	1,449,239,530	1,468,692,349	1,472,823,040	
Public Utilities (unaffiliated)	17. United States	182,651,932	178,475,323	184,515,992	178,948,000
	18. Canada	7,883,000	8,028,000	7,994,000	7,550,000
	19. Other Countries				
20. Totals	190,534,932	186,503,323	192,509,992	186,498,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	1,148,050,062	1,131,996,857	1,155,370,872	1,137,734,792
	22. Canada	15,041,190	14,568,670	14,972,399	15,129,160
	23. Other Countries	65,741,816	64,921,085	65,234,045	65,308,488
24. Totals	1,228,833,068	1,211,486,612	1,235,577,316	1,218,172,440	
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	3,853,602,430	3,811,366,482	3,857,764,371	3,820,072,316
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
30. Totals					
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	37,802,000	38,088,000	37,030,000	
	32. Canada				
	33. Other Countries				
34. Totals	37,802,000	38,088,000	37,030,000		
Industrial and Miscellaneous (unaffiliated)	35. United States	44,874,300	44,895,900	44,598,604	
	36. Canada				
	37. Other Countries				
38. Totals	44,874,300	44,895,900	44,598,604		
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	82,676,300	82,983,900	81,628,604	
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	215,595	215,595	3,806	
	50. Canada				
	51. Other Countries				
52. Totals	215,595	215,595	3,806		
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	215,595	215,595	3,806	
	55. Total Stocks	82,891,895	83,199,495	81,632,410	
	56. Total Bonds and Stocks	3,936,494,325	3,894,565,977	3,939,396,781	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	3,646,960,019	7. Amortization of premium	5,300,876
2. Cost of bonds and stocks acquired, Column 7, Part 3	871,818,114	8. Foreign Exchange Adjustment:	
3. Accrual of discount	5,222,521	8.1 Column 15, Part 1	(299,054)
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1	(52,809)	8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1	1,066,100	8.4 Column 15, Part 4	190,708
4.3 Column 15, Part 2, Section 2	170,947	9. Book/adjusted carrying value at end of current period	3,936,494,325
4.4 Column 11 - 13, Part 4	(744,424)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	4,355,720	11. Subtotal (Lines 9 plus 10)	3,936,494,325
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	586,892,641	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	3,936,494,325

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	111,770	42,748	44,895	17,945	4,761	2,229	1,160	98,504	X X X
2. 1997	1,353,407	168,518	1,184,889	1,019,419	136,946	93,270	10,025	110,235	623	34,521	1,075,330	X X X
3. 1998	1,427,018	171,926	1,255,092	1,163,757	146,943	94,997	8,918	123,184	1,220	39,650	1,224,857	X X X
4. 1999	1,416,654	203,790	1,212,864	1,170,494	163,306	99,034	12,605	125,112	1,993	38,317	1,216,736	X X X
5. 2000	1,493,996	241,454	1,252,542	1,154,901	199,637	92,923	12,796	120,772	1,581	29,847	1,154,582	X X X
6. 2001	1,551,606	249,840	1,301,766	1,113,662	236,752	82,269	11,746	114,642	1,263	35,336	1,060,812	X X X
7. 2002	1,771,571	334,680	1,436,891	1,036,400	187,774	72,082	9,566	129,260	1,076	54,968	1,039,326	X X X
8. 2003	1,972,842	448,108	1,524,734	909,595	185,971	63,381	5,334	135,544	1,035	55,036	916,180	X X X
9. 2004	2,052,269	500,200	1,552,069	823,288	210,107	45,663	9,009	132,141	6,472	51,120	775,504	X X X
10. 2005	2,113,589	456,051	1,657,538	857,551	236,742	29,940	6,768	125,662	7,207	46,492	762,436	X X X
11. 2006	2,300,215	480,796	1,819,419	472,527	78,821	11,749	1,590	107,454	9,821	28,525	501,498	X X X
12. Totals	X X X	X X X	X X X	9,833,364	1,825,747	730,203	106,302	1,228,767	34,520	414,972	9,825,765	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	786,639	239,666	338,331	226,006	43,496	35,851	181,090	76,211	10,597	1	6,363	782,418	X X X
2. 1997	49,656	7,174	11,281	3,502	3,280	1,681	4,300	1,183	1,443	1	442	56,419	X X X
3. 1998	69,946	10,934	27,166	15,382	1,419	180	5,396	1,240	3,058	1	718	79,248	X X X
4. 1999	74,888	18,172	21,389	15,542	1,619	228	6,194	2,700	2,619	5	1,426	70,062	X X X
5. 2000	76,156	23,230	29,880	22,747	2,226	1,031	6,464	1,847	2,776	11	1,760	68,636	X X X
6. 2001	106,354	52,882	42,033	26,798	3,315	1,571	12,105	4,711	3,316	136	2,870	81,025	X X X
7. 2002	98,335	50,557	72,917	55,802	4,986	2,659	14,357	671	4,212	10	2,569	85,108	X X X
8. 2003	123,008	37,576	130,392	61,543	4,059	746	29,614	5,643	6,569	9	4,175	188,125	X X X
9. 2004	148,740	37,981	198,336	66,540	5,825	1,239	45,370	6,848	10,897	104	6,718	296,456	X X X
10. 2005	228,678	73,258	332,594	120,955	6,228	838	70,696	10,858	28,143	3,451	11,519	456,979	X X X
11. 2006	265,576	49,693	572,892	142,459	6,335	1,043	105,889	12,508	39,052	172	34,186	783,869	X X X
12. Totals	2,027,976	601,123	1,777,211	757,276	82,788	47,067	481,475	124,420	112,682	3,901	72,746	2,948,345	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	659,298	123,120
2. 1997	1,292,884	161,135	1,131,749	95,528	95,619	95,515			16,000	50,261	6,158
3. 1998	1,488,923	184,818	1,304,105	104,338	107,499	103,905			16,000	70,796	8,452
4. 1999	1,501,349	214,551	1,286,798	105,979	105,280	106,096			16,000	62,563	7,499
5. 2000	1,486,098	262,880	1,223,218	99,471	108,874	97,659			16,000	60,059	8,577
6. 2001	1,477,696	335,859	1,141,837	95,237	134,430	87,714			16,000	68,707	12,318
7. 2002	1,432,549	308,115	1,124,434	80,863	92,063	78,255			16,000	64,893	20,215
8. 2003	1,402,162	297,857	1,104,305	71,073	66,470	72,426			16,000	154,281	33,844
9. 2004	1,410,260	338,300	1,071,960	68,717	67,633	69,067			16,000	242,555	53,901
10. 2005	1,679,492	460,077	1,219,415	79,462	100,883	73,568			16,000	367,059	89,920
11. 2006	1,581,474	296,107	1,285,367	68,753	61,587	70,647			16,000	646,316	137,553
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,446,788	501,557

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

SCHEDULE P-PART 2-SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	One Year	Two Year
1. Prior	2,117,572	2,069,952	1,984,386	1,954,564	2,055,013	2,129,581	2,207,565	2,317,353	2,395,536	2,439,981	44,445	122,628
2. 1997	940,286	935,769	970,551	986,293	1,005,024	1,006,016	1,007,687	1,019,559	1,025,485	1,031,091	5,606	11,532
3. 1998	X X X	1,034,211	1,070,207	1,096,351	1,130,793	1,142,610	1,151,386	1,164,534	1,176,556	1,192,722	16,166	28,188
4. 1999	X X X	X X X	1,017,884	1,049,725	1,089,436	1,117,487	1,137,710	1,146,721	1,166,056	1,171,862	5,806	25,141
5. 2000	X X X	X X X	X X X	979,057	1,024,259	1,030,891	1,065,619	1,094,156	1,102,843	1,108,780	5,937	14,624
6. 2001	X X X	X X X	X X X	X X X	1,008,668	982,709	1,000,136	985,717	1,017,611	1,028,807	11,196	43,090
7. 2002	X X X	X X X	X X X	X X X	X X X	1,000,483	944,391	945,604	976,556	995,149	18,593	49,545
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	1,045,859	941,768	913,661	966,843	53,182	25,075
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,050,066	973,034	945,600	(27,434)	(104,466)
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,144,836	1,090,413	(54,423)	X X X
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,167,114	X X X	X X X
	12. Totals										79,074	215,357

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		
1. Prior	000	395,253	649,319	843,021	959,484	1,112,520	1,227,696	1,346,673	1,453,313	1,549,285	X X X	X X X
2. 1997	379,224	572,604	702,217	795,543	857,455	897,425	921,898	946,023	956,957	965,718	X X X	X X X
3. 1998	X X X	415,121	666,198	814,837	924,723	987,938	1,031,058	1,064,333	1,086,786	1,102,893	X X X	X X X
4. 1999	X X X	X X X	412,437	655,568	808,280	916,857	990,036	1,041,749	1,073,173	1,093,617	X X X	X X X
5. 2000	X X X	X X X	X X X	432,571	679,095	807,982	897,026	978,047	1,011,483	1,035,391	X X X	X X X
6. 2001	X X X	X X X	X X X	X X X	455,518	687,104	801,978	870,709	920,909	947,433	X X X	X X X
7. 2002	X X X	X X X	X X X	X X X	X X X	428,680	656,887	789,978	855,996	911,142	X X X	X X X
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	395,548	604,468	707,263	781,671	X X X	X X X
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	361,987	556,560	649,835	X X X	X X X
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	420,890	643,981	X X X	X X X
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	403,865	X X X	X X X

SCHEDULE P-PART 4-SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Prior	911,866	652,842	429,267	364,514	287,274	207,908	197,168	169,623	219,373	226,090
2. 1997	310,260	151,815	89,677	59,657	48,238	27,291	13,362	12,402	12,744	14,577
3. 1998	X X X	334,984	150,273	86,008	51,152	37,579	17,419	17,826	14,809	21,311
4. 1999	X X X	X X X	330,761	157,019	78,400	47,817	27,722	21,669	19,601	14,566
5. 2000	X X X	X X X	X X X	271,036	103,794	45,750	31,328	25,116	18,056	14,792
6. 2001	X X X	X X X	X X X	X X X	282,291	115,422	69,064	35,389	28,616	22,993
7. 2002	X X X	X X X	X X X	X X X	X X X	301,974	119,255	53,811	40,581	31,305
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	433,177	178,065	81,431	93,765
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	478,095	266,755	177,844
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	520,208	283,330
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	539,891

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
		1. Alabama	AL						
2. Alaska	AK	YES	7,716,682	10,164,830	(486)	5,555,866	5,244,984	42,934,515	
3. Arizona	AZ	YES	3,838,105	3,722,539	8,309	5,322,720	4,931,319	16,732,905	
4. Arkansas	AR	YES	4,695,464	4,349,230	6,396	1,683,832	1,221,870	10,844,613	
5. California	CA	YES	57,154,501	48,970,129	(35,364)	34,178,146	43,258,066	257,972,671	
6. Colorado	CO	YES	5,436,420	5,677,861	1,928	4,501,641	1,155,258	30,635,312	
7. Connecticut	CT	YES	4,645,579	4,563,066	(24,549)	7,448,145	1,534,356	42,763,478	
8. Delaware	DE	YES	558,132	647,557	313	3,226,257	4,276,972	15,354,078	
9. Dist. Columbia	DC	YES	2,707,600	2,002,238	(3,813)	1,544,063	278,407	5,448,956	
10. Florida	FL	YES	31,412,231	27,810,408	(62,334)	40,484,112	2,557,658	108,170,373	
11. Georgia	GA	YES	10,597,934	10,894,283	(15,154)	13,398,855	6,307,214	44,199,282	
12. Hawaii	HI	YES	1,300,784	1,198,474	1	1,747,283	330,869	3,404,592	
13. Idaho	ID	YES	3,392,992	4,233,906	39,183	2,228,636	3,147,461	13,322,034	11,804
14. Illinois	IL	YES	19,973,951	19,452,523	18,876	16,132,368	8,138,975	122,852,650	
15. Indiana	IN	YES	11,244,353	12,855,500	(14,117)	6,752,941	8,278,206	44,495,808	
16. Iowa	IA	YES	4,634,222	4,296,872	2,561	429,570	4,576,125	13,800,931	
17. Kansas	KS	YES	3,425,837	3,206,567	3,749	3,119,060	(1,568,869)	38,256,907	
18. Kentucky	KY	YES	9,444,827	8,392,861	156,243	10,544,204	7,718,541	73,312,777	
19. Louisiana	LA	YES	3,417,149	3,713,545	3,539	28,366,950	1,135,098	37,257,903	
20. Maine	ME	YES	1,214,674	1,233,708	129,033	3,113,778	1,861,780	14,037,022	
21. Maryland	MD	YES	7,592,366	7,366,811	(17,309)	3,846,071	1,655,351	23,205,278	
22. Massachusetts	MA	YES	8,029,277	8,130,046	(243)	13,201,757	12,219,389	78,282,772	
23. Michigan	MI	YES	11,004,641	11,345,968	56,568	11,432,707	11,947,591	94,587,937	
24. Minnesota	MN	YES	6,622,571	7,120,199	(24,923)	11,290,932	3,021,711	127,818,279	
25. Mississippi	MS	YES	4,501,810	4,714,767	(17,593)	3,103,229	(906,670)	15,447,434	
26. Missouri	MO	YES	7,820,005	8,413,619	6,311	6,347,391	10,340,963	43,647,445	
27. Montana	MT	YES	1,803,191	2,588,009	515	1,559,847	2,517,441	7,370,266	
28. Nebraska	NE	YES	6,701,639	6,218,062	(20,712)	4,022,373	6,976,769	23,053,036	
29. Nevada	NV	YES	2,436,838	2,754,000	460	382,288	(293,016)	3,367,891	
30. New Hampshire	NH	YES	1,728,467	1,950,935	177,132	2,021,374	1,703,720	18,057,663	
31. New Jersey	NJ	YES	7,347,964	7,238,980	(414,881)	8,540,705	480,225	98,023,736	
32. New Mexico	NM	YES	1,360,234	1,362,431	(1,381)	891,196	2,051,246	5,823,602	
33. New York	NY	YES	20,930,676	21,046,651	267,630	25,838,328	(10,848,640)	378,473,890	
34. No. Carolina	NC	YES	13,856,483	14,572,251	(46,637)	13,882,019	7,883,863	45,989,537	
35. No. Dakota	ND	YES	213,178	199,562	(6)	106,549	(281,356)	735,360	
36. Ohio	OH	YES	4,046,750	3,295,357	(948)	2,864,353	(4,651,602)	23,803,105	
37. Oklahoma	OK	YES	8,685,718	8,680,439	(5,174)	3,413,137	5,012,706	20,298,685	
38. Oregon	OR	YES	3,054,660	3,162,258	(9,386)	5,014,419	8,739,255	32,011,488	
39. Pennsylvania	PA	YES	11,509,984	11,690,857	36,305	14,557,921	22,846,608	170,482,515	
40. Rhode Island	RI	YES	839,147	836,346	55	741,042	937,340	6,811,222	
41. So. Carolina	SC	YES	7,795,235	7,975,784	48,673	8,801,993	4,143,689	23,846,606	
42. So. Dakota	SD	YES	992,834	936,322	(6,834)	1,026,845	(3,425,097)	8,877,075	
43. Tennessee	TN	YES	13,298,280	12,856,006	172,153	7,739,920	10,094,283	40,222,564	
44. Texas	TX	YES	24,053,057	24,425,777	(44,962)	13,243,047	10,540,152	131,439,349	
45. Utah	UT	YES	3,022,813	3,287,995	3,195	981,738	2,543,054	12,501,273	
46. Vermont	VT	YES	2,282,408	2,066,543	(6,953)	860,453	1,716,981	3,888,702	
47. Virginia	VA	YES	10,805,403	9,881,899	19,054	3,995,537	2,515,335	33,640,622	
48. Washington	WA	YES	2,334,730	2,018,958	(4,611)	2,531,803	1,596,286	11,741,055	
49. West Virginia	WV	YES	35,931	20,564	25	723,466	383,959	3,212,132	
50. Wisconsin	WI	YES	52,938,304	50,023,439	(310,522)	146,575,307	111,900,464	269,826,660	
51. Wyoming	WY	YES	89,987	92,447	3	310,440	488,799	989,918	
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	YES	3,094	3,167	2		(10,372)	15,345	
55. U.S. Virgin Islands	VI	YES	151	67			(9,409)	810	
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	YES	(153)	26		208,724	(900,334)	7,759,709	
58. Aggregate other alien	OT	X X X	286,579	368,995	12,914	(34,825)	(3,507,002)	5,299,393	
59. Totals	(a) 53		439,443,700	429,357,965	167,392	515,435,342	326,446,552	2,742,432,991	11,804

DETAILS OF WRITE-INS									
5801. Other alien	X X X		286,579	368,995	12,914	(34,825)	(3,507,002)	5,299,393	
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		286,579	368,995	12,914	(34,825)	(3,507,002)	5,299,393	

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

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

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

OVERFLOW PAGE FOR WRITE-INS

**Page 2 - Continuation
ASSETS**

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

REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS

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

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

2304. Amounts billed and receivable under high deductible policies	41,765,513	2,140,552	39,624,961	40,032,629
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	41,765,513	2,140,552	39,624,961	40,032,629

OVERFLOW PAGE FOR WRITE-INS

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

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

2304. Collateral held for securities loaned	36,816,667	
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	36,816,667	

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

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

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

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