

**ANNUAL STATEMENT**

OF THE

**Excelsior Insurance Company**

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of **Keene**

in the state of **New Hampshire**

TO THE

**Insurance Department**

OF THE

STATE OF

**FOR THE YEAR ENDED  
December 31, 2006**

PROPERTY AND CASUALTY

**2006**



11045200620100100

ANNUAL STATEMENT

For the Year Ended December 31, 2006

OF THE CONDITION AND AFFAIRS OF THE

Excelsior Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 11045 Employer's ID Number 15-0302550

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

Country of Domicile United States of America

Incorporated/Organized: July 19, 1988 Commenced Business: July 19, 1988

Statutory Home Office: 62 Maple Avenue Keene, NH 03431

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

Mail Address: 175 Berkeley Street Boston, MA 02117

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

Internet Website Address: www.LibertyMutualAgencyMarkets.com

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

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

OFFICERS

Chairman of the Board

Gary Richard Gregg

Table with 2 columns: Name, Title. Rows include Gary Richard Gregg (President and Chief Executive Officer), Edmund Campion Kenealy (Secretary), James Francis Dore (Treasurer and Chief Financial Officer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Rows include Anthony Alexander Fontanes (EVP and Chief Investment Officer), Scott Rhodes Goodby (EVP and Chief Operating Officer), Joseph Anthony Gilles (Executive Vice President).

DIRECTORS OR TRUSTEES

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

State of Massachusetts County of Suffolk ss

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

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

Subscribed and sworn to before me this 31st day of January, 2007

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

**ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	36,563,224		36,563,224	63,553,509
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E-Part 1), cash equivalents (\$ 0 Schedule E-Part 2) and short-term investments (\$ 3,332,353, Schedule DA)	3,332,353		3,332,353	1,574,287
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities	555		555	165
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	39,896,132		39,896,132	65,127,961
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	485,445		485,445	802,041
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				8,782,300
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	81,633		81,633	
16.2 Net deferred tax asset	1,592,000	1,127,900	464,100	355,600
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	530,424		530,424	7,542,069
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	1,096,597	132	1,096,465	1,895,062
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	43,682,231	1,128,032	42,554,199	84,505,033
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	43,682,231	1,128,032	42,554,199	84,505,033

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	1,096,597	132	1,096,465	1,895,062
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,096,597	132	1,096,465	1,895,062

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)		
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		338,411
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 \$ 122,871,223 and including warranty reserves of \$ 0 )		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		16,776,183
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	858,752	1,645,695
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	642,795	
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	2,084	
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	1,503,631	18,760,289
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	1,503,631	18,760,289
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,800,000	3,800,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	12,614,590	12,614,590
33. Unassigned funds (surplus)	24,635,978	49,330,154
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)	41,050,568	65,744,744
36. TOTALS (Page 2, Line 26, Col. 3)	42,554,199	84,505,033

<b>DETAILS OF WRITE-INS</b>		
2301. Other liabilities	2,084	
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,084	
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

<b>STATEMENT OF INCOME</b>	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4)		
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)		
3. Loss expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	3,132,719	3,191,984
10. Net realized capital gains (losses) less capital gains tax of \$ 27,536 (Exhibit of Capital Gains (Losses))	51,138	404,788
11. Net investment gain (loss) (Lines 9 + 10)	3,183,857	3,596,772
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0 )		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	(790)	(173)
15. Total other income (Lines 12 through 14)	(790)	(173)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	3,183,067	3,596,599
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	3,183,067	3,596,599
19. Federal and foreign income taxes incurred	411,611	369,125
20. Net income (Line 18 minus Line 19) (to Line 22)	2,771,456	3,227,474
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	65,744,744	62,164,120
22. Net income (from Line 20)	2,771,456	3,227,474
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	55,000	1,007,000
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	53,368	(653,850)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(27,574,000)	
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(24,694,176)	3,580,624
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	41,050,568	65,744,744
<b>DETAILS OF WRITE-INS</b>		
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)	(790)	(173)
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	(790)	(173)
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)		

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	(16,776,183)	1,683,717
2. Net investment income	3,442,914	3,193,835
3. Miscellaneous income	4,365	(49,705)
4. Total (Lines 1 through 3)	(13,328,904)	4,827,847
5. Benefit and loss related payments	(8,782,300)	1,589,416
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions		
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	859,191	410,623
10. Total (Lines 5 through 9)	(7,923,109)	2,000,039
11. Net cash from operations (Line 4 minus Line 10)	(5,405,795)	2,827,808
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	31,989,502	16,615,361
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		2,011
12.8 Total investment proceeds (Lines 12.1 to 12.7)	31,989,502	16,617,372
13. Cost of investments acquired (long-term only):		
13.1 Bonds	4,914,144	19,057,581
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	390	
13.7 Total investments acquired (Lines 13.1 to 13.6)	4,914,534	19,057,581
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)	27,074,968	(2,440,209)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	27,574,000	
16.6 Other cash provided (applied)	7,662,893	(1,126,375)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(19,911,107)	(1,126,375)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,758,066	(738,776)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,574,287	2,313,063
19.2 End of year (Line 18 plus Line 19.1)	3,332,353	1,574,287

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

20.0001. ....		
20.0002. ....		
20.0003. ....		

**NONE            Underwriting and Investment Exhibit - Part 1**

**NONE**      **Underwriting and Investment Exhibit - Part 1A**



**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	1,873,155			1,873,155		
2. Allied lines	1,491,385			1,491,385		
3. Farmowners multiple peril						
4. Homeowners multiple peril	13,586,635			13,586,635		
5. Commercial multiple peril	83,064,057			83,064,057		
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	15,103,217			15,103,217		
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	118,699			118,699		
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	71,986,250			71,986,250		
17.1 Other liability - occurrence	18,136,407			18,136,407		
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	167,590			167,590		
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	22,284			22,284		
19.3, 19.4 Commercial auto liability	43,504,365			43,504,365		
21. Auto physical damage	12,693,489			12,693,489		
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft	7,193			7,193		
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	261,754,726			261,754,726		

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

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

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	53,762		53,762					
2. Allied lines	250,890		250,890					
3. Farmowners multiple peril								
4. Homeowners multiple peril	5,069,635		5,069,635					
5. Commercial multiple peril	32,227,545		32,227,545					
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	2,876,943		2,876,943					
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	24,997,741		24,997,741					
17.1 Other liability - occurrence	1,033,672		1,033,672					
17.2 Other liability - claims - made								
18.1 Products liability - occurrence								
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	604,851		604,851					
19.3, 19.4 Commercial auto liability	23,240,045		23,240,045					
21. Auto physical damage	5,890,707		5,890,707					
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X							
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	96,245,791		96,245,791					

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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	21,499		21,499		154		154		
2. Allied lines	793,901		793,901		320		320		
3. Farmowners multiple peril									
4. Homeowners multiple peril	2,735,815		2,735,815		922,316		922,316		
5. Commercial multiple peril	36,689,446		36,689,446		23,296,772		23,296,772		
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	554,949		554,949		141		141		
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake									
13. Group accident and health							(a)		
14. Credit accident and health (group and individual)							(a)		
15. Other accident and health									
16. Workers' compensation	47,631,360		47,631,360		58,193,484		58,193,484		
17.1 Other liability - occurrence	2,383,444		2,383,444		10,244,531		10,244,531		
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	49,899		49,899		255,405		255,405		
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability	757,029		757,029		347,399		347,399		
19.3, 19.4 Commercial auto liability	27,500,089		27,500,089		22,325,438		22,325,438		
21. Auto physical damage	389,600		389,600						
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	119,507,031		119,507,031		115,585,960		115,585,960		

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	13,560,662			13,560,662
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	13,560,662			13,560,662
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		35,992,804		35,992,804
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		35,992,804		35,992,804
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)				
3. Allowances to manager and agents				
4. Advertising			68	68
5. Boards, bureaus and associations			2	2
6. Surveys and underwriting reports				
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			16,090	16,090
8.2 Payroll taxes			698	698
9. Employee relations and welfare			698	698
10. Insurance			54	54
11. Directors' fees				
12. Travel and travel items			535	535
13. Rent and rent items			228	228
14. Equipment			251	251
15. Cost or depreciation of EDP equipment and software			132	132
16. Printing and stationery			36	36
17. Postage, telephone and telegraph, exchange and express			80	80
18. Legal and auditing			1,529	1,529
19. Totals (Lines 3 to 18)			20,401	20,401
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			2,382	2,382
25. Total expenses incurred			22,783	22,783
26. Less unpaid expenses-current year				
27. Add unpaid expenses-prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)			22,783	22,783

DETAILS OF WRITE-INS				
2401. Other Expenses			2,382	2,382
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			2,382	2,382

(a) Includes management fees of \$ 22,783 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) 2,073,506	1,895,954
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 1,201,474	1,027,889
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 196,859	231,400
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	258	258
10. Total gross investment income	3,472,097	3,155,501

11. Investment expenses		(g) 22,782
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		22,782
17. Net investment income (Line 10 minus Line 16)		3,132,719

DETAILS OF WRITE-INS		
0901. Miscellaneous Income (Expense)	258	258
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)	258	258
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 \$ 72,358 accrual of discount less \$ 65,958 amortization of premium and less \$ 11,721 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 13,578 accrual of discount less \$ 0 amortization of premium and less \$ 38,043 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 depreciation on real estate and \$ 0 depreciation on other invested assets.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	(69,172)			(69,172)
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)	147,846			147,846
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)				
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	78,674			78,674

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)				

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants ( for Title insurers only )			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	1,127,900	1,181,400	53,500
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	132		(132)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,128,032	1,181,400	53,368
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	1,128,032	1,181,400	53,368

<b>DETAILS OF WRITE-INS</b>			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other Assets	132		(132)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	132		(132)

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## NOTES TO FINANCIAL STATEMENTS

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### **Note 1- Summary of Significant Accounting Policies**

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of New Hampshire, the accompanying financial statements of Excelsior Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. It also requires estimates in the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

#### C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost adjusted, where appropriate, for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office ("SVO Manual").
2. Bonds are carried at cost adjusted, where appropriate, for amortization of premium or discount, or market as specified by the SVO Manual.
3. The Company does not own unaffiliated common stocks.
4. The Company does not own unaffiliated preferred stocks.
5. The Company does not own mortgage loans.
6. 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. The Company does not own any joint ventures, partnerships or limited liability companies.
9. Derivative Securities, refer to Note 8.
10. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2006.
13. The Company has no pharmaceutical rebate receivables.

### **Note 2- Accounting Changes and Correction of Errors**

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

### **Note 3- Business Combinations and Goodwill**

#### A. Statutory Purchase Method

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

#### B. Statutory Mergers

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

#### C. Impairment Loss

Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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**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

The Company does not own real estate.

## G. Investments in Low-Income Housing Tax Credits

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

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

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

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

Not Applicable

**Note 7- Investment Income**

## A. Accrued Investment Income

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

## B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2006.

**Note 8- Derivative Instruments**

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

**Note 9 - Income Taxes**

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

	December 31, 2006	December 31, 2005	Change
Total of gross deferred tax assets	1,855,000	1,781,000	74,000
Total of deferred tax liabilities	(263,000)	(244,000)	(19,000)
Net deferred tax asset	1,592,000	1,537,000	55,000
Net deferred tax asset non-admitted	(1,127,900)	(1,181,400)	53,500
Net admitted deferred tax asset	464,100	355,600	108,500

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



## NOTES TO FINANCIAL STATEMENTS

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

	2006	2005
Federal tax on operations	411,611	369,125
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	411,610	369,125
Tax on capital gains	27,536	217,963
Total income tax incurred	439,147	587,088

The Company's deferred tax assets and liabilities result primarily from investment impairments, alternative minimum tax credit carryforwards, and statutory non-admitted assets.

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

	2006
Change in net deferred income tax (without unrealized gain or loss)	55,000
Tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	55,000

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$330,000 from the current year and \$558,000 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
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

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## NOTES TO FINANCIAL STATEMENTS

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Liberty Insurance Underwriters, Inc.	Wausau General Insurance Company
Liberty International Asia Pacific Holdings, Inc.	Wausau Service Corporation
Liberty International Holdings, Inc.	Wausau Signature Agency, Inc.
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company

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

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

- A. The Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in the state of Delaware. All of the outstanding shares of LIH US P&C Corporation are owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in the state of Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company ("LMIC"), an insurance company incorporated in Massachusetts. The ultimate parent of LMIC is Liberty Mutual Holding Company, Inc., a Massachusetts company.
- B. During 2006 the Company paid an ordinary dividend of \$ 6,574,474 to LMIC. The Company also paid its parent, pursuant to the approval of its domiciliary state, an extraordinary dividend of \$20,999,526.
- C. Refer to Notes 10 F and 26.
- D. At December 31, 2006, the Company reported \$112,371 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. The Company entered into a services agreement (the "Agreement"), effective January 1, 1999, with Peerless Insurance Company ("PIC") and other affiliates. The Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into investment management agreements, effective May 26, 1999 with LMIC, and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Effective January 1, 2007, the May 26, 1999 Investment Management Agreement with LMIC was terminated and a new agreement went into effect. Under these agreements, LMIC and LMIA provide investment management services to the Company.

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

The Company entered into a Federal Tax Sharing Agreement between LMIC and affiliates (see Note 9F).

The Company entered into a management services agreement, effective December 15, 2001, with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

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

### **Note 11- Debt**

- A. Capital Notes  
Not applicable
- B. All Other Debt  
Not applicable

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

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

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## NOTES TO FINANCIAL STATEMENTS

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

1. Common Stock

The Company has 50,000 shares authorized, and 38,000 shares issued and outstanding as of December 31, 2006. All shares have a stated par value of \$100.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of policyholder surplus less any dividends paid in the preceding twelve months. The maximum dividend payout that may be made without prior approval in 2007 is \$4,105,057.

5. The Company does not have restricted unassigned surplus.

6. The Company had no advances to surplus.

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

8. The Company does not hold special surplus funds.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

### **Note 14- Contingencies**

A. Contingent Commitments

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

B. Assessments

The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

As a result of the inter-company Reinsurance Agreement with PIC (see Note 26), the Company has no net liability for guaranty fund and other assessments.

C. Gain Contingencies

Not applicable

D. All other Contingencies

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

As disclosed in Note 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes Liberty Mutual Group Inc. ("LMGI"). LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

### **Note 15- Leases**

A. The Company is not involved in material lease obligations.

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

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## NOTES TO FINANCIAL STATEMENTS

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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 during the year.

B. Transfers and servicing of financial assets

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

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

**Note 20 – September 11 Events**

As a result of the inter-company Reinsurance Agreement with PIC (see Note 26), the Company has no net exposure to losses arising from the September 11, 2001 World Trade Center disaster.

**Note 21- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of 2,603,574 and \$2,554,885 as of December 31, 2006 and 2005, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. Hybrid Securities

The Company does not hold hybrid securities.

G. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

H. Impact of Medicare Modification Act on Post Retirement Benefits

Not applicable. (Refer to Note 12)

**Note 22- Events Subsequent**

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

## NOTES TO FINANCIAL STATEMENTS

### **Note 23- Reinsurance**

- A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer that exceed 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. Reinsurance Assumed & Ceded
- The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2006.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>
Affiliates	\$0	\$0	\$122,871,223	\$16,895,511	(\$122,871,223)	(\$16,895,511)
All Other	0	0	0	0	0	0
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$122,871,223</b>	<b>\$16,895,511</b>	<b>(\$122,871,223)</b>	<b>(\$16,895,511)</b>

Direct unearned premium reserve of \$122,871,223

- There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business.
- D. The Company did not write off any uncollectible balances in 2006.
- E. The Company does not have ceded commutations.
- F. The Company does not have any retroactive reinsurance agreements.
- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2006.

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

The Company does not have net accrued retrospective premiums.

### **Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses**

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

### **Note 26- Inter-Company Pooling Arrangements**

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

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

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**NOTES TO FINANCIAL STATEMENTS**


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100% Quota Share				
Affiliated Companies:	National Insurance Association (NIA)	27944	0.00%	All Lines
	Mid-America Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	Liberty Northwest Insurance Company (LNW)	41939	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

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

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

Pursuant to the approval of the Oregon Department of Insurance, effective January 1, 2006, PIC the lead company in the PIC inter-company Reinsurance Agreement ("the Pool") entered into an inter-company 100% Quota Share Agreements with Liberty Northwest Insurance Company ("LNW"), Oregon Auto Insurance Company ("OAIC") and North Pacific Insurance Company ("NPIC"). Also, pursuant to the approval of the Oregon Department of Insurance, effective on January 1, 2006, LNW cancelled its inter-company 100% Quota Share Agreements with OAIC and NPIC. Under the terms of the new inter-company 100% Quota Share Reinsurance Agreements, LNW, OAIC and NPIC, after processing external reinsurance, would cede its remaining underwriting activity to PIC. Also, LNW transferred its in-force business, as of January 1, 2006, to the Pool and compensated the Pool by a like amount. There were no gains or losses to surplus as a result.

**Note 27- Structured Settlements**

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

**Note 28 - Health Care Receivables**

Not applicable

**Note 29 - Participating Policies**

Not applicable

**Note 30 - Premium Deficiency Reserves**

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

**Note 31- High Dollar Deductible Policies**

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

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

Not applicable

**Note 33 - Asbestos/Environmental Reserves**

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

## NOTES TO FINANCIAL STATEMENTS

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### 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	26,657,219	66.817	26,657,219	66.817
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	4,928,938	12.354	4,928,938	12.354
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	334,219	0.838	334,219	0.838
1.512 Issued or guaranteed by FNMA and FHLMC	1,830,305	4.588	1,830,305	4.588
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	1,042,882	2.614	1,042,882	2.614
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	1,769,661	4.436	1,769,661	4.436
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	555	0.001	555	0.001
8. Cash, cash equivalents and short-term investments	3,332,353	8.353	3,332,355	8.353
9. Other invested assets				
10. Total invested assets	39,896,132	100.000	39,896,134	100.000



## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? New Hampshire
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change: 12/31/2004
- 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). 06/23/2006
- 3.4 By what department or departments? State of New Hampshire Insurance Department
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [ X ]
- 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ X ]
- 4.22 renewals? Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 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) ~~Yes~~ Yes ~~extended~~ or revoked by any governmental entity during the reporting period?
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [ 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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Ernts & Young, LLP  
 200 Clarendon Street, Boston MA, 02116
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? William M Finn, FCAS, MAAA  
 62 Maple Avenue, Keene, NH 0343  
 Vice President & Chief Actuary of Liberty Mutual Agency Markets
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
- |   |            |
|---|------------|
| 11.11 Name of real estate holding company | _____      |
| 11.12 Number of parcels involved          | _____ 0    |
| 11.13 Total book/adjusted carrying value  | \$ _____ 0 |
- 11.2 If yes, provide explanation \_\_\_\_\_
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity? \_\_\_\_\_
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

### BOARD OF DIRECTORS

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

### FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- |   |            |
|---|------------|
| 16.11 To directors or other officers              | \$ _____ 0 |
| 16.12 To stockholders not officers                | \$ _____ 0 |
| 16.13 Trustees, supreme or grand (Fraternal only) | \$ _____ 0 |
- 16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |   |            |
|---|------------|
| 16.21 To directors or other officers              | \$ _____ 0 |
| 16.22 To stockholders not officers                | \$ _____ 0 |
| 16.23 Trustees, supreme or grand (Fraternal only) | \$ _____ 0 |
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
- |                            |            |
|----------------------------|------------|
| 17.21 Rented from others   | \$ _____ 0 |
| 17.22 Borrowed from others | \$ _____ 0 |
| 17.23 Leased from others   | \$ _____ 0 |
| 17.24 Other                | \$ _____ 0 |
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 18.2 If answer is yes:
- |  |            |
|--|------------|
| 18.21 Amount paid as losses or risk adjustment | \$ _____ 0 |
| 18.22 Amount paid as expenses                  | \$ _____ 0 |
| 18.23 Other amounts paid                       | \$ _____ 0 |
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

#### INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes  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		\$ <u>0</u>
21.22 Subject to repurchase agreements		\$ <u>0</u>
21.23 Subject to reverse repurchase agreements		\$ <u>0</u>
21.24 Subject to dollar repurchase agreements		\$ <u>0</u>
21.25 Subject to reverse dollar repurchase agreements		\$ <u>0</u>
21.26 Pledged as collateral		\$ <u>0</u>
21.27 Placed under option agreements		\$ <u>0</u>
21.28 Letter stock or securities restricted as to sale		\$ <u>0</u>
21.29 Other		\$ <u>0</u>

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

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

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

## 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
25.2999	Total	

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

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	39,895,578	39,431,166	(464,412)
26.2 Preferred stocks			
26.3 Totals	39,895,578	39,431,166	(464,412)

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? \$ \_\_\_\_\_ 0

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

1 Name	2 Amount Paid
	\$
	\$
	\$

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
	\$
	\$
	\$

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
	\$
	\$
	\$
	\$

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

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

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

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

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ _____	\$ _____
2.2 Premium Denominator	\$ _____	\$ _____
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ _____	\$ _____
2.5 Reserve Denominator	\$ _____	\$ _____
2.6 Reserve Ratio (2.4/2.5)	_____	_____

3.1 Does the reporting entity issue both participating and non-participating policies? YES [X] NO [ ]  
 3.2 If yes, state the amount of calendar year premiums written on:  
 3.21 Participating policies \$ 5,568,449  
 3.22 Non-participating policies \$ 256,186,277

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 Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$975m xs \$25m
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company tracks aggregate property and WC exposure and reviews quarterly. It uses Risklink from RMS and AIR from AIR for EQ and wind. It uses RiskLink for WC. Concentrations are in the Northeast for wind and New Madrid for EQ.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In 2006 the Company purchased property catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,650m xs \$50m. The coverage is sufficient to protect against the Company's 250 year event.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES  NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES  NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions.
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES  NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES  NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES  NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates. YES  NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES  NO
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES  NO  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES  NO
- 11.2 If yes, give full information

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |  |   |          |
|--|---|----------|
|  | 12.11 Unpaid losses   | \$ _____ |
|  | 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ _____ |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ \_\_\_\_\_
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [ ] NO [X] N/A [ ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |  |            |         |
|--|------------|---------|
|  | 12.41 From | _____ % |
|  | 12.42 To   | _____ % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [ ] NO [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |  |                                  |          |
|--|----------------------------------|----------|
|  | 12.61 Letters of Credit          | \$ _____ |
|  | 12.62 Collateral and other funds | \$ _____ |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ \_\_\_\_\_
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [ ] NO [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. \_\_\_\_\_ 3
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: Premiums and recoverables were allocated pursuant to separate intercompany agreements.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [ ] NO [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES [X] NO [ ]
- 14.5 If the answer to 14.4 is no, please explain: \_\_\_\_\_
- 15.1 Has the reporting entity guaranteed any financed premium accounts? YES [ ] NO [X]
- 15.2 If yes, give full information \_\_\_\_\_
- 16.1 Does the reporting entity write any warranty business? YES [ ] NO [X]  
If yes, disclose the following information for each of the following types of warranty coverage:
- |                  | 1                         | 2                       | 3                         | 4                          | 5                        |
|------------------|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
|                  | Direct Losses<br>Incurred | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>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 [X]

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

17.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$ _____
17.12	Unfunded portion of Interrogatory 17.11	\$ _____
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ _____
17.14	Case reserves portion of Interrogatory 17.11	\$ _____
17.15	Incurred but not reported portion of Interrogatory 17.11	\$ _____
17.16	Unearned premium portion of Interrogatory 17.11	\$ _____
17.17	Contingent commission portion of Interrogatory 17.11	\$ _____

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
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	133,816,896	125,608,193	106,600,522	91,780,715	76,380,737
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	31,287,138	32,664,309	33,175,134	29,023,178	22,773,162
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	96,650,692	97,090,061	91,922,818	86,303,128	72,670,356
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
6. Total (Line 34)	261,754,726	255,362,563	231,698,474	207,107,021	171,824,255
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
12. Total (Line 34)					
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)					
14. Net investment gain (loss) (Line 11)	3,183,857	3,596,772	3,626,393	2,699,856	3,906,343
15. Total other income (Line 15)	(790)	(173)	(139)		409,384
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	411,611	369,125	258,212	(372,773)	167,468
18. Net income (Line 20)	2,771,456	3,227,474	3,368,042	3,072,629	4,148,259
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	42,554,199	84,505,033	77,223,021	72,664,182	65,216,809
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)				(2)	
20.2 Deferred and not yet due (Line 13.2)					
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	1,503,631	18,760,289	15,058,901	16,703,176	9,547,897
22. Losses (Page 3, Line 1)					613
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
26. Surplus as regards policyholders (Page 3, Line 35)	41,050,568	65,744,744	62,164,120	55,961,006	55,668,912
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	41,050,568	65,744,744	62,164,120	55,961,006	55,668,912
28. Authorized control level risk-based capital	58,054	267,717	194,912	305,147	440,062
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	91.6	97.6	96.3	96.5	98.7
30. Stocks (Lines 2.1 & 2.2)					
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	8.4	2.4	3.7	3.5	1.3
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)					
36. Receivables for securities (Line 8)					
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)				201,448	(5,955)
48. Dividends to stockholders (Line 35)	(27,574,000)				
49. Change in surplus as regards policyholders for the year (Line 38)	(24,694,176)	3,580,624	6,203,114	292,094	6,198,985
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	49,876,309	49,466,411	45,603,352	35,105,483	30,702,576
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,072,302	11,152,613	9,380,173	9,537,845	7,009,641
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	37,297,180	30,446,694	32,475,407	27,822,468	20,217,251
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
55. Total (Line 34)	96,245,791	91,065,718	87,458,932	72,465,796	57,929,468
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
61. Total (Line 34)					
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)					
64. Loss expenses incurred (Line 3)					
65. Other underwriting expenses incurred (Line 4)					
66. Net underwriting gain (loss) (Line 8)					
<b>Other Percentages</b>					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)					
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)					
<b>One Year Loss Development (000 omitted)</b>					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)					
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)					
<b>Two Year Loss Development (000 omitted)</b>					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)					
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)					

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b> Governments (Including all obligations guaranteed by governments)	1. United States .....	31,920,374	31,378,665	32,014,680	31,764,981
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	31,920,374	31,378,665	32,014,680	31,764,981
States, Territories and Possessions (Direct and guaranteed)	5. United States .....				
	6. Canada .....				
	7. Other Countries .....				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....				
	10. Canada .....				
	11. Other Countries .....				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	2,862,184	2,880,378	2,865,750	2,879,904
	14. Canada .....				
	15. Other Countries .....				
	16. Totals	2,862,184	2,880,378	2,865,750	2,879,904
Public Utilities (unaffiliated)	17. United States .....				
	18. Canada .....				
	19. Other Countries .....				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	1,780,666	1,853,347	1,794,491	1,744,005
	22. Canada .....				
	23. Other Countries .....				
	24. Totals	1,780,666	1,853,347	1,794,491	1,744,005
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	<b>36,563,224</b>	<b>36,112,390</b>	<b>36,674,921</b>	<b>36,388,890</b>
<b>PREFERRED STOCKS</b> Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States .....				
	36. Canada .....				
	37. Other Countries .....				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>				
<b>COMMON STOCKS</b> Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States .....				
	50. Canada .....				
	51. Other Countries .....				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	<b>54. Total Common Stocks</b>				
	55. Total Stocks				
	56. Total Bonds and Stocks	36,563,224	36,112,390	36,674,921	

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

1. Book/adjusted carrying value of bonds and stocks, prior year .....	<u>63,553,509</u>	7. Amortization of premium .....	<u>65,958</u>
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	<u>4,914,144</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	<u>72,357</u>	8.1 Column 15, Part 1 .....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1 .....	
4.1 Columns 12 - 14, Part 1 .....		8.3 Column 16, Part 2, Section 2 .....	
4.2 Column 15 - 17, Part 2, Section 1 .....		8.4 Column 15, Part 4 .....	
4.3 Column 15, Part 2, Section 2 .....		9. Book/adjusted carrying value at end of current period .....	<u>36,563,224</u>
4.4 Column 11 - 13, Part 4 .....		10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....	<u>78,674</u>	11. Subtotal (Lines 9 plus 10) .....	<u>36,563,224</u>
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	<u>31,989,502</u>	12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	<u>36,563,224</u>

**SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P-PART 1-SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	644	644	91	91			25		X X X
2. 1997	58,381	58,381		28,887	28,887	2,941	2,941	2,797	2,797	40		X X X
3. 1998	61,231	61,231		32,487	32,487	3,281	3,281	2,931	2,931	1,207		X X X
4. 1999	64,952	64,952		39,762	39,762	3,456	3,456	3,446	3,446	217		X X X
5. 2000	84,990	84,990		60,935	60,935	4,300	4,300	3,281	3,281	604		X X X
6. 2001	105,950	105,950		61,288	61,288	4,107	4,107	865	865	1,897		X X X
7. 2002	150,667	150,667		70,011	70,011	4,894	4,894	1,024	1,024	2,349		X X X
8. 2003	191,108	191,108		79,669	79,669	6,857	6,857	1,513	1,513	4,519		X X X
9. 2004	221,599	221,599		70,277	70,277	4,549	4,549	1,220	1,220	2,395		X X X
10. 2005	246,926	246,926		57,557	57,557	3,253	3,253	1,109	1,109	2,546		X X X
11. 2006	258,800	258,800		38,967	38,967	1,155	1,155	751	751	880		X X X
12. Totals	X X X	X X X	X X X	540,484	540,484	38,884	38,884	18,937	18,937	16,679		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	3,224	3,224	5,187	5,187			851	851	652	652			X X X
2. 1997	885	885	1,111	1,111			391	391	148	148			X X X
3. 1998	1,856	1,856	1,446	1,446			511	511	228	228			X X X
4. 1999	882	882	1,622	1,622			682	682	199	199			X X X
5. 2000	2,990	2,990	2,617	2,617			1,043	1,043	393	393			X X X
6. 2001	2,340	2,340	3,342	3,342			1,508	1,508	436	436			X X X
7. 2002	7,737	7,737	5,014	5,014			2,083	2,083	861	861			X X X
8. 2003	13,907	13,907	7,629	7,629			3,197	3,197	1,418	1,418			X X X
9. 2004	19,786	19,786	10,864	10,864			4,471	4,471	2,018	2,018			X X X
10. 2005	29,428	29,428	19,310	19,310			7,017	7,017	3,320	3,320			X X X
11. 2006	36,476	36,476	57,442	57,442			11,994	11,994	7,403	7,403			X X X
12. Totals	119,511	119,511	115,584	115,584			33,748	33,748	17,076	17,076			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		
2. 1997	37,160	37,160		63.651	63.651						
3. 1998	42,740	42,740		69.801	69.801						
4. 1999	50,049	50,049		77.055	77.055						
5. 2000	75,559	75,559		88.903	88.903						
6. 2001	73,886	73,886		69.737	69.737						
7. 2002	91,624	91,624		60.812	60.812						
8. 2003	114,190	114,190		59.752	59.752						
9. 2004	113,185	113,185		51.076	51.076						
10. 2005	120,994	120,994		49.000	49.000						
11. 2006	154,188	154,188		59.578	59.578						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X		

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

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

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO							
2. Alaska	AK	NO							
3. Arizona	AZ	NO							
4. Arkansas	AR	NO							
5. California	CA	NO							
6. Colorado	CO	NO							
7. Connecticut	CT	YES	21,471,233	23,612,708	479,674	8,313,175	8,965,159	24,290,452	92,632
8. Delaware	DE	YES	5,282,917	4,517,722	2,505	682,392	2,370,743	4,682,981	22,792
9. Dist. Columbia	DC	YES	283,335	317,096		5,811	36,128	159,124	1,222
10. Florida	FL	YES				531	(5,043)	8,257	
11. Georgia	GA	YES	7,444,256	7,055,836	430	4,655,528	5,491,833	7,378,830	32,116
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	NO	(2,036)	(1,720)	1,558				(9)
15. Indiana	IN	YES		(211)			(607)		
16. Iowa	IA	NO							
17. Kansas	KS	NO							
18. Kentucky	KY	YES				1,208	1,742	3,736	
19. Louisiana	LA	NO							
20. Maine	ME	YES	11,970,145	11,177,314	135,782	2,885,473	4,482,174	4,541,584	51,642
21. Maryland	MD	YES	8,070,250	8,490,460	2,058	1,889,004	5,068,561	6,696,512	34,817
22. Massachusetts	MA	YES	7,855,276	6,613,417	595	938,421	2,493,693	3,890,500	33,890
23. Michigan	MI	NO	33,888	17,860		133	3,232	3,099	146
24. Minnesota	MN	NO							
25. Mississippi	MS	NO							
26. Missouri	MO	NO							
27. Montana	MT	NO							
28. Nebraska	NE	NO							
29. Nevada	NV	NO							
30. New Hampshire	NH	YES	7,991,003	7,331,252	24,522	3,341,652	4,441,127	8,061,233	34,475
31. New Jersey	NJ	YES	76,188,004	76,568,304	130,191	24,316,896	34,329,831	69,192,130	328,694
32. New Mexico	NM	NO							
33. New York	NY	YES	62,994,604	61,823,663	155,424	16,285,839	22,803,465	53,055,066	271,774
34. No. Carolina	NC	YES	7,664,910	7,587,795		7,432,399	5,912,809	11,374,264	33,068
35. No. Dakota	ND	NO							
36. Ohio	OH	NO		(2,215)					
37. Oklahoma	OK	NO							
38. Oregon	OR	NO							
39. Pennsylvania	PA	YES	34,081,346	33,510,099	949	17,894,886	20,623,112	27,644,301	147,035
40. Rhode Island	RI	YES	30,724	21,058	664	3,517	3,517		133
41. So. Carolina	SC	NO	(422)	444					(2)
42. So. Dakota	SD	NO							
43. Tennessee	TN	NO		420	1,199				
44. Texas	TX	NO							
45. Utah	UT	NO							
46. Vermont	VT	YES	4,863,653	4,387,296	9,216	2,871,769	3,272,071	6,126,198	20,983
47. Virginia	VA	YES	5,531,642	5,770,948	24,378	4,727,163	5,725,106	7,984,729	23,865
48. Washington	WA	NO							
49. West Virginia	WV	NO							
50. Wisconsin	WI	NO							
51. Wyoming	WY	NO							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X							
59. Totals	(a) 18		261,754,728	258,799,546	969,145	96,245,797	126,018,653	235,092,996	1,129,273

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

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

- \*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- \*States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation
- \*Location of 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.

