

ANNUAL STATEMENT

OF THE

LIBERTY

INSURANCE

CORPORATION

of **SHAUMBURG**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED
December 31, 2006

PROPERTY AND CASUALTY

2006



42404200620100100

ANNUAL STATEMENT
For the Year Ended December 31, 2006
OF THE CONDITION AND AFFAIRS OF THE
Liberty Insurance Corporation

NAIC Group Code 0111 0111 NAIC Company Code 42404 Employer's ID Number 03-0316876
Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois
Country of Domicile United States of America
Incorporated/Organized: October 21, 1988 Commenced Business: November 3, 1988
Statutory Home Office: 900 National Parkway Suite 300 Schaumburg, IL 60173
Main Administrative Office: 175 Berkeley Street Boston, MA 02116 617-357-9500
Mail Address: 175 Berkeley Street Boston, MA 02116
Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02116 617-357-9500
Internet Website Address: www.LibertyMutual.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: 175 Berkeley Street Boston, MA 02116 617-357-9500 41015

OFFICERS

Table with 2 columns: Name, Title. Rows include Edmund Francis Kelly (Chairman of the Board President & CEO), Dexter Robert Legg (Vice President & Secretary), and Laurance Henry Soyer Yahia (Vice President & Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents such as James Paul Condrin, III, David Henry Long, Christopher Charles Mansfield, John Derek Doyle, Anthony Alexander Fontanes, Dennis James Langwell, and Gary Jay Ostrow.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors or trustees including James Paul Condrin, III, David Henry Long, Mark Ardon Butler, Dennis James Langwell, Edmund Francis Kelly, Marie Anne Ward, Dexter Robert Legg, Christopher Charles Mansfield, and Anthony Alexander Fontanes.

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) Edmund Francis Kelly
(Printed Name)
1. Chairman of the Board President & CEO
(Title)
(Signature) Dexter Robert Legg
(Printed Name)
2. Vice President & Secretary
(Title)
(Signature) Laurance Henry Soyer Yahia
(Printed Name)
3. Vice President & Treasurer
(Title)

Subscribed and sworn to before me this
day of , 2007

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	1,327,142,525		1,327,142,525	1,177,459,953
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	73,265,436		73,265,436	67,277,381
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 10,938,712, Schedule E-Part 1), cash equivalents (\$ 10,344,837 Schedule E-Part 2) and short-term investments (\$ 19,857,873, Schedule DA)	41,141,422		41,141,422	56,531,735
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	50,809,463		50,809,463	35,186,832
8. Receivables for securities	183,079		183,079	232,127
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,492,541,925		1,492,541,925	1,336,688,028
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	11,985,412		11,985,412	11,829,755
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	51,268,413	1,882,047	49,386,366	41,960,478
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 2,732 earned but unbilled premiums)	165,169,254	303	165,168,951	124,186,953
13.3 Accrued retrospective premiums	46,317,426	4,568,488	41,748,938	42,246,042
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	193,078	193,078		
16.1 Current federal and foreign income tax recoverable and interest thereon				1,243,150
16.2 Net deferred tax asset	85,236,000	39,247,213	45,988,787	38,212,400
17. Guaranty funds receivable or on deposit	2,949,637		2,949,637	3,397,353
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	6,771,188		6,771,188	
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	35,623,808	1,682,969	33,940,839	33,074,839
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,898,056,141	47,574,098	1,850,482,043	1,632,838,998
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,898,056,141	47,574,098	1,850,482,043	1,632,838,998

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	3,492,252	880,262	2,611,990	3,268,909
2302. Cash surrender value-life insurance	14,620,056		14,620,056	12,905,072
2303. Equities and deposits in pools and associations	1,849,433		1,849,433	1,888,622
2398. Summary of remaining write-ins for Line 23 from overflow page	15,662,067	802,707	14,859,360	15,012,236
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	35,623,808	1,682,969	33,940,839	33,074,839

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	917,545,458	852,428,226
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	41,000,108	
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	188,083,375	174,584,763
4. Commissions payable, contingent commissions and other similar charges	11,782,314	8,475,390
5. Other expenses (excluding taxes, licenses and fees)	26,764,405	23,945,399
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	18,799,822	17,982,555
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	12,196,782	
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 \$ 423,292,499 and including warranty reserves of \$ 0)	281,026,096	251,958,056
10. Advance premium	2,052,282	3,086,517
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	360,902	209,450
12. Ceded reinsurance premiums payable (net of ceding commissions)		
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	30,023,152	33,584,328
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	24,794,886	28,307,680
19. Payable to parent, subsidiaries and affiliates		2,784,379
20. Payable for securities	21,409,400	4,924,008
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(55,036,350)	(60,228,723)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	1,520,802,632	1,342,042,028
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	1,520,802,632	1,342,042,028
27. Aggregate write-ins for special surplus funds	73,185,169	70,486,239
28. Common capital stock	3,500,000	3,500,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	156,162,500	156,162,500
33. Unassigned funds (surplus)	96,831,742	60,648,231
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)	329,679,411	290,796,970
36. TOTALS (Page 2, Line 26, Col. 3)	1,850,482,043	1,632,838,998

DETAILS OF WRITE-INS		
2301. Amounts held under uninsured plans	43,832,586	42,701,224
2302. Other liabilities	13,967,323	14,618,729
2303. Pooled retroactive reinsurance	(137,755,955)	(135,439,599)
2398. Summary of remaining write-ins for Line 23 from overflow page	24,919,696	17,890,923
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(55,036,350)	(60,228,723)
2701. Special surplus from retroactive reinsurance	73,185,169	70,486,239
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)	73,185,169	70,486,239
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)		682,284,790	621,581,457
DEDUCTIONS			
2. Losses incurred (Part 2, Line 34, Column 7)		416,921,237	396,431,180
3. Loss expenses incurred (Part 3, Line 25, Column 1)		104,124,263	117,162,749
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		182,737,450	155,018,505
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)		703,782,950	668,612,434
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		(21,498,160)	(47,030,977)
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		72,696,050	64,585,294
10. Net realized capital gains (losses) less capital gains tax of \$ 1,761,476 (Exhibit of Capital Gains (Losses))		3,271,312	5,495,398
11. Net investment gain (loss) (Lines 9 + 10)		75,967,362	70,080,692
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 139,395 amount charged off \$ 1,093,024)		(953,629)	(2,161,306)
13. Finance and service charges not included in premiums		3,300,999	3,401,533
14. Aggregate write-ins for miscellaneous income		(7,247,139)	(7,771,310)
15. Total other income (Lines 12 through 14)		(4,899,769)	(6,531,083)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		49,569,433	16,518,632
17. Dividends to policyholders		3,061,656	2,166,474
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)		46,507,777	14,352,158
19. Federal and foreign income taxes incurred		22,744,318	6,699,434
20. Net income (Line 18 minus Line 19) (to Line 22)		23,763,459	7,652,724
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		290,796,970	270,237,122
22. Net income (from Line 20)		23,763,459	7,652,724
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 2,247,907		4,174,688	(1,406,543)
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax		13,615,907	1,820,655
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		(2,892,852)	12,147,077
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)			
37. Aggregate write-ins for gains and losses in surplus		221,239	345,935
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)		38,882,441	20,559,848
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		329,679,411	290,796,970

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)		(10,301,748)	(9,632,934)
1402. Retroactive reinsurance gain/(loss)		3,054,609	1,861,624
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)		(7,247,139)	(7,771,310)
3701. Change in accumulated translation adjustment		221,239	345,935
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)		221,239	345,935

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	662,323,504	626,118,630
2. Net investment income	74,399,488	69,192,998
3. Miscellaneous income	(7,342,681)	5,829,297
4. Total (Lines 1 through 3)	729,380,311	701,140,925
5. Benefit and loss related payments	314,923,081	340,819,827
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	266,486,539	251,080,330
8. Dividends paid to policyholders	2,910,204	2,617,712
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	11,065,862	9,914,315
10. Total (Lines 5 through 9)	595,385,686	604,432,184
11. Net cash from operations (Line 4 minus Line 10)	133,994,625	96,708,741
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,236,314,967	1,441,700,224
12.2 Stocks	973,785	731,513
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	11,976,144	12,171,749
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		(2,200)
12.7 Miscellaneous proceeds	16,534,441	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,265,799,337	1,454,601,286
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,387,235,995	1,460,823,926
13.2 Stocks	5,547,757	5,280,646
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	18,178,115	9,913,811
13.6 Miscellaneous applications		64,429,110
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,410,961,867	1,540,447,493
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)	(145,162,530)	(85,846,207)
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		157
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(4,222,408)	(56,180,855)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(4,222,408)	(56,180,698)
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)	(15,390,313)	(45,318,164)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	56,531,735	101,849,899
19.2 End of year (Line 18 plus Line 19.1)	41,141,422	56,531,735

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	17,328,310	7,512,400	8,575,793	16,264,917
2. Allied lines	6,095,082	2,431,258	3,079,761	5,446,579
3. Farmowners multiple peril	24,005			24,005
4. Homeowners multiple peril	95,482,613	44,513,394	54,408,763	85,587,244
5. Commercial multiple peril	15,486,811	6,336,114	7,777,961	14,044,964
6. Mortgage guaranty				
8. Ocean marine	1,472,574	767,359	724,423	1,515,510
9. Inland marine	21,163,050	2,003,355	2,378,964	20,787,441
10. Financial guaranty				
11.1 Medical malpractice - occurrence	213			213
11.2 Medical malpractice - claims-made				
12. Earthquake	2,158,337	732,644	1,001,585	1,889,396
13. Group accident and health	(38)			(38)
14. Credit accident and health (group and individual)				
15. Other accident and health	23,908	3,930	11,385	16,453
16. Workers' compensation	235,035,929	(7,354,224)	(2,497,748)	230,179,453
17.1 Other liability - occurrence	39,319,800	10,420,930	15,680,380	34,060,350
17.2 Other liability - claims-made	10,374,792	4,774,951	4,809,648	10,340,095
18.1 Products liability - occurrence	9,710,732	2,751,877	3,366,271	9,096,338
18.2 Products liability - claims-made	436,832	157	38,467	398,522
19.1, 19.2 Private passenger auto liability	131,198,907	66,997,577	66,493,702	131,702,782
19.3, 19.4 Commercial auto liability	29,435,058	7,781,944	10,214,552	27,002,450
21. Auto physical damage	70,544,541	46,634,399	47,588,445	69,590,495
22. Aircraft (all perils)	4,450,554	995,914	1,488,268	3,958,200
23. Fidelity	322,354	130,302	124,204	328,452
24. Surety	14,591,199	6,762,145	8,760,823	12,592,521
26. Burglary and theft	37,937	19,276	17,715	39,498
27. Boiler and machinery	271,506	100,236	129,711	242,031
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	3,760,258	295,857	374,977	3,681,138
31. Reinsurance-Nonproportional Assumed Liability	3,122,598	349,499	157,889	3,314,208
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	711,847,862	204,961,294	234,705,939	682,103,217

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	8,484,230	91,563			8,575,793
2. Allied lines	3,077,635	2,126			3,079,761
3. Farmowners multiple peril					
4. Homeowners multiple peril	54,408,763				54,408,763
5. Commercial multiple peril	6,774,582	1,003,379			7,777,961
6. Mortgage guaranty					
8. Ocean marine	633,045	91,378			724,423
9. Inland marine	2,229,189	149,775			2,378,964
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	989,729	11,856			1,001,585
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	11,388				11,388
16. Workers' compensation	37,143,354	902,689	(2,732)	(40,541,059)	(2,497,748)
17.1 Other liability - occurrence	16,724,197	1,375,764		(2,419,581)	15,680,380
17.2 Other liability - claims-made	3,543,550	1,266,098			4,809,648
18.1 Products liability - occurrence	4,224,726	126,906		(985,361)	3,366,271
18.2 Products liability - claims-made	38,467				38,467
19.1, 19.2 Private passenger auto liability	66,493,702				66,493,702
19.3, 19.4 Commercial auto liability	12,173,094	517,708		(2,476,250)	10,214,552
21. Auto physical damage	47,576,057	12,485		(97)	47,588,445
22. Aircraft (all perils)	1,488,268				1,488,268
23. Fidelity	118,196	6,008			124,204
24. Surety	8,118,009	537,892		104,922	8,760,823
26. Burglary and theft	17,107	608			17,715
27. Boiler and machinery	129,318	393			129,711
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	374,977				374,977
31. Reinsurance-Nonproportional Assumed Liability	157,889				157,889
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	274,929,472	6,096,628	(2,732)	(46,317,426)	234,705,942
35. Accrued retrospective premiums based on experience					46,317,426
36. Earned but unbilled premiums					2,732
37. Balance (Sum of Line 34 through 36)					281,026,100

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

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

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

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	589,212	17,328,310		589,212		17,328,310
2. Allied lines	585,863	6,095,082		585,863		6,095,082
3. Farmowners multiple peril		24,005				24,005
4. Homeowners multiple peril	600,222	95,482,613		600,222		95,482,613
5. Commercial multiple peril	9,034,963	15,486,811		9,034,963		15,486,811
6. Mortgage guaranty						
8. Ocean marine		1,472,574				1,472,574
9. Inland marine	5,272	21,163,050		5,272		21,163,050
10. Financial guaranty						
11.1 Medical malpractice - occurrence	4,478	213		4,478		213
11.2 Medical malpractice - claims-made						
12. Earthquake	85,867	2,158,337		85,867		2,158,337
13. Group accident and health		(38)				(38)
14. Credit accident and health (group and individual)						
15. Other accident and health		23,908				23,908
16. Workers' compensation	1,456,882,011	235,035,929		1,456,882,011		235,035,929
17.1 Other liability - occurrence	74,749,798	39,319,800		74,749,798		39,319,800
17.2 Other liability - claims-made	580,000	10,374,792		580,000		10,374,792
18.1 Products liability - occurrence	7,358,916	9,710,732		7,358,916		9,710,732
18.2 Products liability - claims-made		436,832				436,832
19.1, 19.2 Private passenger auto liability	116,525,465	131,198,907		116,525,465		131,198,907
19.3, 19.4 Commercial auto liability	18,960,265	29,435,058		18,960,265		29,435,058
21. Auto physical damage	69,396,482	70,544,541		69,396,482		70,544,541
22. Aircraft (all perils)		4,450,554				4,450,554
23. Fidelity	3,061	322,354		3,061		322,354
24. Surety	309	14,591,199		309		14,591,199
26. Burglary and theft		37,937				37,937
27. Boiler and machinery		271,506				271,506
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	3,760,258				3,760,258
31. Reinsurance-Nonproportional Assumed Liability	X X X	3,122,598				3,122,598
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	1,755,362,184	711,847,862		1,755,362,184		711,847,862

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

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [X] No []
 If yes: 1. The amount of such installment premiums \$ 1,455,839,645
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 1,557,458,429

**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	63,451	6,908,705	63,451	6,908,705	5,769,072	6,630,531	6,047,246	37.180
2. Allied lines	87,591	5,536,340	87,591	5,536,340	3,726,900	3,651,484	5,611,756	103.033
3. Farmowners multiple peril					10,092		10,092	42.041
4. Homeowners multiple peril	399,505	39,290,104	399,505	39,290,104	19,566,190	15,320,380	43,535,914	50.867
5. Commercial multiple peril	9,436,086	7,978,366	9,436,086	7,978,366	18,687,562	13,951,318	12,714,610	90.528
6. Mortgage guaranty								
8. Ocean marine		821,067		821,067	2,365,088	2,667,809	518,346	34.203
9. Inland marine	1,231	19,184,052	1,231	19,184,052	4,487,431	5,594,825	18,076,658	86.960
10. Financial guaranty								
11.1 Medical malpractice - occurrence		672		672	24,827	(3,892)	29,391	13,798.592
11.2 Medical malpractice - claims - made								
12. Earthquake		(518)		(518)	(18,593)	39,306	(58,417)	(3.092)
13. Group accident and health		57,860		57,860	203,909	222,732	39,037	(102,728.947)
14. Credit accident and health (group and individual)								
15. Other accident and health		34,781		34,781	191,471	206,342	19,910	121.011
16. Workers' compensation	389,199,365	105,057,995	389,199,365	105,057,995	528,996,613	470,336,928	163,717,680	71.126
17.1 Other liability - occurrence	23,606,543	20,908,170	23,606,543	20,908,170	105,652,565	104,232,057	22,328,678	65.556
17.2 Other liability - claims - made	1,646,700	4,160,503	1,646,700	4,160,503	17,161,122	17,215,786	4,105,839	39.708
18.1 Products liability - occurrence	2,784,457	(2,345,682)	2,784,457	(2,345,682)	25,140,865	24,860,933	(2,065,750)	(22.710)
18.2 Products liability - claims - made		401		401	679,275	443,782	235,894	59.192
19.1, 19.2 Private passenger auto liability	93,650,619	81,965,789	93,650,619	81,965,789	110,654,202	116,787,317	75,832,674	57.579
19.3, 19.4 Commercial auto liability	6,369,095	14,788,599	6,369,095	14,788,599	36,213,017	39,039,908	11,961,708	44.299
21. Auto physical damage	38,274,206	36,123,884	38,274,206	36,123,884	(2,140,644)	(2,323,275)	36,306,515	52.172
22. Aircraft (all perils)		1,919,599		1,919,599	4,164,648	3,989,807	2,094,440	52.914
23. Fidelity		36,529		36,529	885,619	608,894	313,254	95.373
24. Surety		853,874		853,874	5,331,905	3,561,057	2,624,722	20.843
26. Burglary and theft		6,163		6,163	75,467	120,953	(39,323)	(99.557)
27. Boiler and machinery		(914)		(914)	10,725	(30,047)	39,858	16.468
28. Credit					842	842		
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	3,577,048		3,577,048	7,506,467	8,427,269	2,656,246	72.158
31. Reinsurance-Nonproportional Assumed Liability	X X X	5,515,619		5,515,619	21,977,472	16,735,175	10,757,916	324.600
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	35,131		35,131	221,349	140,006	116,474	
33. Aggregate write-ins for other lines of business								
34. TOTALS	565,518,849	352,414,137	565,518,849	352,414,137	917,545,458	852,428,227	417,531,368	61.212

DETAILS OF WRITE-INS

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		4,392,244		4,392,244	1,031,169	1,376,828	1,031,169	5,769,072	716,005
2. Allied lines	8,046	3,031,491	8,046	3,031,491	506,349	695,409	506,349	3,726,900	556,371
3. Farmowners multiple peril						10,092		10,092	6,239
4. Homeowners multiple peril	143,315	11,500,301	143,315	11,500,301	13,394	8,065,889	13,394	19,566,190	4,734,025
5. Commercial multiple peril	9,818,716	11,652,367	9,818,716	11,652,367	10,729,227	7,035,195	10,729,227	18,687,562	5,670,914
6. Mortgage guaranty									
8. Ocean marine		1,738,983		1,738,983	335	626,105	335	2,365,088	597,867
9. Inland marine		2,053,290		2,053,290	2,365	2,434,141	2,365	4,487,431	511,192
10. Financial guaranty									
11.1 Medical malpractice - occurrence		22,102		22,102		2,725		24,827	11
11.2 Medical malpractice - claims - made									
12. Earthquake		6,499		6,499	858	(25,092)	858	(18,593)	2,579
13. Group accident and health		87,253		87,253		116,656		(a) 203,909	15,955
14. Credit accident and health (group and individual)									
15. Other accident and health		49,902		49,902		141,569		(a) 191,471	6,144
16. Workers' compensation	884,358,025	319,401,427	884,358,025	319,401,427	1,325,889,024	209,595,186	1,325,889,024	528,996,613	63,534,556
17.1 Other liability - occurrence	139,008,458	57,161,021	139,008,458	57,161,021	129,880,622	48,491,544	129,880,622	105,652,565	44,800,360
17.2 Other liability - claims - made	7,744,891	4,384,446	7,744,891	4,384,446	251,809	12,776,676	251,809	17,161,122	6,216,489
18.1 Products liability - occurrence	4,293,338	6,473,164	4,293,338	6,473,164	12,892,028	18,667,701	12,892,028	25,140,865	16,654,476
18.2 Products liability - claims - made		152,867		152,867		526,408		679,275	351,502
19.1, 19.2 Private passenger auto liability	87,129,785	71,825,860	87,129,785	71,825,860	41,087,124	38,828,342	41,087,124	110,654,202	30,450,029
19.3, 19.4 Commercial auto liability	11,865,519	21,509,964	11,865,519	21,509,964	6,160,997	14,703,053	6,160,997	36,213,017	6,604,601
21. Auto physical damage		43,064		43,064	(1,198,911)	(2,183,708)	(1,198,911)	(2,140,644)	3,382,035
22. Aircraft (all perils)		2,919,629		2,919,629		1,245,019		4,164,648	861,843
23. Fidelity		220,546		220,546	209	665,073	209	885,619	82,128
24. Surety		879,018		879,018	2,661	4,452,887	2,661	5,331,905	1,536,231
26. Burglary and theft		6,757		6,757		68,710		75,467	72,878
27. Boiler and machinery		1,185		1,185	19	9,540	19	10,725	7,347
28. Credit						842		842	44
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	4,260,697		4,260,697	X X X	3,245,770		7,506,467	139,682
31. Reinsurance-Nonproportional Assumed Liability	X X X	11,074,367		11,074,367	X X X	10,903,105		21,977,472	569,296
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	221,349		221,349	X X X			221,349	2,578
33. Aggregate write-ins for other lines of business									
34. TOTALS	1,144,370,093	535,069,793	1,144,370,093	535,069,793	1,527,249,279	382,475,665	1,527,249,279	917,545,458	188,083,377

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

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

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

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	142,576,439			142,576,439
1.2 Reinsurance assumed	50,363,602			50,363,602
1.3 Reinsurance ceded	142,576,439			142,576,439
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	50,363,602			50,363,602
2. Commission and brokerage:				
2.1 Direct, excluding contingent		26,577,092		26,577,092
2.2 Reinsurance assumed, excluding contingent		12,474,259		12,474,259
2.3 Reinsurance ceded, excluding contingent		26,577,092		26,577,092
2.4 Contingent-direct		143,730		143,730
2.5 Contingent-reinsurance assumed		7,400,939		7,400,939
2.6 Contingent-reinsurance ceded		143,730		143,730
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)		19,875,198		19,875,198
3. Allowances to manager and agents		192		192
4. Advertising	644,925	7,209,989	1,413	7,856,327
5. Boards, bureaus and associations	147,313	1,163,422	47	1,310,782
6. Surveys and underwriting reports	653	1,406,624	1	1,407,278
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	31,318,089	69,604,939	334,579	101,257,607
8.2 Payroll taxes	1,772,224	5,792,172	14,504	7,578,900
9. Employee relations and welfare	5,965,454	19,573,843	14,514	25,553,811
10. Insurance	3,098,645	956,797	1,125	4,056,567
11. Directors' fees		11,154		11,154
12. Travel and travel items	2,124,509	5,375,724	11,117	7,511,350
13. Rent and rent items	1,915,726	6,289,296	4,742	8,209,764
14. Equipment	1,571,416	4,671,282	5,221	6,247,919
15. Cost or depreciation of EDP equipment and software	315,136	1,251,146	2,737	1,569,019
16. Printing and stationery	443,624	1,302,655	744	1,747,023
17. Postage, telephone and telegraph, exchange and express	1,353,818	3,941,753	1,654	5,297,225
18. Legal and auditing	302,938	1,488,410	32,839	1,824,187
19. Totals (Lines 3 to 18)	50,974,470	130,039,398	425,237	181,439,105
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 620,185		26,120,183		26,120,183
20.2 Insurance department licenses and fees		491,365		491,365
20.3 Gross guaranty association assessments		(551,991)		(551,991)
20.4 All other (excluding federal and foreign income and real estate)		553,143		553,143
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		26,612,700		26,612,700
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	2,786,191	6,210,153	49,538	9,045,882
25. Total expenses incurred	104,124,263	182,737,449	474,775 (a)	287,336,487
26. Less unpaid expenses-current year	188,083,375	57,346,541		245,429,916
27. Add unpaid expenses-prior year	174,584,765	50,403,345		224,988,110
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)	90,625,653	175,794,253	474,775	266,894,681

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	1,050,316			1,050,316
2402. Other expenses	1,735,875	6,210,153	49,538	7,995,566
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	2,786,191	6,210,153	49,538	9,045,882

(a) Includes management fees of \$ 473,738 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) 4,821,257	4,817,061
1.1 Bonds exempt from U.S. tax	(a) 64,129	63,948
1.2 Other bonds (unaffiliated)	(a) 61,228,044	61,369,377
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	5,401,287	5,401,287
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 945,117	963,818
7. Derivative instruments	(f)	
8. Other invested assets	446,139	446,139
9. Aggregate write-ins for investment income	134,039	134,039
10. Total gross investment income	73,040,012	73,195,669
11. Investment expenses		(g) 474,775
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 24,844
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		499,619
17. Net investment income (Line 10 minus Line 16)		72,696,050
DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	134,039	134,039
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)	134,039	134,039
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		

- (a) Includes \$ 1,084,647 accrual of discount less \$ 2,943,742 amortization of premium and less \$ 2,286,947 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 73,978 accrual of discount less \$ 0 amortization of premium and less \$ 91,094 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 \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	(1,153,043)			(1,153,043)
1.1 Bonds exempt from U.S. tax	699			699
1.2 Other bonds (unaffiliated)	1,645,277	(328,129)	455,836	1,772,984
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	6,650			6,650
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	774,380		633,053	1,407,433
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets	6,101,102	(2,014,148)	5,333,706	9,420,660
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	7,375,065	(2,342,277)	6,422,595	11,455,383

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

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	1,882,047	1,721,962	(160,085)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	303		(303)
13.3 Accrued retrospective premiums	4,568,488	4,750,721	182,233
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	193,078	211,798	18,720
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	39,247,213	35,655,600	(3,591,613)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	1,682,969	2,139,953	456,984
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	47,574,098	44,480,034	(3,094,064)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	47,574,098	44,480,034	(3,094,064)

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	880,262	1,581,745	701,483
2302. Amounts receivable under high deductible policies	802,707	558,208	(244,499)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,682,969	2,139,953	456,984

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 Illinois Insurance Commissioner, the accompanying financial statements of Liberty Insurance Corporation (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.
4. Preferred stocks are carried at cost or market as specified by the Purposes and Procedures Manual of the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled, or affiliated entities.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2006.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

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

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.
- B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim performance which indicates a probable inability to recover the carrying amount of the asset leads to impairment losses being recognized by management. The Company realized impairment losses of \$2,014,148 during the year.

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2006.

Note 8- Derivative Instruments

The Company'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	106,276,000	93,020,000	13,256,000
Total of deferred tax liabilities	(21,040,000)	(19,152,000)	(1,888,000)
Net deferred tax asset	85,236,000	73,868,000	11,368,000
Net deferred tax asset non-admitted	(39,247,213)	(35,655,600)	(3,591,613)
Net admitted deferred tax asset	45,988,787	38,212,400	7,776,387

- 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	22,744,318	6,699,434
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	22,744,318	6,699,434
Tax on capital gains	1,761,476	2,959,060
Total income tax incurred	24,505,794	9,658,494

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred compensation, loss from partnerships, investment impairments, minimum tax credits, 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)	13,615,907
Tax effect of unrealized (gains) losses	(2,247,907)
Total change in net deferred income tax	11,368,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, officer's life insurance, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$24,793,000 from the current year and \$9,338,000 from the preceding year.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts company. LMIC is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- C. Refer to Note 26.
- D. At December 31, 2006, the Company reported \$6,771,188 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 26 for information regarding the Inter-Company Reinsurance Agreement.

There is a "Service Agreement" between the Company and an affiliate, LMIC, under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company also has an investment services agreement with LMIC. LMIC is reimbursed for the costs of all services which it provides under these agreements.

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

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies.
- J. Impairment of subsidiaries
Not applicable
- K. See Note 10 I.

Note 11- Debt

Not applicable

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

The Company's eligible direct employees are included in the U.S. Liberty Mutual Retirement Benefit Plan, which is a defined benefit plan; the Supplemental Income at Retirement Plan, which has both a defined benefit component and a defined contribution component; and the Thrift Incentive Plan, which is a defined contribution plan. The Company's eligible direct employees are also included in the postretirement health and life insurance benefit plans. Each of these plans is sponsored by the holding company, Liberty Mutual Group Inc. ("LMGI"). Accordingly, these plans' assets and obligations are not disclosed in this note. The costs for these plans are allocated by LMGI to LMIC, pursuant to an Employee Benefit Plans Cost-Sharing Agreement, and a portion of the costs in turn are allocated to the Company through the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 26.

NOTES TO FINANCIAL STATEMENTS

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

1. The Company has 30,000 shares authorized, and 25,000 shares issued and outstanding as of December 31, 2006. All shares have a stated par value of \$140.
2. Preferred Stock
Not applicable
3. Dividend Restrictions
There are no dividend restrictions.
4. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of policyholders' surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2007 is \$32,967,941.
5. As of December 31, 2006, the Company has pre-tax restricted surplus of \$73,185,169 resulting from retroactive reinsurance contracts.
6. The Company had no advances to surplus.
7. The Company did not hold stock for special purposes.
8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2006.
9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$9,925,035.
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, contingent commitments or guarantees on behalf of affiliates except as indicated in Note 10 E.

B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of \$16,601,999 that is offset by future premium tax credits of \$2,956,148. 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.

NOTES TO FINANCIAL STATEMENTS

Note 15- Leases

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

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2007	\$2,389,811	\$6,349,928
2008	2,205,553	5,830,288
2009	1,870,022	4,387,467
2010	1,307,770	3,076,203
2011	344,293	1,524,021
2012 & thereafter	-	8,230,211
Total	<u>\$8,117,449</u>	<u>\$29,398,118</u>

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

Not applicable

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

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

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

- A. Transfers of Receivables reported as sales:

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

- B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Under the terms of the lending agreement, the Company does not 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 \$32,407,289 with corresponding collateral value of \$33,102,796 of which \$24,919,696 represents cash collateral.

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was \$57,017. Claim payment volume was \$2,323,823.

- B. Administrative Services Contract (ASC) Plans

Not applicable

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

Not applicable

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

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

Note 20 – September 11 Events

The Company has exposure to losses arising from the World Trade Center disaster of September 11, 2001. The exposure arises from the property, workers' compensation, auto, and surety policies and reinsurance contracts written by member companies of the Liberty Mutual Group. The Company shares in the losses via the inter-company pooling agreement (see Note 26). The amount of incurred loss and ALAE recorded by the Company as a result of September 11 events on a direct and net of reinsurance basis are \$23,794,355 and \$5,544,074 respectively. Although uncertainty about the final loss amount

NOTES TO FINANCIAL STATEMENTS

still exists, the losses are reasonably estimable and such estimate has been recorded. The Company believes that its reinsurers are financially sound and that reinsurance collectibility is not a significant issue or concern.

Note 21- Other Items

- A. The Company has no extraordinary items to report.
- B. Troubled Debt Restructuring for Debtors
Not applicable
- C. Other Disclosures
- 1) Florida Special Disability Trust Fund
- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2006 and 2005.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$1,314,603 and \$352,294, in 2006 and 2005, respectively.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$4,840,613 and \$3,091,184, in 2006 and 2005, respectively.
- 2) Assets in the amount of \$100,678,955 and \$96,306,514 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>
065912AA5	BANKAMERICA INSTIT-B	Redeemable Preferred	3,792,469
58551HAA1	MELLON CAPITAL II	Redeemable Preferred	973,677

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

Note 22- Events Subsequent

Refer to Note 26.

Note 23- Reinsurance

- A. Excluding amounts arising pursuant to the Liberty Mutual 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 exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2006.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$281,026,096	\$4,924,636	\$423,292,499	\$6,408,868	\$(142,266,403)	\$(1,484,232)
All Other	0	0	0	0	0	0
Total	\$281,026,096	\$4,924,636	\$423,292,499	\$6,408,868	\$(142,266,403)	\$(1,484,232)

Direct Unearned Premium Reserve: \$423,292,499

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

NOTES TO FINANCIAL STATEMENTS

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$0	\$7,782,330	\$0	\$7,782,330
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(11,700,000)	0	(11,700,000)
Totals	\$0	\$(3,917,670)	\$0	\$(3,917,670)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.
- F. The Company has one assumed retroactive contract as a result of the inter-company pooling arrangement with LMIC.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	(138,660,647)	\$0
	2. Adjustment – Prior Year(s)	15,056,337	0
	3. Adjustment – Current Year	(2,451,646)	0
	4. Total	(126,055,956)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	(65,044,559)	\$0
	2. Adjustment – Prior Year(s)	(1,261,152)	0
	3. Adjustment – Current Year	(1,819,667)	0
	4. Total	(68,125,378)	\$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	(2,360,695)	\$0
	2. Adjustment – Prior Year(s)	(11,235,441)	0
	3. Adjustment – Current Year	(2,249,208)	0
	4. Total	(15,845,344)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	75,432,209	\$0
	2. Adjustment – Prior Year(s)	(5,082,048)	0
	3. Adjustment – Current Year	2,835,008	0
	4. Total	73,185,169	\$0
	5. Cumulative total transferred to Unassigned funds	590,753	
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(126,055,956)	\$0

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

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

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

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

Total accrued retro premium	\$46,317,426
Less: Non-admitted amount	4,568,488
Admitted amount	<u>\$41,748,938</u>

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

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

NOTES TO FINANCIAL STATEMENTS

Note 26- Inter-Company Pooling Arrangements

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

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

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

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

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

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$64,569,142 after

NOTES TO FINANCIAL STATEMENTS

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 \$64,569,142 as of December 31, 2006.

- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

<u>Life Insurance Company & Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$31,175,896
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$19,534,579
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$9,620,437

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

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

Note 31- High Dollar Deductible Policies

As of December 31, 2006, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was 265,171,082 and the amount billed and recoverable on paid claims was \$15,662,067.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2006, liabilities include \$210,382,993 of liabilities carried at a discounted value of \$130,145,391 representing a discount of \$80,237,602.

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

Note 33 - Asbestos/Environmental Reserves

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

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

NOTES TO FINANCIAL STATEMENTS

a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

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

Uncertainty Regarding Reserving Methodologies

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

During the third quarter of 2005, the Company completed its biennial ground-up asbestos reserve study. As part of that review, a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel completed their comprehensive review of the Company's asbestos exposure on a direct, assumed, and ceded basis including potential exposures of large policyholders that were individually evaluated using the Company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. Small policyholders were evaluated using aggregate methods that utilized information developed from the large policyholders. Additionally, a provision of pure IBNR was established for the potential emergence of first-time filers of future asbestos claims. Based on this internal study, the Company increased its asbestos reserves by \$12,180,000.

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

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

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

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of all Liberty pooled companies. Net reserves for asbestos and environmental are allocated based on the Company's Inter-Company 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	81,380,789	88,743,721	94,705,746	102,147,749	119,895,010
Incurred losses and LAE	24,799,690	25,620,955	24,724,420	33,254,331	6,031,121
Calendar year payments	17,436,758	19,658,930	17,282,417	15,507,070	14,940,503
Ending Reserves	<u>88,743,721</u>	<u>94,705,746</u>	<u>102,147,749</u>	<u>119,895,010</u>	<u>111,985,628</u>
Assumed Reinsurance Basis					
Beginning Reserves	6,539,191	11,217,419	15,735,534	29,375,451	30,832,790
Incurred losses and LAE	4,857,916	6,914,405	15,722,411	3,266,663	2,928,658
Calendar year payments	179,688	2,396,290	2,082,495	1,809,324	1,153,686
Ending Reserves	<u>11,217,419</u>	<u>15,735,534</u>	<u>29,375,451</u>	<u>30,832,790</u>	<u>32,607,762</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	50,577,780	57,600,840	67,475,340	57,088,085	62,541,355
Incurred losses and LAE	17,419,680	18,780,180	211,916	13,162,126	732,251
Calendar year payments	10,396,620	8,905,680	10,599,172	7,708,856	9,452,271
Ending Reserves	<u>57,600,840</u>	<u>67,475,340</u>	<u>57,088,085</u>	<u>62,541,355</u>	<u>53,821,335</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					56,188,682
Assumed Reinsurance Basis					24,442,655
Net of Ceded Reinsurance Basis					21,491,630
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					43,698,419
Assumed Reinsurance Basis					270,823
Net of Ceded Reinsurance Basis					19,056,346

Environmental:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Direct Basis					
Beginning Reserves	34,216,029	26,790,240	19,302,322	42,610,822	41,159,838
Incurred losses and LAE	2,645,811	(3,292,596)	27,607,406	9,513,966	2,871,045
Calendar year payments	10,071,600	4,195,322	4,298,906	10,964,950	13,700,051
Ending Reserves	<u>26,790,240</u>	<u>19,302,322</u>	<u>42,610,822</u>	<u>41,159,838</u>	<u>30,330,832</u>

NOTES TO FINANCIAL STATEMENTS

Assumed Reinsurance Basis

Beginning Reserves	6,657,531	7,072,020	3,354,998	4,253,099	3,139,158
Incurring losses and LAE	518,278	(3,379,344)	1,220,265	(733,816)	52,862
Calendar year payments	103,789	337,678	322,163	380,125	315,192
Ending Reserves	<u>7,072,020</u>	<u>3,354,998</u>	<u>4,253,099</u>	<u>3,139,158</u>	<u>2,876,828</u>

Net of Ceded Reinsurance Basis

Beginning Reserves	25,523,580	18,387,540	15,464,280	31,602,806	25,609,288
Incurring losses and LAE	(653,340)	(480,000)	18,959,154	30,562	1,212,044
Calendar year payments	6,482,700	2,443,260	2,820,628	6,024,080	3,099,375
Ending Reserves	<u>18,387,540</u>	<u>15,464,280</u>	<u>31,602,806</u>	<u>25,609,288</u>	<u>23,721,957</u>

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

Direct Basis	21,182,444
Assumed Reinsurance Basis	1,756,407
Net of Ceded Reinsurance Basis	16,493,973

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

Direct Basis	12,728,743
Assumed Reinsurance Basis	55,310
Net of Ceded Reinsurance Basis	8,582,009

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	64,872,382	4.346	64,872,382	4.346
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	8,663,165	0.580	8,663,165	0.580
1.22 Issued by U.S. government sponsored agencies	47,216,093	3.163	47,216,093	3.163
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	645,057	0.043	645,057	0.043
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations	2,005,036	0.134	2,005,036	0.134
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	21,108,148	1.414	21,108,148	1.414
1.512 Issued or guaranteed by FNMA and FHLMC	487,536,494	32.665	487,536,494	32.665
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	3,798		3,798	
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other	263,106,471	17.628	263,106,471	17.628
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	397,946,355	26.662	397,946,355	26.662
2.2 Unaffiliated foreign securities	34,039,526	2.281	34,039,526	2.281
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	73,265,436	4.909	73,265,436	4.909
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	183,079	0.012	183,079	0.012
8. Cash, cash equivalents and short-term investments	41,141,422	2.756	41,141,422	2.756
9. Other invested assets	50,809,463	3.404	50,809,463	3.404
10. Total invested assets	1,492,541,925	100.000	1,492,541,925	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? Illinois
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change: 12/31/2004
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/29/2006
- 3.4 By what department or departments? Illinois Department of Financial and Professional Regulation Division 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 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Ernst & Young, LLP
 200 Clarendon Street Boston, MA 02117
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? Robert T. Muleski
 175 Berkeley Street, Boston, MA 02117
 Officer of Liberty Mutual Insurance Company
- 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 [X] No []
14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.11 To directors or other officers \$ _____ 0

16.12 To stockholders not officers \$ _____ 0

16.13 Trustees, supreme or grand (Fraternal only) \$ _____ 0
- 16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.21 To directors or other officers \$ _____ 0

16.22 To stockholders not officers \$ _____ 0

16.23 Trustees, supreme or grand (Fraternal only) \$ _____ 0
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
- 17.21 Rented from others \$ _____ 0

17.22 Borrowed from others \$ _____ 0

17.23 Leased from others \$ _____ 0

17.24 Other \$ _____ 0
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 18.2 If answer is yes:
- 18.21 Amount paid as losses or risk adjustment \$ _____ 0

18.22 Amount paid as expenses \$ _____ 0

18.23 Other amounts paid \$ _____ 0
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

INVESTMENT

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

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

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

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

21.21 Loaned to others	\$	32,407,289
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

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

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No []
- 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 FUND	73,265,436
25.2999	Total	73,265,436

- 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	1,585,972	12/31/2006
LMIA HIGH YIELD	JP MORGAN PRIME MONEY MARKET FUND	1,503,283	12/31/2006
LMIA HIGH YIELD	CHESAPEAKE ENERGY CORP	1,493,770	12/31/2006
LMIA HIGH YIELD	WILLIAMS PARTNERS LP/WIL	1,315,026	12/31/2006
LMIA HIGH YIELD	SENIOR HOUSING PROP	1,221,856	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	1,347,000,398	1,340,397,245	(6,603,153)
26.2 Preferred stocks			
26.3 Totals	1,347,000,398	1,340,397,245	(6,603,153)

- 26.4 Describe the sources or methods utilized in determining the fair values: SVO, FTID CORP, BLOOMBERG, BROKER QUOTES, ANALYTICALLY DETERMINED
-
-

- 27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list exceptions:

.....

OTHER

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

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

1 Name	2 Amount Paid
	\$
	\$
	\$

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

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

1 Name	2 Amount Paid
	\$
	\$
	\$

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ _____ 0

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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. \$ 0
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
 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. \$ 0
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:
 Most current three years:
 1.61 Total premium earned \$ 0
 1.62 Total incurred claims \$ 0
 1.63 Number of covered lives \$ 0
 All years prior to most current three years:
 1.64 Total premium earned \$ 0
 1.65 Total incurred claims \$ 0
 1.66 Number of covered lives \$ 0

1.7 Group policies:
 Most current three years:
 1.71 Total premium earned \$ 0
 1.72 Total incurred claims \$ 0
 1.73 Number of covered lives \$ 0
 All years prior to most current three years:
 1.74 Total premium earned \$ 0
 1.75 Total incurred claims \$ 0
 1.76 Number of covered lives \$ 0

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 4,972	\$ 8,478
2.2 Premium Denominator	\$ 682,284,790	\$ 621,581,457
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 428,864	\$ 457,107
2.5 Reserve Denominator	\$ 1,427,655,038	\$ 1,278,971,046
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 \$ 1,671,742,582
 3.22 Non-participating policies \$ 83,619,602

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? 0 %
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

5. For Reciprocal Exchanges Only:
 5.1 Does the exchange appoint local agents? YES [] NO [X]
 5.2 If yes, is the commission paid:
 5.21 Out of Attorney's-in-fact compensation YES [] NO [] N/A [X]
 5.22 As a direct expense of the exchange YES [] NO [] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?
 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? YES [] NO [X]
 5.5 If yes, give full information

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2006, the company purchased a Workers Compensation Catastrophe Treaty with limits of \$390M part of \$500M xs \$500M.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v6.0 from RMS and AIR Clasic/2 v 8.0 from AIR. For WC, Liberty Mutual utilizes Risk Link v6.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? The company purchased a Property Catastrophe Treaty with limits of \$888M part of \$1.4B xs \$300M.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;
 - (d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
 - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.
- YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 - (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.
- YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 - (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 - (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- YES NO
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES NO N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES NO
- 11.2 If yes, give full information

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | |
|-------|---|----------------|
| 12.11 | Unpaid losses | \$ 124,989,159 |
| 12.12 | Unpaid underwriting expenses (including loss adjustment expenses) | \$ 25,201,570 |
- 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? \$ 17,490,843
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES NO N/A
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | |
|-------|------|----------|
| 12.41 | From | 9.000 % |
| 12.42 | To | 10.000 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES NO
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | |
|-------|----------------------------|----------------|
| 12.61 | Letters of Credit | \$ 493,491,016 |
| 12.62 | Collateral and other funds | \$ 32,798,592 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 21,983,604
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES NO
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES NO
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: Premiums and recoverables were allocated pursuant to separate intercompany pooling 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
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES NO
- 14.5 If the answer to 14.4 is no, please explain: _____
- 15.1 Has the reporting entity guaranteed any financed premium accounts? YES NO
- 15.2 If yes, give full information _____
- 16.1 Does the reporting entity write any warranty business? YES NO
- If yes, disclose the following information for each of the following types of warranty coverage:
- | | 1 | 2 | 3 | 4 | 5 |
|------------------|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
| | Direct Losses
Incurred | Direct Losses
Unpaid | Direct Written
Premium | Direct Premium
Unearned | Direct Premium
Earned |
| 16.11 Home | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.12 Products | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.13 Automobile | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.14 Other* | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

* 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	\$	<u>0</u>
17.12	Unfunded portion of Interrogatory 17.11	\$	<u>0</u>
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	<u>0</u>
17.14	Case reserves portion of Interrogatory 17.11	\$	<u>0</u>
17.15	Incurred but not reported portion of Interrogatory 17.11	\$	<u>0</u>
17.16	Unearned premium portion of Interrogatory 17.11	\$	<u>0</u>
17.17	Contingent commission portion of Interrogatory 17.11	\$	<u>0</u>

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	\$	<u>0</u>
17.19	Unfunded portion of Interrogatory 17.18	\$	<u>0</u>
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	<u>0</u>
17.21	Case reserves portion of Interrogatory 17.18	\$	<u>0</u>
17.22	Incurred but not reported portion of Interrogatory 17.18	\$	<u>0</u>
17.23	Unearned premium portion of Interrogatory 17.18	\$	<u>0</u>
17.24	Contingent commission portion of Interrogatory 17.18	\$	<u>0</u>

FIVE-YEAR HISTORICAL DATA

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

	1 2006	2 2005	3 2004	4 2003	5 2002
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,130,573,196	1,956,525,782	1,350,320,294	866,802,610	850,236,850
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	187,989,953	182,646,516	190,412,545	181,943,110	177,279,055
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	126,823,248	102,388,397	92,416,672	96,410,793	80,602,477
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	14,940,793	11,943,036	8,295,364	10,609,704	32,283,117
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	6,882,856	4,923,151	7,257,501	13,285,164	8,733,208
6. Total (Line 34)	2,467,210,046	2,258,426,882	1,648,702,376	1,169,051,381	1,149,134,707
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)	455,512,263	419,259,769	392,400,242	345,538,794	301,479,030
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	117,327,257	108,228,410	105,043,653	97,844,369	91,798,026
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	117,188,063	91,373,963	82,823,702	86,485,819	70,734,817
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	14,937,423	11,980,115	8,201,884	10,609,604	32,283,017
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	6,882,856	4,923,151	7,257,501	13,285,164	8,733,208
12. Total (Line 34)	711,847,862	635,765,408	595,726,982	553,763,750	505,028,098
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(21,498,160)	(47,030,977)	(44,855,609)	(52,461,456)	(41,578,006)
14. Net investment gain (loss) (Line 11)	75,967,362	70,080,692	68,301,599	60,818,804	71,309,609
15. Total other income (Line 15)	(4,899,769)	(6,531,083)	(10,945,516)	(13,661,202)	(8,727,279)
16. Dividends to policyholders (Line 17)	3,061,656	2,166,474	2,365,950	(144,081)	3,892,541
17. Federal and foreign income taxes incurred (Line 19)	22,744,318	6,699,434	(163,716)	(4,057,092)	5,820,511
18. Net income (Line 20)	23,763,459	7,652,724	10,298,240	(1,102,681)	11,291,272
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,850,482,043	1,632,838,998	1,639,778,256	1,486,134,853	1,418,988,703
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	49,386,366	41,960,478	40,283,378	53,124,118	52,550,770
20.2 Deferred and not yet due (Line 13.2)	165,168,951	124,186,953	114,946,699	92,411,931	77,725,499
20.3 Accrued retrospective premiums (Line 13.3)	41,748,938	42,246,042	46,009,754	47,795,657	41,968,237
21. Total liabilities excluding protected cell business (Page 3, Line 24)	1,520,802,632	1,342,042,028	1,369,541,134	1,228,346,736	1,163,151,083
22. Losses (Page 3, Line 1)	917,545,458	852,428,226	803,414,483	791,239,066	747,041,357
23. Loss adjustment expenses (Page 3, Line 3)	188,083,375	174,584,763	153,241,171	156,459,955	142,375,470
24. Unearned premiums (Page 3, Line 9)	281,026,096	251,958,056	242,035,169	230,115,633	193,540,338
25. Capital paid up (Page 3, Lines 28 & 29)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	329,679,411	290,796,970	270,237,122	257,788,117	255,837,620
Risk-Based Capital Analysis					
27. Total adjusted capital	329,679,411	290,796,970	270,237,122	257,788,117	255,837,620
28. Authorized control level risk-based capital	89,178,739	79,068,997	82,031,736	76,173,036	70,529,370
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)	88.9	88.1	84.8	88.8	83.1
30. Stocks (Lines 2.1 & 2.2)	4.9	5.0	4.7	5.1	4.4
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	2.8	4.2	7.4	3.9	9.2
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)	3.4	2.6	2.3	2.1	3.3
36. Receivables for securities (Line 8)			0.8		
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	4,174,688	(1,406,543)	1,701,388	8,086,932	(3,266,400)
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	38,882,441	20,559,848	12,449,005	1,950,497	8,205,364
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)	741,793,226	694,132,919	644,065,173	617,065,297	676,710,037
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	106,185,105	97,046,679	88,325,580	88,614,354	92,183,003
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	59,843,813	71,543,655	68,723,829	51,383,979	63,077,581
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	983,044	3,189,579	30,516,303	17,728,037	26,038,264
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	9,127,798	6,556,773	298,321	6,108,103	6,336,997
55. Total (Line 34)	917,932,986	872,469,605	831,929,206	780,899,770	864,345,882
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)	224,536,447	224,223,614	243,645,095	204,213,717	235,582,843
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	67,758,626	55,175,076	46,561,485	45,737,902	45,856,139
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	50,008,222	57,878,854	53,636,174	35,653,573	40,076,141
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	983,044	3,189,579	30,516,303	17,728,037	26,038,264
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	9,127,798	6,556,773	298,321	6,108,103	6,336,997
61. Total (Line 34)	352,414,137	347,023,896	374,657,378	309,441,332	353,890,384
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	61.1	63.8	66.5	66.4	68.6
64. Loss expenses incurred (Line 3)	15.3	18.8	16.3	19.1	16.4
65. Other underwriting expenses incurred (Line 4)	26.8	24.9	24.9	24.4	100.2
66. Net underwriting gain (loss) (Line 8)	(3.2)	(7.6)	(7.7)	(10.0)	(8.8)
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	26.4	25.4	26.2	25.7	24.0
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	76.4	82.6	82.8	85.5	85.1
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	215.9	218.6	220.4	214.8	197.4
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)	29,652	30,695	20,648	44,030	36,686
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)	10.2	11.4	8.0	17.2	14.8
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)	80,758	80,229	98,952	92,439	138,884
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)	29.9	31.1	38.7	37.3	50.0

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	141,859,791	142,121,765	142,588,824	139,689,837
	2. Canada				
	3. Other Countries				
	4. Totals	141,859,791	142,121,765	142,588,824	139,689,837
States, Territories and Possessions (Direct and guaranteed)	5. United States	645,057	641,614	674,926	620,000
	6. Canada				
	7. Other Countries				
	8. Totals	645,057	641,614	674,926	620,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	491,545,149	484,886,406	491,492,495	491,574,641
	14. Canada				
	15. Other Countries				
	16. Totals	491,545,149	484,886,406	491,492,495	491,574,641
Public Utilities (unaffiliated)	17. United States	68,244,741	67,007,344	68,686,940	66,664,000
	18. Canada				
	19. Other Countries				
	20. Totals	68,244,741	67,007,344	68,686,940	66,664,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	590,808,261	590,904,543	592,340,616	592,745,203
	22. Canada				
	23. Other Countries	34,039,526	34,977,700	33,963,550	34,000,000
	24. Totals	624,847,787	625,882,243	626,304,166	626,745,203
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	1,327,142,525	1,320,539,372	1,329,747,351	1,325,293,681
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			3	
	36. Canada				
	37. Other Countries				
	38. Totals			3	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks			3	
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	73,265,436	73,265,436	70,774,976	
	50. Canada				
	51. Other Countries				
	52. Totals	73,265,436	73,265,436	70,774,976	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	73,265,436	73,265,436	70,774,976	
	55. Total Stocks	73,265,436	73,265,436	70,774,979	
	56. Total Bonds and Stocks	1,400,407,961	1,393,804,808	1,400,522,330	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	1,244,737,334	7. Amortization of premium	2,943,743
2. Cost of bonds and stocks acquired, Column 7, Part 3	1,392,783,752	8. Foreign Exchange Adjustment:	
3. Accrual of discount	1,084,647	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	128,084	8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2	633,054	9. Book/adjusted carrying value at end of current period	1,400,407,961
4.4 Column 11 - 13, Part 4	(378)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	1,273,963	11. Subtotal (Lines 9 plus 10)	1,400,407,961
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	1,237,288,752	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	1,400,407,961

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	41,914	16,031	16,836	6,729	1,785	836	435	36,939	X X X
2. 1997	507,528	63,194	444,334	382,282	51,355	34,976	3,759	41,338	234	12,945	403,248	X X X
3. 1998	535,132	64,472	470,660	436,409	55,104	35,624	3,344	46,194	457	14,869	459,322	X X X
4. 1999	531,245	76,421	454,824	438,935	61,240	37,138	4,727	46,917	747	14,369	456,276	X X X
5. 2000	560,249	90,545	469,704	433,088	74,864	34,846	4,798	45,290	593	11,193	432,969	X X X
6. 2001	581,852	93,690	488,162	417,623	88,782	30,851	4,405	42,991	474	13,251	397,804	X X X
7. 2002	664,339	125,505	538,834	388,650	70,415	27,031	3,587	48,472	403	20,613	389,748	X X X
8. 2003	739,816	168,040	571,776	341,098	69,739	23,768	2,000	50,829	388	20,639	343,568	X X X
9. 2004	769,601	187,575	582,026	308,733	78,790	17,124	3,378	49,553	2,427	19,170	290,815	X X X
10. 2005	792,596	171,019	621,577	321,582	88,778	11,227	2,538	47,123	2,703	17,434	285,913	X X X
11. 2006	862,581	180,298	682,283	177,198	29,558	4,406	596	40,295	3,683	10,697	188,062	X X X
12. Totals	X X X	X X X	X X X	3,687,512	684,656	273,827	39,861	460,787	12,945	155,615	3,684,664	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	294,990	89,875	126,874	84,752	16,311	13,444	67,909	28,579	3,974	1	2,386	293,407	X X X
2. 1997	18,621	2,690	4,230	1,313	1,230	631	1,613	444	541		166	21,157	X X X
3. 1998	26,230	4,100	10,187	5,768	532	68	2,023	465	1,147		269	29,718	X X X
4. 1999	28,083	6,815	8,021	5,828	607	86	2,323	1,013	982	2	535	26,272	X X X
5. 2000	28,558	8,711	11,205	8,530	835	386	2,424	693	1,041	4	660	25,739	X X X
6. 2001	39,883	19,831	15,763	10,049	1,243	589	4,540	1,767	1,243	51	1,076	30,385	X X X
7. 2002	36,875	18,959	27,344	20,926	1,870	997	5,384	252	1,579	4	963	31,914	X X X
8. 2003	46,128	14,091	48,897	23,079	1,522	280	11,105	2,116	2,463	3	1,566	70,546	X X X
9. 2004	55,778	14,243	74,376	24,952	2,184	465	17,014	2,568	4,087	39	2,519	111,172	X X X
10. 2005	85,754	27,472	124,723	45,358	2,335	314	26,511	4,072	10,554	1,294	4,320	171,367	X X X
11. 2006	99,591	18,635	214,835	53,422	2,376	391	39,708	4,691	14,645	64	12,820	293,952	X X X
12. Totals	760,491	225,422	666,455	283,977	31,045	17,651	180,554	46,660	42,256	1,462	27,280	1,105,629	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	247,237	46,170
2. 1997	484,831	60,426	424,405	95.528	95.620	95.515			6.000	18,848	2,309
3. 1998	558,346	69,306	489,040	104.338	107.498	103.905			6.000	26,549	3,169
4. 1999	563,006	80,458	482,548	105.979	105.283	106.096			6.000	23,461	2,811
5. 2000	557,287	98,579	458,708	99.471	108.873	97.659			6.000	22,522	3,217
6. 2001	554,137	125,948	428,189	95.237	134.431	87.715			6.000	25,766	4,619
7. 2002	537,205	115,543	421,662	80.863	92.062	78.255			6.000	24,334	7,580
8. 2003	525,810	111,696	414,114	71.073	66.470	72.426			6.000	57,855	12,691
9. 2004	528,849	126,862	401,987	68.717	67.633	69.067			6.000	90,959	20,213
10. 2005	629,809	172,529	457,280	79.462	100.883	73.568			6.000	137,647	33,720
11. 2006	593,054	111,040	482,014	68.753	61.587	70.647			6.000	242,369	51,583
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	917,547	188,082

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	794,089	776,232	744,145	732,962	770,630	798,593	827,837	869,007	898,326	914,994	16,668	45,987
2. 1997	352,607	350,914	363,957	369,860	376,884	377,256	377,883	382,335	384,557	386,659	2,102	4,324
3. 1998	X X X	387,829	401,328	411,132	424,047	428,479	431,770	436,700	441,209	447,270	6,061	10,570
4. 1999	X X X	X X X	381,706	393,647	408,539	419,058	426,641	430,021	437,271	439,447	2,176	9,426
5. 2000	X X X	X X X	X X X	367,146	384,097	386,584	399,607	410,309	413,566	415,793	2,227	5,484
6. 2001	X X X	X X X	X X X	X X X	378,250	368,516	375,051	369,644	381,604	385,803	4,199	16,159
7. 2002	X X X	X X X	X X X	X X X	X X X	375,181	354,147	354,602	366,208	373,181	6,973	18,579
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	392,197	353,163	342,623	362,566	19,943	9,403
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	393,775	364,888	354,601	(10,287)	(39,174)
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	429,314	408,904	(20,410)	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	437,669	X X X	X X X
12. Totals											29,652	80,758

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	148,220	243,495	316,133	359,807	417,195	460,386	505,002	544,992	580,982	X X X	X X X
2. 1997	142,209	214,727	263,331	298,329	321,545	336,534	345,712	354,759	358,859	362,144	X X X	X X X
3. 1998	X X X	155,670	249,824	305,564	346,771	370,477	386,647	399,125	407,545	413,585	X X X	X X X
4. 1999	X X X	X X X	154,664	245,838	303,105	343,821	371,263	390,656	402,440	410,106	X X X	X X X
5. 2000	X X X	X X X	X X X	162,214	254,660	302,993	336,385	366,767	379,306	388,272	X X X	X X X
6. 2001	X X X	X X X	X X X	X X X	170,819	257,664	300,742	326,516	345,341	355,287	X X X	X X X
7. 2002	X X X	X X X	X X X	X X X	X X X	160,755	246,333	296,242	320,999	341,679	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	148,330	226,676	265,223	293,127	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	135,745	208,710	243,689	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	157,834	241,493	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	151,450	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	341,950	244,816	160,975	136,693	107,728	77,965	73,938	63,609	82,265	84,784
2. 1997	116,348	56,931	33,629	22,371	18,089	10,234	5,011	4,651	4,779	5,466
3. 1998	X X X	125,619	56,352	32,253	19,182	14,092	6,532	6,685	5,553	7,991
4. 1999	X X X	X X X	124,035	58,882	29,400	17,931	10,396	8,126	7,350	5,462
5. 2000	X X X	X X X	X X X	101,638	38,923	17,156	11,748	9,419	6,771	5,547
6. 2001	X X X	X X X	X X X	X X X	105,859	43,283	25,899	13,271	10,731	8,624
7. 2002	X X X	X X X	X X X	X X X	X X X	113,240	44,720	20,179	15,218	11,739
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	162,441	66,775	30,537	35,161
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	179,286	100,033	66,692
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	195,078	106,249
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	202,459

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
		1. Alabama	AL						
2. Alaska	AK	YES	7,062,166	7,582,387	37	1,217,777	3,802,087	9,721,681	
3. Arizona	AZ	YES	16,025,751	17,153,147	(5,263)	2,301,170	7,863,124	19,768,720	3,503
4. Arkansas	AR	YES	8,112,055	8,970,100	1,725	2,135,956	3,651,145	25,505,423	1,708
5. California	CA	YES	99,236,184	96,548,099	18,906	32,529,460	79,229,011	284,158,782	2,668
6. Colorado	CO	YES	25,381,662	26,356,445	117,535	13,526,994	20,118,815	52,099,143	8,648
7. Connecticut	CT	YES	31,562,181	29,816,669	(4,674)	13,312,438	14,258,450	64,385,256	41,901
8. Delaware	DE	YES	11,880,739	11,003,477	(5,233)	4,798,058	7,426,070	14,257,798	26,756
9. Dist. Columbia	DC	YES	3,557,058	3,921,333	9,599	2,641,469	2,037,236	9,877,421	5,703
10. Florida	FL	YES	135,513,767	140,688,202	(37,312)	37,512,647	98,256,613	179,374,132	133,494
11. Georgia	GA	YES	55,378,657	55,208,533	68,427	20,852,137	35,720,671	59,752,804	105,123
12. Hawaii	HI	YES	4,038,075	4,107,887	845	968,393	2,748,407	5,228,894	12,569
13. Idaho	ID	YES	1,618,926	1,613,085		873,430	887,583	4,054,256	3,429
14. Illinois	IL	YES	119,935,770	124,970,247	39,037	33,952,514	104,660,597	135,676,103	13,376
15. Indiana	IN	YES	43,645,312	48,802,133	(294)	20,044,266	24,703,748	50,768,095	8,345
16. Iowa	IA	YES	12,117,383	11,085,369	8,192	2,235,773	9,289,407	18,358,049	3,976
17. Kansas	KS	YES	12,349,077	11,936,571	21,319	11,820,648	1,234,865	36,621,161	4,148
18. Kentucky	KY	YES	44,905,291	45,296,733	8,351	11,682,923	28,977,468	60,111,659	9,116
19. Louisiana	LA	YES	27,354,488	27,591,511	11,312	5,970,011	18,927,559	43,911,624	12,955
20. Maine	ME	YES	8,495,483	8,464,324	(54,225)	3,715,906	6,674,667	13,327,448	28,962
21. Maryland	MD	YES	22,416,934	22,571,582	89,218	8,898,215	13,557,849	36,135,822	43,572
22. Massachusetts	MA	YES	44,871,123	40,404,574	150,083	9,509,718	10,300,733	90,004,512	1,405
23. Michigan	MI	YES	22,982,192	22,516,857	194,915	6,263,161	20,710,484	39,853,779	70
24. Minnesota	MN	YES	23,861,602	23,809,798	(12,309)	6,046,607	16,664,730	32,004,501	6,563
25. Mississippi	MS	YES	9,462,536	9,488,713	(6,697)	1,880,815	3,485,169	13,149,213	2,381
26. Missouri	MO	YES	35,410,731	34,862,127	73,901	8,541,887	21,330,050	47,552,041	4,784
27. Montana	MT	YES	5,015,412	5,043,700	20,772	786,402	3,099,834	4,241,044	6,372
28. Nebraska	NE	YES	11,248,503	10,862,889	(16,530)	3,370,099	9,604,665	23,621,147	1,948
29. Nevada	NV	YES	8,431,956	9,233,066	(111)	3,489,940	6,446,549	12,238,257	12,597
30. New Hampshire	NH	YES	11,566,422	12,338,532	81,945	7,277,405	2,180,932	61,201,220	22,624
31. New Jersey	NJ	YES	243,149,545	262,600,596	81,206	77,887,193	156,958,064	283,140,935	348,616
32. New Mexico	NM	YES	8,180,490	7,622,525	1,388	2,283,587	4,821,330	11,611,640	2,527
33. New York	NY	YES	199,920,182	195,075,723	173,598	57,850,670	102,820,418	284,855,125	282,809
34. No. Carolina	NC	YES	33,278,555	35,560,314	10,834	11,600,224	29,569,532	55,497,782	51
35. No. Dakota	ND	YES	391,735	382,610	(8,496)	39,072	45,151	52,027	416
36. Ohio	OH	YES	18,365,133	18,540,978	288	7,496,740	8,572,011	37,573,182	34,573
37. Oklahoma	OK	YES	13,667,664	14,060,409	31,512	3,625,219	9,751,513	19,376,834	8,521
38. Oregon	OR	YES	23,845,189	24,780,093	2,671	13,082,511	16,846,489	32,403,848	7,831
39. Pennsylvania	PA	YES	80,100,049	79,581,338	76,674	28,004,783	52,950,509	112,784,043	99,749
40. Rhode Island	RI	YES	7,296,201	7,850,387	(3,121)	2,879,841	4,994,689	11,513,800	15,303
41. So. Carolina	SC	YES	26,042,733	26,411,289	(1,584)	6,284,307	13,482,688	25,056,174	34,256
42. So. Dakota	SD	YES	1,727,208	1,819,114	1	283,487	982,937	2,648,221	40
43. Tennessee	TN	YES	18,541,677	18,469,906	16,696	4,529,620	10,672,192	22,295,493	10,701
44. Texas	TX	YES	91,450,609	95,117,664	(8,846)	19,280,859	58,715,080	166,731,701	718
45. Utah	UT	YES	11,535,301	11,648,070	(53)	2,878,979	5,598,413	10,032,887	4,445
46. Vermont	VT	YES	3,767,063	3,462,956	(923)	1,792,715	2,231,264	6,443,330	6,220
47. Virginia	VA	YES	36,735,199	35,338,693	99,603	12,253,491	27,731,085	37,340,895	68,391
48. Washington	WA	YES	9,045,130	9,389,860	91	3,567,074	6,427,921	10,356,023	22,831
49. West Virginia	WV	YES	2,509,109	2,696,432	32	2,401,961	2,303,434	1,816,485	6,649
50. Wisconsin	WI	YES	46,613,127	46,444,725	278,198	24,042,863	31,651,128	65,207,883	4,955
51. Wyoming	WY	YES	310,900	338,779		75,840	370,760	336,091	418
52. American Samoa	AS	NO							
53. Guam	GU	YES	48,321	43,647			22,974	29,650	
54. Puerto Rico	PR	YES	44,199	45,681			8,754	23,017	
55. U.S. Virgin Islands	VI	NO	654	667			(933)	4,220	
56. Northern Mariana Islands	MP	YES							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X	1,483,745	1,615,926	928	500,000	1,286,972	3,200,881	
59. Totals	(a)	54	1,755,362,184	1,790,884,144	1,541,480	565,518,855	1,134,679,344	2,671,619,373	1,497,361

DETAILS OF WRITE-INS									
5801. Other alien	X X X		1,483,745	1,615,926	928	500,000	1,286,972	3,200,881	
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		1,483,745	1,615,926	928	500,000	1,286,972	3,200,881	

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

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

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

OVERFLOW PAGE FOR WRITE-INS

**Page 2 - Continuation
ASSETS**

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

REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS

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

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

2304. Amounts receivable under high deductible policies	15,662,067	802,707	14,859,360	15,012,236
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	15,662,067	802,707	14,859,360	15,012,236

OVERFLOW PAGE FOR WRITE-INS

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

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

2304. Collateral held for securities loaned	24,919,696	17,890,923
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	24,919,696	17,890,923

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

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

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

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