

ANNUAL STATEMENT

OF THE

Indiana Insurance Company

of **Indianapolis**

in the state of **Indiana**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2006



22659200620100100

ANNUAL STATEMENT

For the Year Ended December 31, 2006

OF THE CONDITION AND AFFAIRS OF THE

Indiana Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 22659 Employer's ID Number 35-0410010

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

Country of Domicile United States of America

Incorporated/Organized: February 13, 1851 Commenced Business: February 13, 1851

Statutory Home Office: 350 East 96th Street Indianapolis, IN 46240

Main Administrative Office: 350 East 96th Street Indianapolis, IN 46240 317-581-6400

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, Kevin John Kirschner, 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)	666,648,530		666,648,530	591,800,633
2. Stocks (Schedule D):				
2.1 Preferred stocks	2,016,000		2,016,000	3,115,160
2.2 Common stocks	57,786,688		57,786,688	100,107,692
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)	15,248,347		15,248,347	15,748,011
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 25,102,110, Schedule E-Part 1), cash equivalents (\$ 20,010,758, Schedule E-Part 2) and short-term investments (\$ 37,443,558, Schedule DA)	82,556,426		82,556,426	58,288,935
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	1,093,319		1,093,319	1,094,941
8. Receivables for securities	7,200,023		7,200,023	
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	832,549,333		832,549,333	770,155,372
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	7,246,292		7,246,292	5,874,987
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	30,215,394	620,626	29,594,768	42,775,392
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,970,615 earned but unbilled premiums)	129,832,993	381,931	129,451,062	95,001,964
13.3 Accrued retrospective premiums	1,563,699	156,370	1,407,329	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				21,518,347
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	32,252,000	10,333,036	21,918,964	22,059,334
17. Guaranty funds receivable or on deposit	674,825		674,825	652,748
18. Electronic data processing equipment and software	92		92	434
19. Furniture and equipment, including health care delivery assets (\$ 0)	8,197	8,197		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	151,391		151,391	
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	2,032,919	169,605	1,863,314	1,656,797
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,036,527,135	11,669,765	1,024,857,370	959,695,375
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,036,527,135	11,669,765	1,024,857,370	959,695,375

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	426,530	169,605	256,925	378,565
2302. Equities and deposits in pools and associations	1,606,389		1,606,389	1,278,232
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,032,919	169,605	1,863,314	1,656,797

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	359,505,001	241,473,533
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	18,466,648	17,582,506
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	82,487,349	62,032,517
4. Commissions payable, contingent commissions and other similar charges	13,233,824	15,257,016
5. Other expenses (excluding taxes, licenses and fees)	10,231,530	6,112,049
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	7,028,379	4,079,647
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	3,672,210	2,576,889
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 \$ 132,718,609 and including warranty reserves of \$ 0)	193,681,977	172,879,099
10. Advance premium	779,643	521,734
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	181,629	
12. Ceded reinsurance premiums payable (net of ceding commissions)		18,642,070
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	255,575	8,580,892
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	6,676	
19. Payable to parent, subsidiaries and affiliates	7,556,891	9,760,320
20. Payable for securities	6,552,647	2,490,116
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	52,457,549	45,252,939
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	756,097,528	607,241,327
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	756,097,528	607,241,327
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	4,000,000	4,000,000
29. Preferred capital stock	1,850,000	1,850,000
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	45,442,432	45,442,432
33. Unassigned funds (surplus)	217,467,410	301,161,616
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)	268,759,842	352,454,048
36. TOTALS (Page 2, Line 26, Col. 3)	1,024,857,370	959,695,375

DETAILS OF WRITE-INS		
2301. Other liabilities	4,253,599	1,427,005
2302. Collateral held for securities loaned	48,203,950	43,825,934
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	52,457,549	45,252,939
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	419,832,621	353,429,871
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	227,900,451	174,370,093
3. Loss expenses incurred (Part 3, Line 25, Column 1)	50,157,434	46,501,719
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	140,496,059	126,917,007
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	418,553,944	347,788,819
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	1,278,677	5,641,052
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	73,937,820	30,298,290
10. Net realized capital gains (losses) less capital gains tax of \$ (357,032) (Exhibit of Capital Gains (Losses))	(669,006)	2,554,355
11. Net investment gain (loss) (Lines 9 + 10)	73,268,814	32,852,645
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ (5) amount charged off \$ 626,771)	(626,775)	(463,316)
13. Finance and service charges not included in premiums	583,723	637,357
14. Aggregate write-ins for miscellaneous income	888,635	(270,355)
15. Total other income (Lines 12 through 14)	845,583	(96,314)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	75,393,074	38,397,383
17. Dividends to policyholders	1,186,775	583,865
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)	74,206,299	37,813,518
19. Federal and foreign income taxes incurred	16,546,282	11,947,049
20. Net income (Line 18 minus Line 19) (to Line 22)	57,660,017	25,866,469
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	352,454,048	320,011,791
22. Net income (from Line 20)	57,660,017	25,866,469
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 157,056	(32,992,200)	1,407,420
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	8,495,056	318,514
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(7,552,873)	5,701,480
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	(109,606,250)	(851,000)
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	302,044	(626)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(83,694,206)	32,442,257
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	268,759,842	352,454,048

DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		
1401. Other income/(expense)	888,635	(270,355)
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)	888,635	(270,355)
3701. Other surplus adjustments	302,044	(626)
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)	302,044	(626)

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	400,186,955	348,356,927
2. Net investment income	73,452,795	30,407,886
3. Miscellaneous income	(7,713,458)	1,258,847
4. Total (Lines 1 through 3)	465,926,292	380,023,660
5. Benefit and loss related payments	87,459,818	147,641,740
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	165,153,640	155,255,179
8. Dividends paid to policyholders	1,005,146	583,865
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	15,093,930	14,895,935
10. Total (Lines 5 through 9)	268,712,534	318,376,719
11. Net cash from operations (Line 4 minus Line 10)	197,213,758	61,646,941
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	174,899,173	192,665,192
12.2 Stocks	13,980,368	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		1,129,456
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	6,565,969	1,460,503
12.8 Total investment proceeds (Lines 12.1 to 12.7)	195,445,510	195,255,151
13. Cost of investments acquired (long-term only):		
13.1 Bonds	251,020,508	322,891,695
13.2 Stocks	3,526,995	3,257,986
13.3 Mortgage loans		
13.4 Real estate		150,299
13.5 Other invested assets		
13.6 Miscellaneous applications	9,703,461	
13.7 Total investments acquired (Lines 13.1 to 13.6)	264,250,964	326,299,980
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)	(68,805,454)	(131,044,829)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	109,606,250	850,999
16.6 Other cash provided (applied)	5,465,437	81,214,290
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(104,140,813)	80,363,291
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	24,267,491	10,965,403
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	58,288,935	47,323,532
19.2 End of year (Line 18 plus Line 19.1)	82,556,426	58,288,935

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

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1- PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	4,277,009	2,045,139	2,173,385	4,148,763
2. Allied lines	3,669,846	1,811,415	1,875,353	3,605,908
3. Farmowners multiple peril	4,258,390	1,418,371	1,983,201	3,693,560
4. Homeowners multiple peril	33,414,791	15,787,014	17,501,154	31,700,651
5. Commercial multiple peril	137,550,209	57,937,094	64,152,088	131,335,215
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	12,936,380	4,836,971	5,692,737	12,080,614
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	1,572,005	634,752	800,803	1,405,954
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	84,955,998	19,185,950	23,711,918	80,430,030
17.1 Other liability - occurrence	25,279,900	9,525,899	11,370,458	23,435,341
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	724,109	206,066	291,740	638,435
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	31,410,438	13,486,210	14,065,020	30,831,628
19.3, 19.4 Commercial auto liability	58,451,442	24,230,124	27,100,066	55,581,500
21. Auto physical damage	40,626,491	17,838,123	18,758,336	39,706,278
22. Aircraft (all perils)				
23. Fidelity	10,219	21,300	20,218	11,301
24. Surety	1,054,422	148,703	127,986	1,075,139
26. Burglary and theft	57,137	22,966	24,702	55,401
27. Boiler and machinery	97,463	61,625	62,196	96,892
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	440,346,249	169,197,722	189,711,361	419,832,610

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

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

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	2,173,386				2,173,386
2. Allied lines	1,875,353				1,875,353
3. Farmowners multiple peril	1,982,582	619			1,983,201
4. Homeowners multiple peril	17,501,154				17,501,154
5. Commercial multiple peril	65,651,801	12,786	(1,512,499)		64,152,088
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	5,691,113	1,624			5,692,737
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	800,803				800,803
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	25,537,133		(1,825,215)		23,711,918
17.1 Other liability - occurrence	11,997,251	6,108	(632,901)		11,370,458
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	291,740				291,740
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	14,065,020				14,065,020
19.3, 19.4 Commercial auto liability	27,092,466	7,600			27,100,066
21. Auto physical damage	18,756,297	2,038			18,758,335
22. Aircraft (all perils)					
23. Fidelity	9,963	10,255			20,218
24. Surety	105,016	22,970			127,986
26. Burglary and theft	24,664	38			24,702
27. Boiler and machinery	61,994	202			62,196
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	193,617,736	64,240	(3,970,615)		189,711,361
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					3,970,615
37. Balance (Sum of Line 34 through 36)					193,681,976

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

(a) State here basis of computation used in each case N/A

**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	1,939,901	4,277,009		1,939,901		4,277,009
2. Allied lines	1,813,420	3,669,846		1,813,420		3,669,846
3. Farmowners multiple peril	4,210,198	4,258,390		4,210,198		4,258,390
4. Homeowners multiple peril	50,075,912	33,414,791		50,075,912		33,414,791
5. Commercial multiple peril	53,151,659	137,550,209		53,151,659		137,550,209
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	4,139,160	12,936,380		4,139,160		12,936,380
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	2,728,493	1,572,005		2,728,493		1,572,005
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	27,676,525	84,955,998		27,676,525		84,955,998
17.1 Other liability - occurrence	33,571,023	25,279,900		33,571,023		25,279,900
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	209,095	724,109		209,095		724,109
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	37,169,512	31,410,438		37,169,512		31,410,438
19.3, 19.4 Commercial auto liability	20,703,635	58,451,442		20,703,635		58,451,442
21. Auto physical damage	34,993,553	40,626,491		34,993,553		40,626,491
22. Aircraft (all perils)						
23. Fidelity		10,219				10,219
24. Surety	5,410	1,054,422		5,410		1,054,422
26. Burglary and theft	5,315	57,137		5,315		57,137
27. Boiler and machinery	4,065	97,463		4,065		97,463
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	272,396,876	440,346,249		272,396,876		440,346,249

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	261,429	1,197,154	261,429	1,197,154	841,835	404,618	1,634,371	39.394
2. Allied lines	2,152,930	2,112,510	2,152,930	2,112,510	466,928	1,308,064	1,271,374	35.258
3. Farmowners multiple peril	3,244,913	1,413,206	3,244,913	1,413,206	882,886	613,580	1,682,512	45.553
4. Homeowners multiple peril	60,452,713	18,638,149	60,452,713	18,638,149	7,524,878	6,404,185	19,758,842	62.329
5. Commercial multiple peril	37,471,974	48,303,734	37,471,974	48,303,734	92,883,723	77,273,217	63,914,240	48.665
6. Mortgage guaranty								
8. Ocean marine		31,503		31,503	2,498	(653,820)	687,821	
9. Inland marine	1,443,508	3,576,087	1,443,508	3,576,087	1,366,400	1,082,424	3,860,063	31.953
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake		(595)		(595)	705	12	98	0.007
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	19,853,658	(29,142,359)	19,853,658	(29,142,359)	143,632,006	59,096,031	55,393,616	68.872
17.1 Other liability - occurrence	9,897,164	3,644,299	9,897,164	3,644,299	27,971,844	19,014,689	12,601,454	53.771
17.2 Other liability - claims - made								
18.1 Products liability - occurrence		(36,853)		(36,853)	634,188	(165,550)	762,885	119.493
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	30,662,347	20,105,733	30,662,347	20,105,733	29,638,123	29,202,314	20,541,542	66.625
19.3, 19.4 Commercial auto liability	12,973,608	21,415,452	12,973,608	21,415,452	51,565,344	44,810,519	28,170,277	50.683
21. Auto physical damage	19,791,324	18,426,350	19,791,324	18,426,350	1,058,573	1,217,618	18,267,305	46.006
22. Aircraft (all perils)								
23. Fidelity	(280)	(1,581)	(280)	(1,581)	27,505	3,466	22,458	198.726
24. Surety	(40)	246,714	(40)	246,714	307,831	438,607	115,938	10.784
26. Burglary and theft		3,620		3,620	2,982	(6,579)	13,181	23.792
27. Boiler and machinery	492	43	492	43	19,639	741,847	(722,165)	(745.330)
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X	(64,181)		(64,181)	677,114	688,291	(75,358)	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	198,205,740	109,868,985	198,205,740	109,868,985	359,505,002	241,473,533	227,900,454	54.284

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	67,598	776,023	67,598	776,023	22	65,811	22	841,834	57,237
2. Allied lines	702,464	409,395	702,464	409,395		57,533		466,928	70,278
3. Farmowners multiple peril	251,763	767,374	251,763	767,374	22,283	115,512	22,283	882,886	161,467
4. Homeowners multiple peril	8,671,286	5,625,697	8,671,286	5,625,697	8,196,598	1,899,181	8,196,598	7,524,878	1,427,470
5. Commercial multiple peril	47,848,167	53,987,470	47,848,167	53,987,470	37,466,243	38,896,254	37,466,243	92,883,724	39,543,299
6. Mortgage guaranty									
8. Ocean marine						2,498		2,498	422
9. Inland marine	1,966,492	952,516	1,966,492	952,516	31	413,884	31	1,366,400	253,071
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake		705		705				705	2,708
13. Group accident and health								(a)	282
14. Credit accident and health (group and individual)								(a)	21
15. Other accident and health									
16. Workers' compensation	34,322,844	82,456,090	34,322,844	82,456,090	15,476,860	61,175,916	15,476,860	143,632,006	18,731,323
17.1 Other liability - occurrence	19,535,330	8,165,362	19,535,330	8,165,362	25,615,251	19,806,482	25,615,251	27,971,844	6,129,837
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	95,660	135,607	95,660	135,607	56,475	498,581	56,475	634,188	219,911
18.2 Products liability - claims - made									13
19.1, 19.2 Private passenger auto liability	27,207,974	20,635,156	27,207,974	20,635,156	13,537,642	9,002,967	13,537,642	29,638,123	6,260,011
19.3, 19.4 Commercial auto liability	16,314,414	26,638,998	16,314,414	26,638,998	14,553,875	24,926,345	14,553,875	51,565,343	9,217,239
21. Auto physical damage	930,795	1,109,687	930,795	1,109,687		(51,114)		1,058,573	343,247
22. Aircraft (all perils)									
23. Fidelity		3,064		3,064		24,441		27,505	3,443
24. Surety		179,865		179,865	1,057	127,966	1,057	307,831	54,045
26. Burglary and theft		1,512		1,512		1,470		2,982	15,142
27. Boiler and machinery						19,639		19,639	(3,118)
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	80,656		80,656	X X X	596,458		677,114	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	157,914,787	201,925,177	157,914,787	201,925,177	114,926,337	157,579,824	114,926,337	359,505,001	82,487,348

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	18,106,354			18,106,354
1.2 Reinsurance assumed	19,395,408			19,395,408
1.3 Reinsurance ceded	18,106,354			18,106,354
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	19,395,408			19,395,408
2. Commission and brokerage:				
2.1 Direct, excluding contingent		38,234,244		38,234,244
2.2 Reinsurance assumed, excluding contingent		58,678,077		58,678,077
2.3 Reinsurance ceded, excluding contingent		38,234,244		38,234,244
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		11,465,007		11,465,007
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)		70,143,084		70,143,084
3. Allowances to manager and agents	342	152,597		152,939
4. Advertising	292,114	1,149,731	775	1,442,620
5. Boards, bureaus and associations	126,937	1,014,841	26	1,141,804
6. Surveys and underwriting reports	8	1,266,823	1	1,266,832
7. Audit of assureds' records		7,578		7,578
8. Salary and related items:				
8.1 Salaries	12,091,570	29,537,464	183,575	41,812,609
8.2 Payroll taxes	880,853	2,244,647	7,958	3,133,458
9. Employee relations and welfare	3,238,365	7,921,950	7,964	11,168,279
10. Insurance	2,610,283	256,158	617	2,867,058
11. Directors' fees	127	2,273		2,400
12. Travel and travel items	698,767	2,512,918	6,099	3,217,784
13. Rent and rent items	1,168,514	3,188,374	2,602	4,359,490
14. Equipment	802,754	1,994,155	2,865	2,799,774
15. Cost or depreciation of EDP equipment and software	1,578,569	1,813,098	1,502	3,393,169
16. Printing and stationery	233,758	617,086	408	851,252
17. Postage, telephone and telegraph, exchange and express	511,992	1,588,819	908	2,101,719
18. Legal and auditing	111,375	523,449	17,449	652,273
19. Totals (Lines 3 to 18)	24,346,328	55,791,961	232,749	80,371,038
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 138,744		9,357,688		9,357,688
20.2 Insurance department licenses and fees		279,058		279,058
20.3 Gross guaranty association assessments		17,139		17,139
20.4 All other (excluding federal and foreign income and real estate)		1,305,836		1,305,836
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		10,959,721		10,959,721
21. Real estate expenses			1,148,205	1,148,205
22. Real estate taxes			260,137	260,137
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	6,415,700	3,601,295	27,181	10,044,176
25. Total expenses incurred	50,157,436	140,496,061	1,668,272	(a) 192,321,769
26. Less unpaid expenses-current year	82,487,349	30,493,734		112,981,083
27. Add unpaid expenses-prior year	62,032,517	25,448,713		87,481,230
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)	29,702,604	135,451,040	1,668,272	166,821,916

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	4,306,282			4,306,282
2402.				
2403. Other expenses	2,109,418	3,601,295	27,181	5,737,894
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	6,415,700	3,601,295	27,181	10,044,176

(a) Includes management fees of \$ 259,928 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) 6,088,231	6,282,729
1.1 Bonds exempt from U.S. tax	(a) 5,062,351	6,054,328
1.2 Other bonds (unaffiliated)	(a) 18,489,314	18,685,698
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 160,425	143,863
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	3,472,772	3,472,772
2.21 Common stocks of affiliates	35,577,000	35,577,000
3. Mortgage loans	(c)	
4. Real estate	(d) 2,422,567	2,422,567
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 741,326	746,333
7. Derivative instruments	(f)	
8. Other invested assets	57,128	57,128
9. Aggregate write-ins for investment income	2,663,336	2,663,336
10. Total gross investment income	74,734,450	76,105,754
11. Investment expenses		(g) 1,668,270
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) 499,664
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		2,167,934
17. Net investment income (Line 10 minus Line 16)		73,937,820
DETAILS OF WRITE-INS		
0901. Investment Income due to Pooling Restatement	2,583,105	2,663,336
0902. Miscellaneous Income/(Expense)	80,231	
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	2,663,336	2,663,336
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 \$ 429,819 accrual of discount less \$ 814,814 amortization of premium and less \$ 1,692,202 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 2,422,567 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 5,126 accrual of discount less \$ 1,386 amortization of premium and less \$ 50,833 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 499,664 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	(613,643)			(613,643)
1.1 Bonds exempt from U.S. tax	51,474			51,474
1.2 Other bonds (unaffiliated)	(436,040)	(21,297)	131,063	(326,274)
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	(70,000)		(29,160)	(99,160)
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	69,414		346,829	416,243
2.21 Common stocks of affiliates			(33,283,876)	(33,283,876)
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)	(5,946)			(5,946)
10. Total capital gains (losses)	(1,004,741)	(21,297)	(32,835,144)	(33,861,182)

DETAILS OF WRITE-INS				
0901. Gain/(Loss) - Sale of Miscellaneous Assets	(5,946)			(5,946)
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)	(5,946)			(5,946)

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	620,626	1,424,865	804,239
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	381,931	345,494	(36,437)
13.3 Accrued retrospective premiums	156,370		(156,370)
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	10,333,036	1,854,666	(8,478,370)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	8,197	29,092	20,895
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	169,605	462,775	293,170
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	11,669,765	4,116,892	(7,552,873)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	11,669,765	4,116,892	(7,552,873)

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	169,605	462,775	293,170
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)	169,605	462,775	293,170

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Indiana, the accompanying financial statements of Indiana 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. Common stocks are carried at market value, except that investments in stocks of subsidiaries and affiliates are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 88, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. The Company does not own any joint ventures, partnerships or limited liability companies.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2006.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

- A. Statutory Purchase Method, including Mezzanine Real Estate Loans.

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

- B. Statutory Mergers

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

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

F. Real Estate

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

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

B. Impairments, 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.

NOTES TO FINANCIAL STATEMENTS**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	37,918,000	29,445,000	8,473,000
Total of deferred tax liabilities	(5,666,000)	(5,531,000)	(135,000)
Net deferred tax asset	32,252,000	23,914,000	8,338,000
Net deferred tax asset non-admitted	(10,333,036)	(1,854,666)	(8,478,370)
Net admitted deferred tax asset	21,918,964	22,059,334	(140,370)

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

	2006	2005
Federal tax on operations	16,546,282	11,947,049
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	16,546,282	11,947,049
Tax on capital (losses) gains	(357,032)	1,375,422
Total income tax incurred	16,189,250	13,322,471

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, investment impairments, fixed asset depreciation differences, 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)	8,495,056
Tax effect of unrealized (gains) losses	(157,056)
Total change in net deferred income tax	8,338,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, dividends-received deductions, travel and entertainment, 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 \$15,110,000 from the current year and \$10,126,000 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

NOTES TO FINANCIAL STATEMENTS

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
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"), a Massachusetts company. LMIC is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.

B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.

During 2006 the Company paid an ordinary dividend of \$ 35,248,405 to its parent, LMIC through an affiliated upstream intermediary non-insurance company. The Company also paid its parent, pursuant to the approval of its domiciliary state, an extraordinary dividend of \$ 74,360,845 through an affiliated upstream intermediary non-insurance company.

C. Refer to Notes 10F and 26.

D. At December 31, 2006, the Company reported \$7,405,500 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. Refer to Note 26 for information regarding the Inter-Company Reinsurance Agreement.

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

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

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which the Company may borrow up to \$50,000,000 from LMIC. Each loan will be for six months or less. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2006, there have been no drawings on this agreement.

G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.

NOTES TO FINANCIAL STATEMENTS

- 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 that exceed 10% of its admitted assets,
- J. The Company did not recognize any impairment write down for its subsidiary, controlled, or affiliated companies during the statement period.
- K. Refer to Note 10 I.

Note 11- Debt

Not applicable.

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

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

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

1. Common Stock

The Company has 4,800,000 shares authorized, and 3,200,000 shares issued and outstanding as of December 31, 2006. All shares have a stated par value of \$1.25.

2. Preferred Stock

The Company has 4,500,000 shares authorized, and 925,000 shares issued and outstanding as of December 31, 2006. All shares have a stated par value of \$2.00.

The dividend rate is equal to the yield on 5 year Treasury Notes as of the issue date, adjusted every five years. Dividends are paid on the last business day of each calendar quarter. The Company paid \$212,750 in dividends on the last business day of each calendar quarter. The stock is redeemable at \$20 per share with 30 days notice. In the event of liquidation, holders of the preferred stock are entitled to receive an amount equal to \$20 per share.

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Indiana-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2007 is \$57,660,018.

5. The Company does not have restricted unassigned surplus.

6. The Company had no advances to surplus.

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

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

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$17,876,622.

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty funds

NOTES TO FINANCIAL STATEMENTS

assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty funds and other assessments of \$2,573,782 that is offset by future premium tax credits of \$674,825. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2006.

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

C. Gain Contingencies

Not applicable

D. All other Contingencies

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

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

Note 15- Leases

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

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

Year(s)	Operating Lease Arrangements
2007	\$1,494,622
2008	1,452,293
2009	1,052,321
2010	869,398
2011	834,561
2012 & thereafter	3,086,213
Total	<u>\$8,789,408</u>

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

Not applicable

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

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

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

A. Transfers of Receivables reported as sales:

The Company did not sell premium receivables.

B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Under the terms of the lending agreement, the Company does not participant in term loans. Therefore, the Company does not have collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Under the terms of the securities lending program, all collateral is restricted. Cash collateral is carried as a liability on the balance sheet, as, while the collateral is restricted, the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company. At December 31, 2006 the total market value of fixed maturities on loan was \$58,971,370 with corresponding collateral value of \$60,294,849 of which \$48,203,949 represents cash collateral.

C. Wash Sales

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

NOTES TO FINANCIAL STATEMENTS

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

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

Note 21- Other Items

- A. The Company has no extraordinary items to report.
- B. Troubled Debt Restructuring for Debtors
Not applicable
- C. Other Disclosures
1. Assets in the amount of \$1,693,800 and \$1,701,791 as of December 31, 2006 and 2005, respectively, were on deposit with government authorities or trustees as required by law.
- D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.
- E. Business Interruption Insurance Recoveries
The Company does not purchase business interruption coverage.
- F. Hybrid Securities

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

<u>CUSIP</u>	<u>Issuer</u>	<u>Description</u>	<u>Book/Adjusted Carrying Value</u>
318924AA5	FIRST CHICAGO CAPITAL	Redeemable Preferred	880,877
31945JAA9	FIRST CHICAGO CAPITAL	Redeemable Preferred	1,897,897

- G. State Transferable Tax Credits
The Company does not hold transferable state tax credits.
- H. Impact of Medicare Modification Act on Post Retirement Benefits
Not applicable. (Refer to Note 12)

Note 22- Events Subsequent

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

Note 23- Reinsurance

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

NOTES TO FINANCIAL STATEMENTS

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$193,681,977	\$26,748,462	\$132,718,609	\$18,628,685	\$60,963,368	\$8,119,777
All Other	0	0	0	0	0	0
Total	\$193,681,977	\$26,748,462	\$132,718,609	\$18,628,685	\$60,963,368	\$8,119,777

Direct unearned premium reserve of \$132,718,609

2. There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business. Following are the contingent commissions for direct, assumed and ceded business.

Direct	\$ 0
Assumed	12,276,500
Ceded	0
Net	\$12,276,500

- 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

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features see Schedule P - Part 7A.
- D. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, retrospectively Rated contracts, has been non-admitted.

a. Total accrued retro premium	\$1,563,698
b. Less: Non-admitted amount (10%)	156,370
c. Admitted amount	<u>\$1,407,328</u>

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred loss and loss adjustment expenses attributed to insured events of prior years has decreased during 2006 as a result of improving loss trends in Commercial Multiple Peril and Commercial Auto Liability. Prior estimates are revised as additional information becomes known regarding individual claims.

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 (PIIC)	18333	0.30%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	13.25%	All Lines (Except WC)
	Indiana Insurance Company (IIC)	22659	12.25%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.27%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (fka Merchants & Business Men's Mutual Insurance Company) (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%	

NOTES TO FINANCIAL STATEMENTS

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

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

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

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2006 PIC entered into an inter-company 100% Quota Share Reinsurance Agreement with LNW, NPIC and OAIC. The transaction resulted in LNW, NPIC and OAIC transferring its in-force business, as of January 1, 2006 to PIC and compensating PIC by a like amount. There were no gains or losses to surplus as a result. Also effective January 1, 2006 the Reinsurance Agreements between LNW, OAIC and NPIC were terminated via Cancellation Addenda to the Reinsurance Agreements.

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$6,849,375 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$6,849,375 as of December 31, 2006.
- A. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

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

Note 31- High Dollar Deductible Policies

The Company does not have any high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2006, liabilities of \$148,147,071 are carried at a discounted value of \$143,632,006 representing a discount of \$4,515,065.

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

NOTES TO FINANCIAL STATEMENTS

Note 33 - Asbestos/Environmental Reserves

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

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

Uncertainty Regarding Reserving Methodologies

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

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

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

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

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

Asbestos:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Direct Basis					
Beginning Reserves	1,373,189	1,863,009	2,111,885	2,215,573	2,206,308
Incurred losses and LAE	704,375	421,332	395,984	295,415	404,947
Calendar year payments	214,555	172,456	292,296	304,680	166,884
Ending Reserves	<u>1,863,009</u>	<u>2,111,885</u>	<u>2,215,573</u>	<u>2,206,308</u>	<u>2,444,371</u>
Assumed Reinsurance Basis					
Beginning Reserves	245,209	163,846	116,208	36,872	36,872
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	81,363	47,638	79,336	-	-
Ending Reserves	<u>163,846</u>	<u>116,208</u>	<u>36,872</u>	<u>36,872</u>	<u>36,872</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,303,681	1,550,212	1,927,148	1,760,845	1,693,659
Incurred losses and LAE	496,125	597,031	146,107	237,494	331,447
Calendar year payments	249,594	220,095	312,410	304,680	93,384
Ending Reserves	<u>1,550,212</u>	<u>1,927,148</u>	<u>1,760,845</u>	<u>1,693,659</u>	<u>1,931,722</u>

NOTES TO FINANCIAL STATEMENTS**Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	1,769,557
Assumed Reinsurance Basis	36,873
Net of Ceded Reinsurance Basis	1,432,338

Ending Reserves for LAE included above (Case, Bulk & IBNR)

Direct Basis	471,588
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	411,508

Environmental:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Direct Basis					
Beginning Reserves	2,578,768	1,620,922	1,591,404	1,709,837	2,148,048
Incurred losses and LAE	61,587	91,085	366,189	1,043,388	361,206
Calendar year payments	1,019,433	120,603	247,756	605,177	927,066
Ending Reserves	<u>1,620,922</u>	<u>1,591,404</u>	<u>1,709,837</u>	<u>2,148,048</u>	<u>1,582,188</u>

Assumed Reinsurance Basis

Beginning Reserves	80,293	92,206	686,658	636,877	651,445
Incurred losses and LAE	-	612,500	-	16,855	42,887
Calendar year payments	(11,913)	18,048	49,781	2,287	99,971
Ending Reserves	<u>92,206</u>	<u>686,658</u>	<u>636,877</u>	<u>651,445</u>	<u>594,361</u>

Net of Ceded Reinsurance Basis

Beginning Reserves	2,256,387	1,280,876	2,139,282	1,792,172	1,746,431
Incurred losses and LAE	-	957,691	23,716	530,672	168,192
Calendar year payments	975,511	99,285	370,826	576,413	843,228
Ending Reserves	<u>1,280,876</u>	<u>2,139,282</u>	<u>1,792,172</u>	<u>1,746,431</u>	<u>1,071,395</u>

Ending Reserves for Bulk + IBNR included above (Loss & LAE)

Direct Basis	380,012
Assumed Reinsurance Basis	592,731
Net of Ceded Reinsurance Basis	577,087

Ending Reserves for LAE included above (Case, Bulk & IBNR)

Direct Basis	335,608
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	262,176

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	79,127,586	9.504	79,127,586	9.504
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	68,735,710	8.256	68,735,710	8.256
1.22 Issued by U.S. government sponsored agencies	29,065,057	3.491	29,065,057	3.491
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	54,104,551	6.499	54,104,551	6.499
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	17,436,785	2.094	17,436,785	2.094
1.43 Revenue and assessment obligations	108,542,579	13.037	108,542,579	13.037
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	3,647,964	0.438	3,647,964	0.438
1.512 Issued or guaranteed by FNMA and FHLMC	57,504,232	6.907	57,504,232	6.907
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	69,858,182	8.391	69,858,182	8.391
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	2,902,478	0.349	2,902,478	0.349
1.523 All other	24,701,340	2.967	24,701,340	2.967
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	146,098,147	17.548	146,098,147	17.548
2.2 Unaffiliated foreign securities	4,923,919	0.591	4,923,919	0.591
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	2,016,000	0.242	2,016,000	0.242
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	22,490,083	2.701	22,490,083	2.701
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated	35,296,605	4.240	35,296,605	4.240
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	15,248,347	1.832	15,248,347	1.832
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	7,200,023	0.865	7,200,023	0.865
8. Cash, cash equivalents and short-term investments	82,556,426	9.916	82,556,426	9.916
9. Other invested assets	1,093,319	0.131	1,093,319	0.131
10. Total invested assets	832,549,333	100.000	832,549,333	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? Indiana
- 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). 07/26/2006
- 3.4 By what department or departments? Indiana Department of Insurance

- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

1 Nationality	2 Type of Entity

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Ernst & Young, LLP
 200 Clarendon Street, Boston, MA 02116
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? William M. Finn, FCAS, MAAA
 62 Maple Avenue, Keene, NH03431
 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 []
 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ _____ 0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

INVESTMENT

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

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

.....

.....

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

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

21.21 Loaned to others	\$	58,971,370
21.22 Subject to repurchase agreements	\$	0
21.23 Subject to reverse repurchase agreements	\$	0
21.24 Subject to dollar repurchase agreements	\$	0
21.25 Subject to reverse dollar repurchase agreements	\$	0
21.26 Pledged as collateral	\$	0
21.27 Placed under option agreements	\$	0
21.28 Letter stock or securities restricted as to sale	\$	0
21.29 Other	\$	0

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

23.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

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

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#-10-0	LMIA HIGH YIELD	35,296,605
25.2999	Total	35,296,605

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
LMIA HIGH YIELD	VENTAS REALTY LP/CAP CRP	762,136	12/31/2006
LMIA HIGH YIELD	JP MORGAN PRIME MONEY MARKET FUND	722,399	12/31/2006
LMIA HIGH YIELD	CHESAPEAKE ENERGY CORP	717,828	12/31/2006
LMIA HIGH YIELD	WILLIAMS PARTNERS LP/WIL	631,933	12/31/2006
LMIA HIGH YIELD	SENIOR HOUSING PROP	587,160	12/31/2006

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	704,092,088	700,585,949	(3,506,137)
26.2 Preferred stocks	2,016,000	2,016,000	
26.3 Totals	706,108,088	702,601,949	(3,506,137)

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? \$ 1,217,176

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

1 Name	2 Amount Paid
Insurance Services Office, Inc.	\$ 853,178
	\$
	\$

29.1 Amount of payments for legal expenses, if any? \$ 24,015

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
Bingham McHale, LLP	\$ 15,006
	\$
	\$

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	\$ 419,832,621	\$ 353,429,871
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ 302	\$ 302
2.5 Reserve Denominator	\$ 654,140,974	\$ 493,967,655
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 \$ 2,739,676
 3.22 Non-participating policies \$ 269,657,199

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 Worker's 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	\$ 6,505,390
12.12	Unpaid underwriting expenses (including loss adjustment expenses)	\$ 725,941

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? \$ 315,438

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): \$ 2,348,938

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [] NO [X]

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 3

14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO []

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

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [] NO [X]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES [X] NO []

14.5 If the answer to 14.4 is no, please explain: _____

15.1 Has the reporting entity guaranteed any financed premium accounts? YES [] NO [X]

15.2 If yes, give full information _____

16.1 Does the reporting entity write any warranty business? YES [] NO [X]

If yes, disclose the following information for each of the following types of warranty coverage:

	1	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$	\$	\$	\$	\$
16.12 Products	\$	\$	\$	\$	\$
16.13 Automobile	\$	\$	\$	\$	\$
16.14 Other*	\$	\$	\$	\$	\$

* Disclose type of coverage: _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5. 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
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	320,151,677	281,446,764	224,920,663	420,206,744	403,288,573
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	108,758,710	110,747,048	94,312,512	195,321,866	188,626,460
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	282,762,687	289,742,433	231,410,376	421,107,338	368,028,799
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,070,051	175,079	69,678	551,086	1,776,169
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)				(3,043)	
6. Total (Line 34)	712,743,125	682,111,324	550,713,229	1,037,183,991	961,720,001
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	200,821,887	147,601,173	76,734,250	258,774,105	225,797,296
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	63,138,868	57,120,133	28,101,589	119,820,902	106,065,972
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	175,320,853	154,758,194	78,588,666	249,484,599	194,414,779
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,064,641	169,702	63,009	544,671	1,767,443
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)				(3,043)	
12. Total (Line 34)	440,346,249	359,649,202	183,487,514	628,621,234	528,045,490
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	1,278,677	5,641,052	133,278	33,554,549	(46,606,765)
14. Net investment gain (loss) (Line 11)	73,268,814	32,852,645	46,811,677	31,191,083	37,170,750
15. Total other income (Line 15)	845,583	(96,314)	1,107,194	(2,221,596)	530,126
16. Dividends to policyholders (Line 17)	1,186,775	583,865	442,866	1,082,095	1,193,275
17. Federal and foreign income taxes incurred (Line 19)	16,546,282	11,947,049	(4,666,799)	20,589,639	
18. Net income (Line 20)	57,660,017	25,866,469	52,276,082	40,852,302	(10,099,164)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,024,857,370	959,695,375	785,172,871	1,201,508,890	934,349,511
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	29,594,768	42,775,392	15,866,954	69,376,178	24,264,543
20.2 Deferred and not yet due (Line 13.2)	129,451,062	95,001,964	91,377,387	179,670,321	137,746,298
20.3 Accrued retrospective premiums (Line 13.3)	1,407,329			4,720,545	
21. Total liabilities excluding protected cell business (Page 3, Line 24)	756,097,528	607,241,327	465,161,080	931,671,667	715,365,207
22. Losses (Page 3, Line 1)	359,505,001	259,056,039	210,808,710	363,411,762	329,258,646
23. Loss adjustment expenses (Page 3, Line 3)	82,487,349	62,032,517	50,541,044	75,838,424	76,181,047
24. Unearned premiums (Page 3, Line 9)	193,681,977	172,879,099	166,036,767	306,682,592	253,265,924
25. Capital paid up (Page 3, Lines 28 & 29)	5,850,000	5,850,000	5,850,000	5,850,000	5,850,000
26. Surplus as regards policyholders (Page 3, Line 35)	268,759,842	352,454,048	320,011,791	269,837,223	218,984,304
Risk-Based Capital Analysis					
27. Total adjusted capital	268,759,842	352,454,048	320,011,791	269,837,223	218,984,304
28. Authorized control level risk-based capital	37,941,806	33,902,454	37,182,967	49,058,846	40,942,162
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	80.1	76.8	73.6	75.3	74.1
30. Stocks (Lines 2.1 & 2.2)	7.2	13.4	15.8	9.6	14.7
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)	1.8	2.0	2.6	1.8	3.2
33. Cash, cash equivalents and short-term investments (Line 5)	9.9	7.6	7.6	12.7	8.1
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)	0.1	0.1	0.4	0.7	
36. Receivables for securities (Line 8)	0.9				
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	22,490,083	55,773,959	52,962,643	50,913,514	49,562,669
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	22,490,083	55,773,959	52,962,643	50,913,514	49,562,669
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)	8.4	15.8	16.6	18.9	22.6

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	(32,992,200)	1,407,420	2,582,747	4,930,540	2,375,458
48. Dividends to stockholders (Line 35)	(109,606,250)	(851,000)	(850,998)	(851,000)	(851,000)
49. Change in surplus as regards policyholders for the year (Line 38)	(83,694,206)	32,442,257	50,174,568	50,852,919	(8,896,128)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	89,373,049	147,349,457	268,747,344	210,612,464	201,051,310
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	48,964,317	45,512,963	50,720,260	84,048,134	78,260,468
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	169,556,727	135,846,946	158,829,915	187,407,592	172,152,847
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	244,813	87,391	249,660	197,501	1,095,683
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	(64,181)		872,584	201,088	
55. Total (Line 34)	308,074,725	328,796,757	479,419,763	482,466,779	452,560,308
Net Losses Paid (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	15,986,272	64,650,834	179,811,187	115,588,278	110,034,625
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	25,315,126	23,284,695	24,455,965	50,524,627	45,220,908
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	68,386,635	55,681,831	94,089,463	91,217,623	74,603,810
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	245,133	87,908	251,785	199,198	1,097,657
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	(64,181)		872,584	201,088	
61. Total (Line 34)	109,868,985	143,705,268	299,480,984	257,730,814	230,957,000
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	54.3	49.3	53.6	51.3	64.9
64. Loss expenses incurred (Line 3)	11.9	13.2	12.9	8.0	12.8
65. Other underwriting expenses incurred (Line 4)	33.5	35.9	33.8	34.7	32.1
66. Net underwriting gain (loss) (Line 8)	0.3	1.6		5.8	(9.8)
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	31.7	35.3	58.2	32.3	28.8
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.2	62.5	66.5	59.3	77.7
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)	163.8	102.0	57.3	233.0	241.1
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(6,581)	(7,585)	2,899	(1,723)	23,002
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)	(1.9)	(2.4)	1.1	(0.8)	10.1
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	2,289	(2,119)	13,793	28,250	25,426
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)	0.7	(0.8)	6.3	12.9	12.7

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	180,576,318	177,879,852	181,043,103	178,897,375
	2. Canada				
	3. Other Countries				
	4. Totals	180,576,318	177,879,852	181,043,103	178,897,375
States, Territories and Possessions (Direct and guaranteed)	5. United States	54,104,551	54,939,973	54,093,970	54,505,000
	6. Canada				
	7. Other Countries				
	8. Totals	54,104,551	54,939,973	54,093,970	54,505,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	17,436,784	17,632,435	17,429,699	17,550,000
	10. Canada				
	11. Other Countries				
	12. Totals	17,436,784	17,632,435	17,429,699	17,550,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	243,222,577	242,448,104	243,385,548	244,141,968
	14. Canada				
	15. Other Countries				
	16. Totals	243,222,577	242,448,104	243,385,548	244,141,968
Public Utilities (unaffiliated)	17. United States	26,511,939	25,779,750	26,520,060	26,500,000
	18. Canada				
	19. Other Countries				
	20. Totals	26,511,939	25,779,750	26,520,060	26,500,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	139,872,441	139,349,977	140,466,617	164,653,158
	22. Canada				
	23. Other Countries	4,923,920	5,112,300	4,757,170	5,000,000
	24. Totals	144,796,361	144,462,277	145,223,787	169,653,158
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	666,648,530	663,142,391	667,696,167	691,247,501
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States	2,016,000	2,016,000	2,045,160	
	36. Canada				
	37. Other Countries				
	38. Totals	2,016,000	2,016,000	2,045,160	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	2,016,000	2,016,000	2,045,160	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States	35,296,605	35,296,605	34,129,397	
	50. Canada				
	51. Other Countries				
	52. Totals	35,296,605	35,296,605	34,129,397	
Parent, Subsidiaries and Affiliates	53. Totals	22,490,083	22,490,083	5,653,528	
	54. Total Common Stocks	57,786,688	57,786,688	39,782,925	
	55. Total Stocks	59,802,688	59,802,688	41,828,085	
	56. Total Bonds and Stocks	726,451,218	722,945,079	709,524,252	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	695,023,485	7. Amortization of premium	814,814
2. Cost of bonds and stocks acquired, Column 7, Part 3	254,547,503	8. Foreign Exchange Adjustment:	
3. Accrual of discount	429,821	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	99,772	8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1	(29,160)	8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2	(32,967,455)	9. Book/adjusted carrying value at end of current period	726,451,218
4.4 Column 11 - 13, Part 4	40,402	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	(998,795)	11. Subtotal (Lines 9 plus 10)	726,451,218
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	188,879,541	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	726,451,218

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	3,454	761	591	116	125	46	37	3,247	X X X
2. 1997	233,494	36,875	196,619	149,598	25,762	12,112	1,760	16,766	2,504	5,879	148,450	X X X
3. 1998	267,176	48,881	218,295	177,945	44,221	13,638	2,785	21,736	5,157	6,008	161,156	X X X
4. 1999	247,628	36,503	211,125	174,169	31,392	12,659	1,941	21,343	3,823	5,930	171,015	X X X
5. 2000	235,336	29,160	206,176	165,235	25,720	12,242	1,165	18,982	2,232	5,504	167,342	X X X
6. 2001	252,546	34,228	218,318	157,074	25,404	12,361	908	18,328	2,407	5,252	159,044	X X X
7. 2002	344,904	82,295	262,609	186,670	41,258	12,814	2,668	16,450	3,443	5,252	168,565	X X X
8. 2003	397,028	68,046	328,982	177,208	35,050	11,622	1,894	25,082	4,309	5,761	172,659	X X X
9. 2004	407,960	38,100	369,860	154,103	12,769	6,929	615	21,930	1,664	6,185	167,914	X X X
10. 2005	428,937	25,510	403,427	142,323	14,834	5,246	615	23,008	1,088	5,098	154,040	X X X
11. 2006	442,543	22,710	419,833	94,314	2,618	1,972	9	20,009	1,724	2,572	111,944	X X X
12. Totals	X X X	X X X	X X X	1,582,093	259,789	102,186	14,476	203,759	28,397	53,478	1,585,376	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	26,298	7,453	4,680	3,273			1,231	237	1,159	90	21	22,315	X X X
2. 1997	5,653	1,826	1,946	1,332			351	31	257	18	36	5,000	X X X
3. 1998	7,438	3,822	2,138	1,443			444	43	354	22	55	5,044	X X X
4. 1999	7,626	4,151	2,492	1,595			636	62	445	26	80	5,365	X X X
5. 2000	8,096	5,466	4,198	2,164			1,097	100	670	41	112	6,290	X X X
6. 2001	8,648	4,902	5,450	1,918			1,428	145	896	53	233	9,404	X X X
7. 2002	15,249	3,998	8,930	2,821			3,606	240	1,388	76	539	22,038	X X X
8. 2003	13,509	4,668	14,128	4,443			4,166	344	2,332	121	799	24,559	X X X
9. 2004	37,257	4,586	29,813	4,784			11,018	467	3,518	167	1,372	71,602	X X X
10. 2005	48,643	3,860	41,660	6,803			14,111	620	6,477	281	1,737	99,327	X X X
11. 2006	70,283	2,041	76,530	3,809			18,620	100	12,134	563	3,216	171,054	X X X
12. Totals	248,700	46,773	191,965	34,385			56,708	2,389	29,630	1,458	8,200	441,998	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	20,252	2,063
2. 1997	186,683	33,233	153,450	79.952	90.123	78.044			12.250	4,441	559
3. 1998	223,693	57,493	166,200	83.725	117.618	76.136			12.250	4,311	733
4. 1999	219,370	42,990	176,380	88.589	117.771	83.543			12.250	4,372	993
5. 2000	210,520	36,888	173,632	89.455	126.502	84.215			12.250	4,664	1,626
6. 2001	204,185	35,737	168,448	80.851	104.409	77.157			12.250	7,278	2,126
7. 2002	245,107	54,504	190,603	71.065	66.230	72.581			12.250	17,360	4,678
8. 2003	248,047	50,829	197,218	62.476	74.698	59.948			12.250	18,526	6,033
9. 2004	264,568	25,052	239,516	64.851	65.753	64.759			12.250	57,700	13,902
10. 2005	281,468	28,101	253,367	65.620	110.157	62.804			12.250	79,640	19,687
11. 2006	293,862	10,864	282,998	66.403	47.838	67.407			12.250	140,963	30,091
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	359,507	82,491

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

SCHEDULE P-PART 2-SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	One Year	Two Year
1. Prior	140,283	140,100	138,070	136,276	132,404	136,449	136,703	135,705	138,084	138,346	262	2,641
2. 1997	134,808	137,873	136,920	136,461	136,596	136,721	137,151	137,507	138,815	139,027	212	1,520
3. 1998	X X X	147,660	146,096	145,545	145,850	145,278	145,747	147,794	149,322	149,458	136	1,664
4. 1999	X X X	X X X	147,299	149,766	151,094	153,347	154,651	156,540	157,772	158,682	910	2,142
5. 2000	X X X	X X X	X X X	143,285	149,524	151,639	154,522	154,046	155,127	156,425	1,298	2,379
6. 2001	X X X	X X X	X X X	X X X	148,203	146,509	148,715	151,141	151,016	151,931	915	790
7. 2002	X X X	X X X	X X X	X X X	X X X	173,898	177,813	177,319	175,696	176,576	880	(743)
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	178,680	174,831	172,869	174,607	1,738	(224)
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	224,150	216,572	216,270	(302)	(7,880)
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	238,103	225,473	(12,630)	X X X
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	253,232	X X X	X X X
12. Totals											(6,581)	2,289

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		
1. Prior	000	55,693	76,865	88,901	97,658	103,274	106,267	108,156	111,673	114,841	X X X	X X X
2. 1997	63,427	96,802	112,326	121,816	127,474	130,328	132,105	133,253	133,640	134,188	X X X	X X X
3. 1998	X X X	68,847	104,343	121,153	130,248	135,887	139,211	141,557	142,790	144,577	X X X	X X X
4. 1999	X X X	X X X	71,750	109,440	126,972	138,285	144,206	149,249	151,643	153,495	X X X	X X X
5. 2000	X X X	X X X	X X X	70,160	109,602	127,338	137,866	143,984	147,700	150,592	X X X	X X X
6. 2001	X X X	X X X	X X X	X X X	69,482	107,274	123,233	134,541	138,989	143,123	X X X	X X X
7. 2002	X X X	X X X	X X X	X X X	X X X	67,787	110,511	132,110	147,893	155,558	X X X	X X X
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	78,316	119,322	139,462	151,886	X X X	X X X
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	77,492	125,687	147,648	X X X	X X X
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	81,514	132,120	X X X	X X X
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	93,659	X X X	X X X

SCHEDULE P-PART 4-SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Prior	44,963	30,913	19,600	14,931	10,038	9,531	12,471	5,950	4,850	2,401
2. 1997	34,031	16,929	8,003	4,657	2,474	1,608	1,265	868	865	934
3. 1998	X X X	37,606	14,849	9,477	6,103	3,093	1,699	2,072	1,455	1,096
4. 1999	X X X	X X X	32,353	14,627	8,525	4,612	2,612	2,984	1,467	1,471
5. 2000	X X X	X X X	X X X	29,531	16,514	9,683	6,159	4,231	1,981	3,031
6. 2001	X X X	X X X	X X X	X X X	33,692	17,499	8,122	7,327	3,451	4,815
7. 2002	X X X	X X X	X X X	X X X	X X X	63,460	32,534	14,438	10,229	9,475
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	48,240	23,278	15,836	13,507
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	82,104	48,251	35,580
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	93,824	48,348
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	91,241

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	NO							
8. Delaware	DE	NO							
9. Dist. Columbia	DC	NO							
10. Florida	FL	YES			122	11,437	14,230		
11. Georgia	GA	NO	5,456	3,475				24	
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	YES	50,503,430	54,082,994	32,431,692	27,649,880	66,351,412	217,884	
15. Indiana	IN	YES	125,734,599	139,522,078	106,357,409	104,133,258	109,632,970	542,450	
16. Iowa	IA	YES	45,736	45,431	696,340	379,339	1,809,341	197	
17. Kansas	KS	NO							
18. Kentucky	KY	YES	36,401,049	41,981,123	23,123,428	22,120,308	27,849,206	157,043	
19. Louisiana	LA	NO							
20. Maine	ME	NO							
21. Maryland	MD	NO							
22. Massachusetts	MA	NO	468	468	833	(4,069)		2	
23. Michigan	MI	YES	12,155,059	12,116,710	4,511	7,315,561	8,732,670	19,242,513	52,440
24. Minnesota	MN	YES	67,788	78,676		163,684	40,961	407,130	292
25. Mississippi	MS	NO							
26. Missouri	MO	NO	9,749	10,091					42
27. Montana	MT	NO							
28. Nebraska	NE	NO	(1,503)	(882)					(6)
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	YES	10,072,612	8,628,106	152,301	1,769,642	3,739,340	4,672,240	43,456
32. New Mexico	NM	NO							
33. New York	NY	NO							
34. No. Carolina	NC	NO	247	247					1
35. No. Dakota	ND	NO							
36. Ohio	OH	YES	3,475,282	4,322,690	2,651,047	5,456,321	9,527,296	14,993	
37. Oklahoma	OK	NO							
38. Oregon	OR	NO							
39. Pennsylvania	PA	NO		(5,109)					
40. Rhode Island	RI	NO							
41. So. Carolina	SC	NO							
42. So. Dakota	SD	NO							
43. Tennessee	TN	YES	33,215,505	33,120,512	20,968,058	20,653,285	26,110,625	143,300	
44. Texas	TX	NO	19	19					
45. Utah	UT	NO							
46. Vermont	VT	NO							
47. Virginia	VA	NO		(14,952)					
48. Washington	WA	YES	6,789	7,397		2,205,961	3,651,496		29
49. West Virginia	WV	NO							
50. Wisconsin	WI	YES	704,591	733,738	8,125	2,727,923	2,072,247	3,572,665	3,040
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) 12		272,396,876	294,632,890	164,937	198,205,739	197,190,938	272,841,124	1,175,187

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.

