

**ANNUAL STATEMENT**

OF THE

**Liberty Mutual Insurance Company**

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of **Boston**

in the state of **Massachusetts**

TO THE

**Insurance Department**

OF THE

STATE OF

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

PROPERTY AND CASUALTY

**2006**



23043200620100100

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

**NAIC Group Code** 0111 0111 **NAIC Company Code** 23043 **Employer's ID Number** 04-1543470  
 (Current Period) (Prior Period)

**Organized under the Laws of** Massachusetts , **State of Domicile or Port of Entry** Massachusetts

**Country of Domicile** United States of America

**Incorporated/Organized:** January 1, 1912 **Commenced Business:** July 1, 1912

**Statutory Home Office:** 175 Berkeley Street Boston, MA 02116

**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**

	<b>Name</b>	<b>Title</b>
1.	<u>Edmund Francis Kelly</u>	<u>Chairman of the Board President &amp; CEO</u>
2.	<u>Dexter Robert Legg</u>	<u>Vice President &amp; Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Senior Vice President &amp; Treasurer</u>

**Vice-Presidents**

<b>Name</b>	<b>Title</b>	<b>Name</b>	<b>Title</b>
<u>James Paul Condrin, III</u>	<u>Executive Vice President</u>	<u>Stuart Michael McGuigan</u>	<u>Sr. VP &amp; Chief Information Officer</u>
<u>Anthony Alexander Fontanes</u>	<u>EVP &amp; Chief Investment Officer</u>	<u>Gary Richard Gregg</u>	<u>Executive Vice President</u>
<u>Dennis James Langwell</u>	<u>Sr. VP &amp; Chief Financial Officer</u>	<u>Christopher Charles Mansfield</u>	<u>Sr. VP &amp; General Counsel</u>
<u>Thomas Crawford Ramey</u>	<u>Executive Vice President</u>	<u>Helen Elizabeth Russell Sayles</u>	<u>Senior Vice President</u>
<u>David Henry Long</u>	<u>Executive Vice President</u>	<u>Stephen Gregory Sullivan</u>	<u>Senior Vice President</u>
<u>John Derek Doyle</u>	<u>Vice President &amp; Comptroller</u>	<u>Robert Thomas Muleski</u>	<u>Senior Vice President &amp; Corporate Actuary</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**DIRECTORS OR TRUSTEES**

<u>Edmund Francis Kelly</u>	<u>James Paul Condrin, III</u>	<u>Dennis James Langwell</u>	<u>Anthony Alexander Fontanes</u>
<u>David Henry Long</u>	<u>Christopher Charles Mansfield</u>	<u>Thomas Crawford Ramey</u>	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

State of Massachusetts  
 County of Suffolk ss

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

_____ (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. Senior Vice President & Treasurer (Title)
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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)	14,335,788,460		14,335,788,460	12,556,562,894
2. Stocks (Schedule D):				
2.1 Preferred stocks	234,308,916		234,308,916	59,716,967
2.2 Common stocks	5,069,085,324		5,069,085,324	5,205,385,252
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	249,560,880		249,560,880	39,500,000
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	326,163,102		326,163,102	311,128,829
4.2 Properties held for the production of income (less \$ 0 encumbrances)	1,111,445		1,111,445	1,199,491
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 395,782,418, Schedule E-Part 1), cash equivalents (\$ 261,179,343, Schedule E-Part 2) and short-term investments (\$ 550,704,122, Schedule DA)	1,207,665,883		1,207,665,883	1,082,172,507
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	3,449,595,396	2,300,145	3,447,295,251	2,213,612,480
8. Receivables for securities	41,352,591		41,352,591	31,385,363
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	24,914,631,997	2,300,145	24,912,331,852	21,500,663,783
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	168,971,988		168,971,988	155,675,613
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	723,998,461	20,859,359	703,139,102	636,279,658
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 30,275 earned but unbilled premiums)	1,462,232,711	3,353	1,462,229,358	1,376,405,401
13.3 Accrued retrospective premiums	513,351,472	50,634,071	462,717,401	468,226,952
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	740,190,011		740,190,011	399,753,189
14.2 Funds held by or deposited with reinsured companies	78,959,530		78,959,530	24,877,116
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	2,139,944	2,139,944		
16.1 Current federal and foreign income tax recoverable and interest thereon	13,749,786		13,749,786	58,065,885
16.2 Net deferred tax asset	649,760,000	94,673,994	555,086,006	585,267,577
17. Guaranty funds receivable or on deposit	32,691,812		32,691,812	37,653,992
18. Electronic data processing equipment and software	254,089,175	211,328,371	42,760,804	44,331,941
19. Furniture and equipment, including health care delivery assets (\$ 0 )	27,291,290	27,291,290		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	235,522,572		235,522,572	284,222,350
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	611,805,981	100,144,114	511,661,867	440,184,832
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	30,429,386,730	509,374,641	29,920,012,089	26,011,608,289
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	30,429,386,730	509,374,641	29,920,012,089	26,011,608,289

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	255,681,228	91,247,443	164,433,785	109,835,787
2302. Cash surrender value life insurance	162,038,957		162,038,957	143,031,210
2303. Equities and deposits in pools and associations	20,497,883		20,497,883	20,932,222
2398. Summary of remaining write-ins for Line 23 from overflow page	173,587,913	8,896,671	164,691,242	166,385,613
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	611,805,981	100,144,114	511,661,867	440,184,832

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	10,169,462,164	9,447,746,191
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	108,972,670	51,399,570
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	2,084,590,736	1,934,981,136
4. Commissions payable, contingent commissions and other similar charges	130,587,309	93,935,574
5. Other expenses (excluding taxes, licenses and fees)	355,278,576	313,866,523
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	208,364,692	199,306,654
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 961,000 and interest thereon \$ 345,151	1,306,151	102,773,665
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 2,366,743,083 and including warranty reserves of \$ 0 )	3,114,705,894	2,792,535,119
10. Advance premium	22,746,128	34,208,895
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	3,999,999	2,321,401
12. Ceded reinsurance premiums payable (net of ceding commissions)	819,145,981	617,616,942
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,866,405,417	2,150,116,995
14. Amounts withheld or retained by company for account of others	619,561,207	518,474,229
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	120,072,864	149,117,360
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	274,794,753	313,708,632
19. Payable to parent, subsidiaries and affiliates	159,008,230	
20. Payable for securities	278,480,820	106,507,786
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(369,600,531)	(741,705,215)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	19,967,883,060	18,086,911,457
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	19,967,883,060	18,086,911,457
27. Aggregate write-ins for special surplus funds	811,135,623	781,222,479
28. Common capital stock	10,000,000	10,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds	1,250,000	1,250,000
31. Surplus notes	1,013,209,431	1,012,986,455
32. Gross paid in and contributed surplus	3,148,160,105	2,269,796,957
33. Unassigned funds (surplus)	4,968,373,870	3,849,440,941
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)	9,952,129,029	7,924,696,832
36. TOTALS (Page 2, Line 26, Col. 3)	29,920,012,089	26,011,608,289

<b>DETAILS OF WRITE-INS</b>		
2301. Other liabilities	180,862,751	182,160,071
2302. Retroactive reinsurance reserve - ceded	(1,526,795,171)	(1,501,122,223)
2303. Amounts held under uninsured plans	485,811,161	473,271,904
2398. Summary of remaining write-ins for Line 23 from overflow page	490,520,728	103,985,033
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(369,600,531)	(741,705,215)
2701. Special surplus from retroactive reinsurance	811,135,623	781,222,479
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)	811,135,623	781,222,479
3001. Guaranty funds	1,250,000	1,250,000
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)	1,250,000	1,250,000

<b>STATEMENT OF INCOME</b>	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4)	7,561,989,751	6,889,135,285
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	4,620,877,038	4,393,736,457
3. Loss expenses incurred (Part 3, Line 25, Column 1)	1,154,043,918	1,298,534,817
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	2,026,669,564	1,716,888,935
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	7,801,590,520	7,409,160,209
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(239,600,769)	(520,024,924)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,551,030,687	895,504,361
10. Net realized capital gains (losses) less capital gains tax of \$ 47,107,112 (Exhibit of Capital Gains (Losses))	87,552,787	197,386,668
11. Net investment gain (loss) (Lines 9 + 10)	1,638,583,474	1,092,891,029
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 1,544,960 amount charged off \$ 12,114,354 )	(10,569,394)	(23,965,187)
13. Finance and service charges not included in premiums	36,586,068	37,700,320
14. Aggregate write-ins for miscellaneous income	(104,691,538)	(92,544,278)
15. Total other income (Lines 12 through 14)	(78,674,864)	(78,809,145)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,320,307,841	494,056,960
17. Dividends to policyholders	33,933,356	24,011,749
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	1,286,374,485	470,045,211
19. Federal and foreign income taxes incurred	279,364,285	(114,095,184)
20. Net income (Line 18 minus Line 19) (to Line 22)	1,007,010,200	584,140,395
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	7,924,696,832	7,255,349,918
22. Net income (from Line 20)	1,007,010,200	584,140,395
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 81,126,704	106,820,347	(253,467,664)
25. Change in net unrealized foreign exchange capital gain (loss)	15,696,893	(2,170,484)
26. Change in net deferred income tax	46,814,885	(231,988,509)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(64,172,262)	251,015,191
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	30,872,892	(18,425,356)
29. Change in surplus notes	222,976	135,529
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		156,763,001
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	878,363,148	265,725,000
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(2,163,559)	(100,000,000)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	7,966,677	17,619,811
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	2,027,432,197	669,346,914
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	9,952,129,029	7,924,696,832

<b>DETAILS OF WRITE-INS</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		
1401. Other income/(expense)	(138,546,786)	(113,177,282)
1402. Retroactive reinsurance gain/(loss)	33,855,248	20,633,004
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)	(104,691,538)	(92,544,278)
3701. Other changes in surplus	7,966,677	17,619,811
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)	7,966,677	17,619,811

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	7,925,771,687	7,034,949,097
2. Net investment income	1,640,060,957	1,029,152,783
3. Miscellaneous income	(330,121,679)	157,221,802
4. Total (Lines 1 through 3)	9,235,710,965	8,221,323,682
5. Benefit and loss related payments	4,227,407,671	3,820,269,774
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	2,955,810,621	2,781,472,136
8. Dividends paid to policyholders	32,254,759	24,077,301
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	282,295,169	(655,851)
10. Total (Lines 5 through 9)	7,497,768,220	6,625,163,360
11. Net cash from operations (Line 4 minus Line 10)	1,737,942,745	1,596,160,322
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	3,833,043,341	5,927,806,265
12.2 Stocks	862,072,147	1,167,507,534
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	412,223,716	617,775,976
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(29,967)	(768,681)
12.7 Miscellaneous proceeds	199,382,979	30,660,614
12.8 Total investment proceeds (Lines 12.1 to 12.7)	5,306,692,216	7,742,981,708
13. Cost of investments acquired (long-term only):		
13.1 Bonds	5,588,354,159	6,651,853,743
13.2 Stocks	892,858,849	961,319,878
13.3 Mortgage loans	210,060,880	39,500,000
13.4 Real estate	29,496,608	79,673,484
13.5 Other invested assets	1,317,300,995	905,897,048
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	8,038,071,491	8,638,244,153
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)	(2,731,379,275)	(895,262,445)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	222,976	135,529
16.2 Capital and paid in surplus, less treasury stock	878,363,148	265,725,000
16.3 Borrowed funds	(101,467,514)	74,719,119
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	2,163,559	100,000,000
16.6 Other cash provided (applied)	343,974,855	(543,748,281)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	1,118,929,906	(303,168,633)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	125,493,376	397,729,244
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,082,172,507	684,443,263
19.2 End of year (Line 18 plus Line 19.1)	1,207,665,883	1,082,172,507

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	192,055,438	83,262,428	95,048,370	180,269,496
2. Allied lines	67,553,824	26,946,438	34,134,020	60,366,242
3. Farmowners multiple peril	266,051			266,051
4. Homeowners multiple peril	1,058,265,628	493,356,781	603,030,420	948,591,989
5. Commercial multiple peril	171,645,490	70,225,264	86,205,738	155,665,016
6. Mortgage guaranty				
8. Ocean marine	16,321,027	8,504,892	8,029,025	16,796,894
9. Inland marine	234,557,142	22,203,846	26,366,851	230,394,137
10. Financial guaranty				
11.1 Medical malpractice - occurrence	2,356			2,356
11.2 Medical malpractice - claims-made				
12. Earthquake	23,921,573	8,120,133	11,100,902	20,940,804
13. Group accident and health	(425)			(425)
14. Credit accident and health (group and individual)				
15. Other accident and health	264,981	43,561	126,220	182,322
16. Workers' compensation	2,604,981,545	(81,509,324)	(27,683,365)	2,551,155,586
17.1 Other liability - occurrence	435,794,450	115,498,648	173,790,873	377,502,225
17.2 Other liability - claims-made	114,987,281	52,922,377	53,306,930	114,602,728
18.1 Products liability - occurrence	107,627,275	30,499,966	37,309,500	100,817,741
18.2 Products liability - claims-made	4,841,550	1,743	426,341	4,416,952
19.1, 19.2 Private passenger auto liability	1,454,121,225	742,556,477	736,971,862	1,459,705,840
19.3, 19.4 Commercial auto liability	326,238,554	86,249,883	113,211,286	299,277,151
21. Auto physical damage	781,868,664	516,864,593	527,438,595	771,294,662
22. Aircraft (all perils)	49,326,971	11,038,049	16,494,971	43,870,049
23. Fidelity	3,572,761	1,444,181	1,376,595	3,640,347
24. Surety	161,719,125	74,947,115	97,099,124	139,567,116
26. Burglary and theft	420,469	213,637	196,337	437,769
27. Boiler and machinery	3,009,191	1,110,945	1,437,625	2,682,511
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	41,676,196	3,279,078	4,155,990	40,799,284
31. Reinsurance-Nonproportional Assumed Liability	34,608,793	3,873,616	1,749,936	36,732,473
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
<b>34. TOTALS</b>	<b>7,889,647,135</b>	<b>2,271,654,327</b>	<b>2,601,324,146</b>	<b>7,559,977,316</b>

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	94,033,551	1,014,818			95,048,369
2. Allied lines	34,110,451	23,569			34,134,020
3. Farmowners multiple peril					
4. Homeowners multiple peril	603,030,420				603,030,420
5. Commercial multiple peril	75,084,950	11,120,789			86,205,739
6. Mortgage guaranty					
8. Ocean marine	7,016,246	1,012,779			8,029,025
9. Inland marine	24,706,842	1,660,009			26,366,851
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	10,969,494	131,408			11,100,902
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	126,220				126,220
16. Workers' compensation	411,672,178	10,004,797	(30,275)	(449,330,065)	(27,683,365)
17.1 Other liability - occurrence	185,359,848	15,248,054		(26,817,026)	173,790,876
17.2 Other liability - claims-made	39,274,351	14,032,579			53,306,930
18.1 Products liability - occurrence	46,824,047	1,406,544		(10,921,090)	37,309,501
18.2 Products liability - claims-made	426,341				426,341
19.1, 19.2 Private passenger auto liability	736,971,861				736,971,861
19.3, 19.4 Commercial auto liability	134,918,456	5,737,934		(27,445,105)	113,211,285
21. Auto physical damage	527,301,301	138,369		(1,074)	527,438,596
22. Aircraft (all perils)	16,494,971				16,494,971
23. Fidelity	1,310,005	66,590			1,376,595
24. Surety	89,974,597	5,961,641		1,162,889	97,099,127
26. Burglary and theft	189,606	6,732			196,338
27. Boiler and machinery	1,433,268	4,356			1,437,624
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	4,155,990				4,155,990
31. Reinsurance-Nonproportional Assumed Liability	1,749,936				1,749,936
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	3,047,134,930	67,570,968	(30,275)	(513,351,471)	2,601,324,152
35. Accrued retrospective premiums based on experience					513,351,472
36. Earned but unbilled premiums					30,275
37. Balance (Sum of Line 34 through 36)					3,114,705,899

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	13,429,761	347,634,078	1,212,949	104,516,172	65,705,177	192,055,439
2. Allied lines	9,295,023	146,538,635	4,339,924	34,986,851	57,632,907	67,553,824
3. Farmowners multiple peril		399,846	231	134,026		266,051
4. Homeowners multiple peril	11,668,100	1,685,782,345	1,502,142	540,674,860	100,012,099	1,058,265,628
5. Commercial multiple peril	151,599,711	189,689,146	35,087,805	85,545,738	119,185,435	171,645,489
6. Mortgage guaranty						
8. Ocean marine	28,543,062	3,779,677	613,402	8,515,807	8,099,306	16,321,028
9. Inland marine	480,308,591	46,433,897	28,452,076	116,930,511	203,706,912	234,557,141
10. Financial guaranty						
11.1 Medical malpractice - occurrence		3,478	65	1,187		2,356
11.2 Medical malpractice - claims-made						
12. Earthquake	546	42,368,200	(1,617)	5,774,858	12,670,698	23,921,573
13. Group accident and health			(640)	(214)		(426)
14. Credit accident and health (group and individual)						
15. Other accident and health	483,864		280	133,487	85,676	264,981
16. Workers' compensation	288,005,405	4,574,718,693	116,784,667	1,465,598,237	908,928,982	2,604,981,546
17.1 Other liability - occurrence	272,926,236	579,447,846	20,332	193,551,740	223,048,224	435,794,450
17.2 Other liability - claims-made	192,498,660	115,460,742	4,439,317	60,774,154	136,637,285	114,987,280
18.1 Products liability - occurrence	42,969,485	123,239,239	728,727	50,540,854	8,769,322	107,627,275
18.2 Products liability - claims-made	6,762,489	518,038		2,438,977		4,841,550
19.1, 19.2 Private passenger auto liability	274,824,739	1,982,356,566	16,169,322	732,527,233	86,702,168	1,454,121,226
19.3, 19.4 Commercial auto liability	136,833,312	491,521,995	8,706,576	198,433,314	112,390,015	326,238,554
21. Auto physical damage	187,349,557	1,454,843,237	5,312,467	812,822,081	52,814,515	781,868,665
22. Aircraft (all perils)	94,930,488	344,852	11,682,380	25,193,777	32,436,971	49,326,972
23. Fidelity	12,937,734	455,515	107,097	2,009,900	7,917,685	3,572,761
24. Surety	251,521,555	11,341,294	6,474,648	88,906,611	18,711,761	161,719,125
26. Burglary and theft	562,097	115,303	1,769	(1,446,645)	1,705,345	420,469
27. Boiler and machinery	25,255	4,729,085	(1,200)	1,590,960	152,990	3,009,190
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	850,000	69,554,906	20,994,775	7,733,935	41,676,196
31. Reinsurance-Nonproportional Assumed Liability	X X X	(15,751)	52,059,049	17,434,505		34,608,793
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	2,457,475,670	11,802,555,956	363,246,674	4,568,583,756	2,165,047,408	7,889,647,136

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 \$ 284,885,515  
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 277,707,108

**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	8,131,904	158,963,757	90,524,177	76,571,484	63,940,548	73,488,384	67,023,648	37.180
2. Allied lines	7,205,120	418,978,735	364,822,748	61,361,107	41,306,476	40,470,612	62,196,971	103.033
3. Farmowners multiple peril					111,857		111,857	42.043
4. Homeowners multiple peril	3,695,486	849,255,065	417,485,237	435,465,314	216,858,602	169,800,875	482,523,041	50.867
5. Commercial multiple peril	104,708,434	135,230,448	151,511,995	88,426,887	207,120,477	154,627,108	140,920,256	90.528
6. Mortgage guaranty								
8. Ocean marine	9,816,206	7,788,007	8,504,058	9,100,155	26,213,057	29,568,222	5,744,990	34.203
9. Inland marine	395,634,077	47,275,015	230,285,850	212,623,242	49,735,686	62,009,313	200,349,615	86.960
10. Financial guaranty								
11.1 Medical malpractice - occurrence		11,193	3,750	7,443	275,165	(43,139)	325,747	13,826.273
11.2 Medical malpractice - claims - made								
12. Earthquake	1,021	45,299	52,065	(5,745)	(206,078)	435,639	(647,462)	(3.092)
13. Group accident and health	312,668	992,311	663,697	641,282	2,259,991	2,468,618	432,655	(101,801.176)
14. Credit accident and health (group and individual)								
15. Other accident and health	350,428	246,038	210,975	385,491	2,122,135	2,286,956	220,670	121.033
16. Workers' compensation	302,684,664	2,157,717,052	1,296,008,940	1,164,392,776	5,863,045,805	5,212,900,948	1,814,537,633	71.126
17.1 Other liability - occurrence	205,218,758	283,791,418	257,277,957	231,732,219	1,170,982,602	1,155,238,633	247,476,188	65.556
17.2 Other liability - claims - made	217,803,135	34,021,546	205,712,440	46,112,241	190,202,434	190,808,299	45,506,376	39.708
18.1 Products liability - occurrence	24,400,860	36,564,248	86,963,080	(25,997,972)	278,644,585	275,542,008	(22,895,395)	(22.710)
18.2 Products liability - claims - made	(104,500)	506,677	397,736	4,441	7,528,629	4,918,589	2,614,481	59.192
19.1, 19.2 Private passenger auto liability	182,337,447	1,251,012,509	524,895,800	908,454,156	1,226,417,407	1,294,392,759	840,478,804	57.579
19.3, 19.4 Commercial auto liability	109,330,218	231,245,815	176,669,062	163,906,971	401,360,932	432,692,312	132,575,591	44.299
21. Auto physical damage	107,713,512	731,762,779	439,103,240	400,373,051	(23,725,467)	(25,749,636)	402,397,220	52.172
22. Aircraft (all perils)	35,592,026	9,802,636	24,119,102	21,275,560	46,158,183	44,220,365	23,213,378	52.914
23. Fidelity	479,699	156,656	231,492	404,863	9,815,610	6,748,571	3,471,902	95.373
24. Surety	43,682,049	5,750,836	39,969,111	9,463,774	59,095,284	39,468,385	29,090,673	20.844
26. Burglary and theft	60,111	42,618	34,418	68,311	836,423	1,340,566	(435,832)	(99.558)
27. Boiler and machinery		(15,232)	(5,103)	(10,129)	118,868	(333,023)	441,762	16.468
28. Credit					9,337	9,337		
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	90,604,597	50,958,986	39,645,611	83,196,681	93,402,236	29,440,056	72.158
31. Reinsurance-Nonproportional Assumed Liability	X X X	91,926,983	30,795,539	61,131,444	243,583,647	185,481,523	119,233,568	324.600
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	585,513	196,147	389,366	2,453,286	1,551,732	1,290,920	
33. Aggregate write-ins for other lines of business								
34. TOTALS	1,759,053,323	6,544,262,519	4,397,392,499	3,905,923,343	10,169,462,162	9,447,746,192	4,627,639,313	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	1,238,619	94,457,089	47,015,008	48,680,700	5,770,041	14,944,726	5,454,919	63,940,548	7,935,718
2. Allied lines	1,757,846	62,653,343	30,812,169	33,599,020	5,143,197	12,511,371	9,947,112	41,306,476	6,166,447
3. Farmowners multiple peril						168,206	56,349	111,857	69,151
4. Homeowners multiple peril	2,479,801	222,197,942	97,216,076	127,461,667	31,889	267,036,166	177,671,119	216,858,603	52,468,771
5. Commercial multiple peril	89,480,666	227,646,638	187,980,238	129,147,066	105,003,992	125,924,220	152,954,802	207,120,476	62,852,626
6. Mortgage guaranty									
8. Ocean marine	23,145,906	23,084,509	26,956,685	19,273,730	17,087,865	(78,539)	10,069,998	26,213,058	6,626,354
9. Inland marine	43,756,996	29,954,630	50,954,333	22,757,293	65,036,249	8,973,072	47,030,928	49,735,686	5,665,706
10. Financial guaranty									
11.1 Medical malpractice - occurrence		368,371	123,404	244,967	101	45,326	15,229	275,165	125
11.2 Medical malpractice - claims - made									
12. Earthquake	2,272	110,598	40,843	72,027		627,408	905,514	(206,079)	28,580
13. Group accident and health		3,807,679	2,840,629	967,050	2,332,788	(388,515)	651,331	(a) 2,259,992	176,839
14. Credit accident and health (group and individual)									
15. Other accident and health	8,464	818,496	273,875	553,085	250,814	2,108,662	790,425	(a) 2,122,136	68,099
16. Workers' compensation	1,462,750,103	5,764,991,307	3,687,708,930	3,540,032,480	745,042,632	4,617,281,334	3,039,310,642	5,863,045,804	704,174,666
17.1 Other liability - occurrence	694,280,403	509,379,709	570,125,459	633,534,653	657,922,760	759,995,795	880,470,606	1,170,982,602	496,537,318
17.2 Other liability - claims - made	97,870,468	50,793,788	100,069,985	48,594,271	321,631,895	110,380,032	290,403,765	190,202,433	68,899,422
18.1 Products liability - occurrence	82,448,326	56,503,043	67,207,137	71,744,232	164,411,475	152,425,856	109,936,979	278,644,584	184,587,109
18.2 Products liability - claims - made	2,025,000	1,272,778	1,603,506	1,694,272	5,916,570	1,670,538	1,752,751	7,528,629	3,895,812
19.1, 19.2 Private passenger auto liability	136,910,183	1,177,173,456	518,013,694	796,069,945	51,347,936	618,339,921	239,340,396	1,226,417,406	337,487,826
19.3, 19.4 Commercial auto liability	154,983,043	323,403,290	239,984,235	238,402,098	139,041,779	313,717,992	289,800,938	401,360,931	73,200,991
21. Auto physical damage	918,202	2,589	443,493	477,298	338,758	(19,753,577)	4,787,945	(23,725,466)	37,484,221
22. Aircraft (all perils)	106,440,231	8,882,458	82,963,463	32,359,226	20,932,972	8,297,868	15,431,882	46,158,184	9,552,092
23. Fidelity	3,124,401	610,313	1,290,326	2,444,388	18,055,306	3,133,342	13,817,426	9,815,610	910,254
24. Surety	21,334,324	885,187	12,477,057	9,742,454	76,383,117	4,901,775	31,932,062	59,095,284	17,026,558
26. Burglary and theft	6,084	106,536	37,728	74,892	1,218,565	(16,550)	440,484	836,423	807,727
27. Boiler and machinery	1,306	19,575	7,752	13,129	18,388	250,984	163,633	118,868	81,430
28. Credit						14,041	4,704	9,337	492
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	74,383,412	27,160,684	47,222,728	X X X	55,652,270	19,678,317	83,196,681	1,548,140
31. Reinsurance-Nonproportional Assumed Liability	X X X	184,572,777	61,831,880	122,740,897	X X X	181,718,422	60,875,671	243,583,648	6,309,694
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	3,689,152	1,235,866	2,453,286	X X X			2,453,286	28,574
33. Aggregate write-ins for other lines of business									
34. TOTALS	2,924,962,644	8,821,768,665	5,816,374,455	5,930,356,854	2,402,919,089	7,239,882,146	5,403,695,927	10,169,462,162	2,084,590,742

10

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	310,543,135			310,543,135
1.2 Reinsurance assumed	636,890,416			636,890,416
1.3 Reinsurance ceded	389,236,959			389,236,959
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	558,196,592			558,196,592
2. Commission and brokerage:				
2.1 Direct, excluding contingent		169,739,761		169,739,761
2.2 Reinsurance assumed, excluding contingent		612,115,203		612,115,203
2.3 Reinsurance ceded, excluding contingent		643,598,596		643,598,596
2.4 Contingent-direct		14,163,441		14,163,441
2.5 Contingent-reinsurance assumed		110,352,224		110,352,224
2.6 Contingent-reinsurance ceded		42,488,594		42,488,594
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)		220,283,439		220,283,439
3. Allowances to manager and agents		2,124		2,124
4. Advertising	7,147,918	79,910,712	311,829	87,370,459
5. Boards, bureaus and associations	1,632,714	12,894,594	10,320	14,537,628
6. Surveys and underwriting reports	7,232	15,590,092	319	15,597,643
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	347,108,824	771,454,826	70,946,648	1,189,510,298
8.2 Payroll taxes	19,642,147	64,196,579	3,201,287	87,040,013
9. Employee relations and welfare	66,117,120	216,943,433	3,203,586	286,264,139
10. Insurance	34,343,312	10,604,501	248,329	45,196,142
11. Directors' fees		123,624		123,624
12. Travel and travel items	23,546,644	59,580,953	2,453,665	85,581,262
13. Rent and rent items	21,232,627	69,706,362	1,046,672	91,985,661
14. Equipment	17,416,528	51,773,382	1,152,369	70,342,279
15. Cost or depreciation of EDP equipment and software	3,492,753	13,866,874	604,075	17,963,702
16. Printing and stationery	4,916,832	14,437,763	164,179	19,518,774
17. Postage, telephone and telegraph, exchange and express	15,004,816	43,687,768	365,125	59,057,709
18. Legal and auditing	3,357,558	16,496,551	7,019,267	26,873,376
19. Totals (Lines 3 to 18)	564,967,025	1,441,270,138	90,727,670	2,096,964,833
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 6,873,722		289,498,699		289,498,699
20.2 Insurance department licenses and fees		5,445,958		5,445,958
20.3 Gross guaranty association assessments		(6,117,896)		(6,117,896)
20.4 All other (excluding federal and foreign income and real estate)		6,130,665		6,130,665
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		294,957,426		294,957,426
21. Real estate expenses			29,748,410	29,748,410
22. Real estate taxes			4,807,525	4,807,525
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	30,880,301	70,158,561	10,907,325	111,946,187
25. Total expenses incurred	1,154,043,918	2,026,669,564	136,190,930	(a) 3,316,904,412
26. Less unpaid expenses-current year	2,084,590,736	635,590,826	58,639,751	2,778,821,313
27. Add unpaid expenses-prior year	1,934,981,136	558,637,070	48,471,681	2,542,089,887
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)	1,004,434,318	1,949,715,808	126,022,860	3,080,172,986

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	11,641,000			11,641,000
2402. Other expenses	19,239,301	70,158,561	10,907,325	100,305,187
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	30,880,301	70,158,561	10,907,325	111,946,187

(a) Includes management fees of \$ 0 to affiliates and \$ 3,527,055 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 113,996,359	111,579,765
1.1 Bonds exempt from U.S. tax	(a) 76,531,724	93,458,878
1.2 Other bonds (unaffiliated)	(a) 488,626,311	487,044,684
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 7,158,102	8,376,546
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	27,544,540	26,829,644
2.21 Common stocks of affiliates	614,532,081	614,182,081
3. Mortgage loans	(c) 2,787,891	2,230,313
4. Real estate	(d) 62,678,270	62,678,270
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 24,338,242	25,143,609
7. Derivative instruments	(f)	
8. Other invested assets	347,564,081	347,564,081
9. Aggregate write-ins for investment income	5,401,760	5,401,760
10. Total gross investment income	1,771,159,361	1,784,489,631
11. Investment expenses		(g) 136,190,930
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 82,717,634
14. Depreciation on real estate and other invested assets		(i) 14,550,381
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		233,458,945
17. Net investment income (Line 10 minus Line 16)		1,551,030,686
<b>DETAILS OF WRITE-INS</b>		
0901. Miscellaneous Income/ (Expense)	5,401,760	5,401,760
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	5,401,760	5,401,760
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 \$ 27,661,367 accrual of discount less \$ 25,799,593 amortization of premium and less \$ 31,074,965 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 \$ 59,347,260 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 2,650,698 accrual of discount less \$ 26,955 amortization of premium and less \$ 799,637 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 \$ 80,874,102 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 14,550,381 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	3,460,741			3,460,741
1.1 Bonds exempt from U.S. tax	2,883			2,883
1.2 Other bonds (unaffiliated)	12,962,349	(16,936,570)	11,227,957	7,253,736
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	7,646,113	(2,150,289)	(1,958,270)	3,537,554
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	71,745,362	(5,309,622)	134,885,576	201,321,316
2.21 Common stocks of affiliates	(662,090)	(258,001)	(220,912,431)	(221,832,522)
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	(29,967)			(29,967)
7. Derivative instruments				
8. Other invested assets	92,477,872	(28,906,294)	264,704,219	328,275,797
9. Aggregate write-ins for capital gains (losses)	617,411			617,411
10. Total capital gains (losses)	188,220,674	(53,560,776)	187,947,051	322,606,949

<b>DETAILS OF WRITE-INS</b>				
0901. Gain/(Loss) - Sale of Miscellaneous Assets	617,411			617,411
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)	617,411			617,411

**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)	2,300,145	2,667,944	367,799
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,300,145	2,667,944	367,799
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	20,859,359	19,085,084	(1,774,275)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,353		(3,353)
13.3 Accrued retrospective premiums	50,634,071	52,653,830	2,019,759
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	2,139,944	2,347,430	207,486
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	94,673,994	98,803,423	4,129,429
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	211,328,371	167,239,087	(44,089,284)
19. Furniture and equipment, including health care delivery assets	27,291,290	19,944,330	(7,346,960)
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	100,144,114	83,588,685	(16,555,429)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	509,374,641	446,329,813	(63,044,828)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	509,374,641	446,329,813	(63,044,828)

<b>DETAILS OF WRITE-INS</b>			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	91,247,443	77,401,882	(13,845,561)
2302. Amounts billed and receivable under high deductible policies	8,896,671	6,186,803	(2,709,868)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	100,144,114	83,588,685	(16,555,429)

## 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 Massachusetts Insurance Commissioner, the accompanying financial statements of Liberty Mutual Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

#### C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value except that investments in stocks of subsidiaries and affiliates are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual. Preferred stocks of subsidiaries and affiliates are carried according to Note 1 C(7).
5. Mortgage loans are reported at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 88, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 3- Business Combinations and Goodwill

#### A. Statutory Purchase Method:

<u>Acquired Company</u>	<u>Date of Acquisition</u>	<u>% Ownership</u>	<u>Cost</u>	<u>Unamortized Goodwill December 31, 2006</u>	<u>Goodwill Amortization Current Year</u>
Liberty Personal Insurance Company	July 1, 1998	100.00%	\$49,434,445	\$2,839,797	\$1,893,198
Liberty Insurance Holdings Inc.	May 10, 1999	100.00%	\$1,472,492,028	\$15,941,748	\$6,832,178
Colorado Casualty Insurance Company	September 29, 1998	100.00%	\$46,319,965	\$6,912,500	\$3,950,000
Summit Holding Southeast Inc.	September 30, 1998	100.00%	\$229,350,130	\$31,905,386	\$18,231,653

#### B. Statutory Mergers

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

#### C. Impairment Loss

The Company did not recognize an impairment loss during the period.

### Note 4- Discontinued Operations

The Company has no discontinued operations to report.

### Note 5- Investments

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company currently holds a \$39,500,000 mortgage from its subsidiary, Liberty Sanibel II Limited Partnership. The loan, maturing on June 17, 2010, is fully secured. Interest is charged at 5.62%, payable on a quarterly basis. There was no uncollected interest on this loan as of December 31, 2006.

During 2006, the Company began direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors. As of December 31, 2006 the Company held commercial loans in good standing with an outstanding principal balance of \$210,060,880. The maximum and minimum lending rates for mortgage loans during 2006 were 7.375% and 4.75% respectively. The maximum loan to value of any loan written during 2006 was 75%. No loans were impaired or had interest more than 180 days past due.

#### B. Troubled Debt Restructuring for Creditors

Not applicable

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan-Backed Securities

- 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.
- Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
- 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 did not incur any impairments on real estate during the year.
- The Company does not engage in retail land sale operations.

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

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

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

#### A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

#### B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim performance which indicates a probable inability to recover the carrying amount of the asset leads to impairment losses being recognized by management.



## NOTES TO FINANCIAL STATEMENTS

The Company realized impairment losses of \$28,906,294 during the year.

### Note 7- Investment Income

#### A. Accrued Investment Income

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

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2006.

### Note 8- Derivative Instruments

The Company maintains an active Derivative Use Policy (approved in 2004 by the State of New York). There are no current derivatives holdings or current year derivatives transactions executed under this policy. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and immaterial to the underlying investment portfolio.

### Note 9 - Income Taxes

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

	December 31, 2006	December 31, 2005	Change
Total of gross deferred tax assets	\$1,295,722,000	\$1,187,040,000	\$ 108,682,000
Total of deferred tax liabilities	(645,962,000)	(502,969,000)	(142,993,000)
Net deferred tax asset	649,760,000	684,071,000	(34,311,000)
Net deferred tax asset non-admitted	(94,673,994)	(98,803,423)	4,129,429
Net admitted deferred tax asset	\$ 555,086,006	\$ 585,267,577	\$ (30,181,571)

#### B. The Company has not provided for deferred taxes on unremitted earnings of subsidiaries outside the United States where such earnings are permanently reinvested. At December 31, 2006, unremitted earnings of foreign subsidiaries were \$587,888,365. If these earnings were distributed in the form of dividends or otherwise, the Company would be subject to U.S. income taxes less an adjustment for applicable foreign tax credits.

The American Jobs Creation Act of 2004 ("the AJC Act") introduced a special 85% dividends received deduction on the repatriation of certain foreign earnings to a United States taxpayer, provided certain criteria are met. The maximum amount of foreign earnings eligible for the deduction is limited to the greater of \$500,000,000 or the amount shown in the Company's most recent audited financial statements filed prior to June 30, 2003 as earnings permanently reinvested outside of the United States. In 2005, the Company repatriated a total of \$161,143,679 from its foreign subsidiaries and recorded a related tax expense of \$18,180,581.

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

	2006	2005
Federal tax on operations	\$264,731,889	\$(132,864,979)
Net operating loss benefit	0	0
Foreign tax on operations	14,632,396	18,769,795
Income tax incurred on operations	279,364,285	(114,095,184)
Tax on capital gains	47,107,112	106,302,103
Total income tax incurred	\$326,471,397	\$ (7,793,081)

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 deductions, investment impairments, unrealized gains, statutory non-admitted assets, and tax credit carryforwards.

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

	2006
Change in net deferred income tax (without unrealized gain or loss)	\$ 46,814,885
Tax effect of unrealized (gains) losses	(81,126,885)
Total change in net deferred income tax	\$(34,311,000)

#### D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, excludible dividend income, foreign operations, revisions to prior year estimates, and changes in deferred taxes related to non-admitted assets.

#### E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$248,550,000 from the current year and \$93,912,000 from the preceding year.

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

The Company has a foreign tax credit of \$72,462,016 as follows:

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**NOTES TO FINANCIAL STATEMENTS**


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Year Generated	Amount	Expiration
2001	\$7,813,363	2011
2002	\$6,976,371	2012
2003	\$43,702,558	2013
2004	\$13,709,055	2014
2006	\$260,669	2016

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

Access Insurance Services, Co.	Liberty Life Holdings, Inc.
Ambco Capital Corporation	Liberty Lloyds of Texas Insurance Company
America First Insurance Company	Liberty Management Services, Inc.
America First Lloyds Insurance Company	Liberty Mexico Holdings, Inc.
American Ambassador Casualty Company	Liberty Mutual Fire Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty Mutual Group Inc.
Berkeley Management Corporation	Liberty Mutual Holding Company, Inc.
Bridgefield Casualty Insurance Company	Liberty Mutual Insurance Company
Bridgefield Employers Insurance Company	Liberty Mutual Managed Care, Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Personal Insurance Company
Capitol Agency, Inc. (Ohio corporation)	Liberty Northwest Insurance Corporation
Capitol Agency, Inc. (Tennessee corporation)	Liberty Personal Insurance Company
Cascade Disability Management, Inc.	Liberty RE (Bermuda) Limited
Colorado Casualty Insurance Company	Liberty Real Estate Corporation
Companies Agency Insurance Services of California	Liberty Sponsored Insurance (Vermont) Inc.
Companies Agency of Alabama, Inc.	Liberty Surplus Insurance Corporation
Companies Agency of Georgia, Inc.	Liberty-USA Corporation
Companies Agency of Kentucky, Inc.	LIH-Re of America Corporation
Companies Agency of Massachusetts, Inc.	LIH U.S. P&C Corporation
Companies Agency of Michigan, Inc.	LIIA Insurance Agency, Inc.
Companies Agency of New York, Inc.	LIU Specialty Insurance Agency, Inc.
Companies Agency of Pennsylvania, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency of Phoenix, Inc.	LM Insurance Corporation
Consolidated Insurance Company	LMHC Massachusetts Holding, Inc.
Copley Venture Capital, Inc.	LRE Properties, Inc.
Countrywide Services Corporation	Mid-American Agency, Inc.
Diversified Settlements, Inc.	Mid-American Fire and Casualty Company
Employers Insurance Company of Wausau	Missouri Agency, Inc.
Excelsior Insurance Company	North Pacific Insurance Company
First State Agency, Inc.	Oregon Automobile Insurance Company
Florida State Agency, Inc.	Peerless Indemnity Insurance Company
Globe American Casualty Company	Peerless Insurance Company
Golden Eagle Insurance Corporation	LM Personal Insurance Company
Gulf States AIF, Inc.	LM General Insurance Company
Hawkeye-Security Insurance Company	LM Property and Casualty Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	San Diego Insurance Company
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Indiana corporation)
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Wisconsin corporation)
Indiana Insurance Company	St. James Insurance Company
LEXCO Limited	Summit Consulting, Inc.
Liberty Assignment Corporation	Summit Consulting, Inc. of Louisiana
Liberty Energy Corporation	Summit Holding Southeast, Inc.
Liberty Financial Services, Inc.	The First Liberty Insurance Corporation
Liberty Hospitality Group, Inc.	The Midwestern Indemnity Company
Liberty Insurance Company of America	The National Corporation
Liberty Insurance Corporation	The Netherlands Insurance Company
Liberty Insurance Holdings, Inc.	Wausau Business Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau General Insurance Company
Liberty International Asia Pacific Holdings, Inc.	Wausau Service Corporation
Liberty International Holdings, Inc.	Wausau Signature Agency, Inc.
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group Inc. ("LMGI"). LMGI is owned 100% by LMHC Massachusetts Holdings Inc. ("LMHC MHI") and LMHC MHI is owned 100% by Liberty Mutual Holding Company, Inc. ("LMHCI").
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.

During 2006, the Company had the following capital transactions with its parent and subsidiaries:

1. Received capital contributions of \$878,363,148 from its parent, LMGI.

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## NOTES TO FINANCIAL STATEMENTS

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2. Contributed capital to its subsidiaries in the amount of \$992,591,423.
3. Paid an ordinary dividend to LMGI, \$2,163,559.
4. Received the following distributions from its subsidiaries:
  - a. Ordinary dividends-\$586,692,307
  - b. Extraordinary dividends-\$351,884,671
  - c. Return of capital distributions-\$465,845,640

Included in these distributions was a downstream insurance subsidiary, Liberty Insurance Underwriters, Inc. ("LIU"). LIU was transferred at statutory book value at the date of the dividend, from Peerless Insurance Company, through an affiliated down stream intermediary non-insurance company.

- C. Refer to Note 26.
- D. At December 31, 2006, the Company reported \$76,514,342 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company guarantees, jointly and severally with Liberty Mutual Fire Insurance Company, \$27,000,000 of the medium term notes payable which are obligations of its parent company, LMGI.

The Company guarantees the performance of LMGI under a \$600,000,000 commercial paper program. The amount outstanding as of December 31, 2006 was \$0.

The Company guarantees the performance of the obligations of LMGI under a \$750,000,000 five-year revolving credit agreement. The revolving line of credit serves as a back-up facility for the commercial paper program. The amount outstanding at December 31, 2006 was \$0.

The Company guarantees the performance of Inversora Segucar, C.A. under a \$25,000,000 liquidity program. The amount outstanding as of December 31, 2006 was \$16,322,824.

The Company is contingently liable for the performance of Liberty Corporate Capital Limited's obligations under standby letters of credit in the aggregate amount of \$930,477,500 (£475M) of which \$763,971,000 (£390M) has been collateralized. As of December 31, 2006, there have been no drawings under the standby letters of credit.

The Company guarantees the performance of Liberty Corporate Capital Limited under a credit agreement in the amount of the greater of \$100,000,000, £65,000,000 or €85,000,000. As of December 31, 2006, there have been no drawings under the credit agreement.

The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$5,000,000. As of December 31, 2006, \$5,454,558 in "qualifying Louisiana investment" was held.

The Company guarantees that, if Liberty Personal Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay Liberty Personal Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$7,000,000. As of December 31, 2006, \$4,512,605 in "qualifying Louisiana investment" was held.

The Company guarantees the future non-cancellable lease obligations of Liberty Information Technology Ltd. in the amount of \$48,972,500 (£25M).

The Company guarantees the obligations of Liberty Life Assurance Company of Boston on policies and contracts issued and is obligated to provide additional capital to that company necessary at any time to raise its Best's Capital Adequacy Ratio to at least 150%.

The Company guarantees the obligations of Liberty Mutual Insurance Europe ("LMIE") Limited on policies and contracts issued until such time as LMIE can achieve a Standard & Poor's rating as specified in the guarantee.

The Company guarantees the performance of LMIE under a credit agreement in the amount of \$20,000,000. As of December 31, 2006, there have been no drawings under the agreement.

The Company guarantees obligations of Liberty Re (Bermuda) Limited under certain reinsurance policies issued.

The Company guarantees obligations of San Diego Insurance Company under a reinsurance agreement with Golden Eagle Insurance Company (in liquidation) and the California Insurance Commissioner, providing reinsurance of \$190,000,000 in excess of San Diego Insurance Company's existing obligations under a 1997 agreement.

- F. There are service agreements between the Company and the following subsidiaries or affiliated (SCA) companies:

America First Insurance Company  
 America First Lloyds Insurance Company  
 American Ambassador Insurance Company  
 Bridgefield Casualty Insurance Company  
 Bridgefield Employers Insurance Company  
 Cascade Disability Management, Inc.

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**NOTES TO FINANCIAL STATEMENTS**


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Colorado Casualty Insurance Company  
 Companies Agency, Inc.  
 Companies Agency of Alabama, Inc.  
 Companies Agency of Georgia, Inc.  
 Companies Agency of Kentucky, Inc.  
 Companies Agency of Massachusetts, Inc.  
 Companies Agency of Michigan, Inc.  
 Companies Agency of New York, Inc.  
 Companies Agency of Pennsylvania, Inc.  
 Consolidated Insurance Company  
 Employers Insurance Company of Wausau  
 Excelsior Insurance Company  
 Globe American Casualty Company  
 Golden Eagle Insurance Corporation  
 Hawkeye-Security Insurance Company  
 Helmsman Insurance Agency LLC  
 Helmsman Management Services LLC  
 Indiana Insurance Company  
 Liberty Energy Holdings LLC  
 Liberty Insurance Company of America  
 Liberty Insurance Corporation  
 Liberty Insurance Underwriters Inc.  
 Liberty Life Assurance Company of Boston  
 Liberty Lloyd's of Texas Insurance Company  
 Liberty Mutual Equity LLC  
 Liberty Mutual Group Inc.  
 Liberty Mutual Managed Care, Inc.  
 Liberty Mutual Mid-Atlantic Insurance Company (fka M&B)  
 Liberty Mutual Personal Insurance Company  
 Liberty Northwest Insurance Company  
 Liberty Personal Insurance Company  
 Liberty Surplus Insurance Corporation  
 LIU Specialty Agency, Inc.  
 LM General Insurance Company  
 LM Insurance Corporation  
 LM Personal Insurance Company  
 LM Property and Casualty Insurance Company  
 Mid-American Fire and Casualty Company  
 Montgomery Mutual Insurance Company  
 National Insurance Association  
 North Pacific Insurance Company  
 Oregon Automobile Insurance Company  
 Peerless Indemnity Insurance Company  
 Peerless Insurance Company  
 San Diego Insurance Company  
 The First Liberty Insurance Corporation  
 The Midwestern Indemnity Company  
 The Netherlands Insurance Company  
 Wausau Business Insurance Company  
 Wausau General Insurance Company  
 Wausau Signature Agency, Inc.  
 Wausau Underwriters Insurance Company

Under these agreements, the Company may provide the SCA companies with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company. Services include but are not limited to the following: claims handling, credit and collections, sales policy production, underwriting, investment management, and a variety of computer activities. The Company is reimbursed for the costs of all services which it provides under these agreements.

There are service agreements between the Company and the following SCA companies:

Helmsman Insurance Agency, LLC  
 Helmsman Management Services, LLC  
 Liberty Mutual Managed Care, Inc.

Under these agreements, the SCA companies provide the Company with agency services, claims administration services and managed care services and the Company pays reasonable fees for all services which it receives under these agreements.

Pursuant to an Employee Benefit Plans Cost-Sharing Agreement, the Company has agreed to reimburse LMGI for certain costs related to one or more employee benefit or welfare plans covering current or past employees of the Company or its affiliates which have been transferred to LMGI or which may be transferred to LMGI in the future. The amount of the reimbursement is: (a) the required contributions to the pension plans and (b) with respect to other plans, the benefits incurred on the Company's behalf.

See Note 26 for information regarding the Inter-Company Reinsurance Agreement.

The Company is party to a Federal Tax Sharing Agreement (See Note 9).

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

## NOTES TO FINANCIAL STATEMENTS

- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies greater than 10% of admitted assets.
- J. The Company did not recognize any impairment write down for its subsidiary, controlled, or affiliated companies during the statement period.
- K. The Company does not use CARVM in calculating its investment in its foreign subsidiaries.

### **Note 11- Debt**

Debt consists of the following obligation as of December 31, 2006:

The Company maintains \$600,000,000 revolving line of credit with LMGI. Outstanding borrowings as of December 31, 2006 totaled \$961,000. Interest is paid quarterly in arrears based on average borrowings at a variable interest rate. \$2,333,353 of interest was paid in 2006.

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

- A. The U.S. Liberty Mutual Retirement Benefit Plan and Supplemental Income at Retirement Plan (SIRP) defined benefit pension plans are sponsored by the Holding Company, LMGI. Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations as of December 31, 2006 and December 31, 2005. (The Employees' Thrift-Incentive plan and Supplemental Income at Retirement Plan (SIRP) defined contribution pension plans are also sponsored by LMGI.)

The Company continues to sponsor non-contributory defined benefit and contributory defined contribution pension plans covering substantially all Canadian and certain U.S. employees. The benefits and eligibility are based on age, years of service and the employee's compensation, as more fully defined in the Plan. As of December 31, 2006, the company accrued pension cost in accordance with the actuarially determined amounts, with an offset for the incremental asset amortization.

The Company's U.S. postretirement health and life benefit obligations are also sponsored by LMGI. Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations as of December 31, 2006 and December 31, 2005. However, the Company continues to provide certain health care and life insurance benefits for retired Canadian employees. Substantially all Canadian employees may become eligible for these benefits if they reach retirement age and have ten years of service working for the Company, as more fully defined in the Plan. Also, the Company has recorded an obligation in 2006 for certain postretirement split-dollar life insurance benefits for U.S. employees.

A summary of assets, obligations, and assumptions of the Canadian Pension Plans and Postretirement Benefit Plans are as follows at December 31, 2006 and 2005:

	<u>Pension Plans</u>		<u>Postretirement</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>(1) Change in benefit obligations</b>				
a. Benefit obligations, beginning of year	\$ 131,581,245	\$ 106,830,484	\$ 2,123,919	\$ 1,898,208
b. Service costs	3,835,373	3,647,426	-	-
c. Interest costs	7,319,269	6,681,222	278,323	120,583
d. Eligibility costs	-	-	328,484	29,436
e. Actuarial (gains)/losses	(23,677,910)	17,403,553	459,148	149,158
f. Foreign currency exchange rate change	(309,879)	1,287,130	(30,117)	65,105
g. Other	-	-	848,890	-
h. Benefits paid	(4,592,985)	(4,268,570)	(183,171)	(138,571)
i. Benefit obligations, end of year	<u>\$ 114,155,113</u>	<u>\$ 131,581,245</u>	<u>\$ 3,825,476</u>	<u>\$ 2,123,919</u>
<b>(2) Change in plan assets</b>				
a. Fair value of plan assets at beginning of year	\$ 36,094,429	\$ 32,340,033	\$ -	\$ -
b. Actual return on plan assets	6,873,418	3,314,042	-	-
c. Foreign currency exchange rate changes	(446,406)	1,108,585	-	-
d. Employer contributions	5,307,328	3,600,339	183,171	138,571
e. Benefits paid	(4,592,985)	(4,268,570)	(183,171)	(138,571)
f. Fair value of plan assets at end of the year	<u>\$ 43,235,784</u>	<u>\$ 36,094,429</u>	<u>\$ -</u>	<u>\$ -</u>
<b>(3) Reconciliation of funding status</b>				
a. Funded status of the plan	\$ (70,919,328)	\$ (95,486,816)	\$ (3,825,476)	\$ (2,123,919)
b. Unrecognized net (gain)/loss	18,712,521	49,746,686	1,133,006	(149,821)

## NOTES TO FINANCIAL STATEMENTS

b. Unrecognized net (gain)/loss	18,712,521	49,746,686	1,133,006	(149,821)
c. Unrecognized prior service costs	596,773	677,685	-	-
d. Unrecognized net transition (asset)/obligation	2,430,882	2,492,028	949,788	1,052,278
e. Net amount recognized	<u>\$ (49,179,152)</u>	<u>\$ (42,570,417)</u>	<u>\$ (1,742,682)</u>	<u>\$ (1,221,462)</u>
<b>(4) Vested accumulated benefit obligation</b>	\$ 92,149,334	\$ 93,559,423	\$ 3,825,476	\$ 2,123,919
<b>(5) Non-vested benefit obligation</b>	\$ -	\$ -	\$ 4,003,796	\$ 841,186
<b>(6) Components of net periodic benefit costs</b>				
a. Service costs	\$ 3,835,373	\$ 3,647,426	\$ -	\$ -
b. Eligibility costs	-	-	328,484	29,436
c. Interest costs	7,319,269	6,681,222	278,323	120,583
d. Expected return on plan assets	(2,767,324)	(2,831,251)	-	-
e. Amortization of unrecognized:				
Net (gain)/Loss	3,310,324	2,040,294	476	(22,120)
Prior service cost	80,912	80,912	-	-
Net transition (asset)/obligation	60,078	79,437	103,279	99,238
Total net periodic benefit cost	<u>\$ 11,838,632</u>	<u>\$ 9,698,040</u>	<u>\$ 710,562</u>	<u>\$ 227,137</u>

**(7) Amounts recognized in the statutory financial statements consist of**

Prepaid Benefit Cost	\$ 5,490,359	\$ 3,615,510	\$ -	\$ -
Accrued benefit liability	(55,903,679)	(57,464,992)	(1,742,682)	(1,221,462)
Minimum pension liability	1,114,822	2,128,647	-	-
Intangible asset	119,346	9,150,418	-	-
Net amount recognized	<u>\$ (49,179,152)</u>	<u>\$ (42,570,417)</u>	<u>\$ (1,742,682)</u>	<u>\$ (1,221,462)</u>
Change in additional pension liability	(1,013,825)	(3,862,760)	-	-

**(8) Weighted-average assumptions used to determine net periodic benefit costs:**

Discount rate	5.50%	6.25%	5.50%	6.25%
Expected return on plan assets	7.50%	8.00%	-	-
Rate of compensation increase	4.70%	4.70%	-	-

**Weighted-average assumptions used to determine projected benefit obligation:**

Discount rate	5.70%	5.50%	5.70%	5.50%
Rate of compensation increase	4.70%	4.70%	-	-

(9) The measurement date used to determine the pension and other postretirement measurements is December 31.

(10) The weighted average healthcare cost trend rate assumed for 2007 is 9.0% graded to 5.0% for 2011.

(11) Assumed healthcare cost rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed healthcare cost trends rate would have the following effects:

	1-Percentage <u>Point Increase</u>	1-Percentage <u>Point Decrease</u>
Effect on postretirement benefit obligation:	\$ 339,345	\$ (264,517)
Effect on total of service cost and interest cost:	\$ 30,716	\$ (23,591)

## NOTES TO FINANCIAL STATEMENTS

### (12) The pension plan's weighted-average asset allocation by asset category is as follows:

Asset Category	2006	2005
Equity Investments	70%	76%
Debt Investments	20%	20%
Other	10%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Narrative description of investment policy

The Company recognizes that, based on historical data, the asset classes most likely to produce the greatest return in excess of inflation over time are also likely to exhibit the most volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest return over time. Therefore, the investment philosophies and strategies must take into account both return and risk objectives.

Based on the following considerations, the Company can tolerate a moderate amount of risk while striving to maximize investment returns:

- i. The Company is responsible for financing any unfunded liabilities emerging because of poor investment returns. Therefore, the Company has a direct exposure to risk. While it is important to avoid excessive volatility in investment returns, the Company can tolerate some volatility risk;
- ii. The Company contributes to the Plan in compliance with regulatory requirements and at a level sufficient to finance the defined benefits. The Company will establish these contributions based on the advice of an actuary. However, periodic increases in pension contributions, to finance unfunded liabilities emerging from poorer than expected investment performance, should not significantly affect the Company's overall cash flow. Therefore, the Company can tolerate some volatility of investment returns; and,
- iii. The Plan is managed on a going concern basis, including management of the assets. In the foreseeable future, it is unlikely that there will be any special liquidity demands on the Plan. Thus, shorter-term fluctuations in security values will not have a significant adverse impact on the financial stability of the Plan. Therefore, the Company can tolerate some volatility of investment returns.

Taking into consideration the investment risk and philosophy of the Plan, the following asset mix has been established.

Assets	Minimum %	Target Mix %	Maximum %
Equity Investments	45	70	85
Debt Investments	15	30	40
Other	0	0	10

#### Narrative description of expected long term rate of return assumption

The expected long-term rate of return is estimated based on many factors including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies.

### (13) Expected Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate are expected to be paid:

Year	Pension	Postretirement Benefits
2007	\$ 4,009,326	\$ 160,543
2008	4,003,047	168,776
2009	4,045,701	178,038
2010	4,095,994	184,556
2011	4,144,958	191,588
2012-2016	19,985,325	1,019,343

### (14) Expected Company Contributions

The Company expects to contribute \$4,854,491 and \$160,543 to the pension and postretirement plans respectively in 2007.

- B. The Company continues to sponsor various defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately \$951,433 and \$911,261 in 2006 and 2005 respectively. The Company's contribution to the defined contribution plans is based on the employee contribution amounts and profitability.
- C. Multi-employer Plans  
Not applicable
- D. The Company's eligible U.S. employees participate in non contributory defined benefit pension plans and contributory

## NOTES TO FINANCIAL STATEMENTS

defined contribution pension plans sponsored by LMGI, a holding company. The company has no legal obligation for benefits under these plans subsequent to September 24, 2003. LMGI allocates defined benefit pension amounts to the Company based on paid amounts. LMGI allocates defined contribution pension and postretirement amounts to the Company based on Statutory incurred amounts.

LMGI allocated \$232,775,234 and \$165,417,352 of defined benefit pension expense to the Company in 2006 and 2005, respectively. LMGI allocated \$87,108,337 and \$74,350,973 of defined contribution pension expense to the Company in 2006 and 2005, respectively. LMGI allocated \$49,283,740 and \$40,297,427 of postretirement expense to the Company in 2006 and 2005, respectively.

- E. The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued.

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

1. Common Stock

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

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Massachusetts-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2007 is \$1,007,010,200. The Keepwell agreement with certain of the Company's affiliates, which under certain circumstances could limit the Company from paying any dividends to its shareholder when the Company's surplus is below 300% of Authorized Control Level risk based capital, terminated in 2006.

5. As of December 31, 2006, the Company has pre-tax restricted surplus of \$811,135,623 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 \$336,355,591.

10. Surplus Notes

(1) Date Issued	(2) Interest Rate	(3) Amount of Note(s)	(4) Carrying Value	(5) Interest Paid Current Year	(6) Total Interest Paid	(7) Unapproved Interest	(8) Date of Maturity
May 04, 1995	8.200%	\$121,361,000	\$121,352,776	\$9,951,602	\$208,734,381	\$0	5/04/2007
May 18, 1995	8.500%	150,000,000	149,810,741	12,750,000	146,625,000	0	5/15/2025
Oct 21, 1996	7.875%	250,000,000	249,723,461	19,687,500	196,875,000	0	10/15/2026
Oct 15, 1997	7.697%	500,000,000	492,322,453	38,485,000	346,365,000	0	10/15/2097
Total		\$1,021,361,000	\$1,013,209,431	\$80,874,102	\$898,599,381	\$0	

The surplus debenture in the amount of \$121,361,000, listed under 13.10.2 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Brothers Inc. and is administered by The Bank of New York as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture, in the amount of \$150,000,000 listed under 13.10.1 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Brothers Inc. and is administered by The Bank of New York as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of \$250,000,000, listed under 13.10.3 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Morgan Stanley & Co. and Salomon Brothers Inc. and is administered by The Bank of New York as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of \$500,000,000, listed under 13.10.4 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Goldman Sachs & Co. and Merrill Lynch & Co. and is



## NOTES TO FINANCIAL STATEMENTS

administered by The Bank of New York as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

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 \$184,005,489 that is offset by future premium tax credits of \$32,763,970. 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 have been 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 LMGI. LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

**Note 15- Leases**

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

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, furniture and fixtures. 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 following is a schedule of the Company's minimum lease obligations:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2007	\$26,487,071	\$70,378,363
2008	24,444,877	64,619,021
2009	20,726,079	48,627,755
2010	14,494,452	34,094,588
2011	3,815,918	16,891,230
2012 & thereafter	-	91,218,171
Total	<u>\$89,968,397</u>	<u>\$325,829,128</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 and concentrations of credit risk.

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**NOTES TO FINANCIAL STATEMENTS**

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

## A. Transfers of Receivables reported as sales:

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

## B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Under the terms of the lending agreement, the Company does not participate in term loans. Therefore, the Company does not have collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Under the terms of the securities lending program, all collateral is restricted. Cash collateral is carried as a liability on the balance sheet, as, while the collateral is restricted, the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company. At December 31, 2006 the total market value of fixed maturities on loan was \$441,528,977 with corresponding collateral value of \$451,027,068 of which \$407,095,428 represents cash collateral.

## C. Wash Sales

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

**Note 18-Gain or Loss from Uninsured 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 \$631,942. Claim payment volume was \$25,755,707.

## 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 \$263,720,772 and \$61,446,819 respectively. Although uncertainty about the final loss amount still exists, the losses are reasonably estimable and such estimate has been recorded. The Company believes that its reinsurers are financially sound and that reinsurance collectibility is not a significant issue or concern.

**Note 21- Other Items**

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

## B. Troubled Debt Restructuring for Debtors

Not applicable

## C. Other Disclosures

## 1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2006 and 2005.
- b) The Company received payments from the Special Disability Trust Fund of \$14,570,189 in 2006 and \$3,904,593 in 2005.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$589,324 in 2006 and \$960,908 in 2005.

- 2) Assets in the amount of \$1,622,279,097 and \$2,609,010,382 as of December 31, 2006 and 2005, respectively, were on deposit with government authorities or trustees as required by law. Assets valued at \$851,977,298 and \$817,847,425 at December 31, 2006 and 2005, respectively, were maintained as compensating balances or pledged as collateral for bank loans and other financing arrangements.

**NOTES TO FINANCIAL STATEMENTS**

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. Hybrid Securities

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

<u>CUSIP</u>	<u>Issuer</u>	<u>Description</u>	<u>Book/Adjusted Carrying Value</u>
05563RAA6	BANK OF NY CAPITAL	Redeemable Preferred	\$5,093,067
065912AA5	BANKAMERICA INSTIT-B	Redeemable Preferred	21,000,159
318924AA5	FIRST CHICAGO CAPITAL	Redeemable Preferred	19,221,514
31945JAA9	FIRST CHICAGO CAPITAL	Redeemable Preferred	25,863,057
338899AA5	FLEET CAPITAL TRUST II	Redeemable Preferred	2,951,385
46623MAA9	JPM CAPITAL TRUST II	Redeemable Preferred	6,181,233
58551GAA3	MELLON CAPITAL	Redeemable Preferred	4,887,390
58551HAA1	MELLON CAPITAL II	Redeemable Preferred	9,104,111

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, the unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus are listed below.

<u>Reinsurer</u>	<u>Naic No.</u>	<u>Federal ID No.</u>	<u>Recoverable Amount</u>
National Workers' Compensation Reins Pool		AA-9992118	\$1,645,576,000
Swiss Re Group			
Employers Reinsurance Corporation	39845	48-0921045	
Facility Insurance Corporation	10818	74-1194354	
GE Reinsurance Corporation	22969	36-2667627	
North American Elite Insurance Company	29700	13-3440360	
North American Specialty Insurance	29874	02-0311919	
SR International Business Ins Co Ltd		AA-1121405	
Swiss Reinsurance Australia Ltd.		AA-1934100	
Swiss Reinsurance Life and Health America	82627	06-0839705	
Swiss Reinsurance Life and Health Canada		AA-1560016	
Swiss Reinsurance America Corporation	25364	13-1675535	
Swiss Reinsurance Co Canada		AA-1560160	
Swiss Reinsurance Co. U.K. Ltd.		AA-1121400	
Swiss Reinsurance Co		AA-1460146	
Total Swiss Re Group			1,028,794,000
National Indemnity Company	20087	47-0355979	323,498,000

B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2006.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	4,455,367,542	\$125,451,991	1,596,611,367	\$ 31,006,020	2,858,756,175	\$ 94,445,971
All Other	104,902,308	27,153,136	770,131,716	167,687,833	(665,229,408)	(140,534,697)
Total	4,560,269,850	\$152,605,127	2,366,743,083	\$198,693,853	2,193,526,767	\$ (46,088,726)

Direct Unearned Premium Reserve: \$921,179,127

## NOTES TO FINANCIAL STATEMENTS

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$17,920,609	\$111,784,891	\$43,451,343	\$ 86,254,157
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	0	129,675,000	(129,675,000)
Totals	\$17,920,609	\$111,784,891	\$173,126,343	\$(43,420,843)

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

- D. During the current year, the Company wrote off reinsurance balances of \$14,735,216. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$13,991,059
Loss Adjustment Expenses Incurred	744,157
Premiums Earned	0
Other Expenses	0
Total	\$14,735,216
Reinsurer	
Andrew Weir Insurance Co Ltd	\$ 482,287
Equitas	6,625,485
Munich Reinsurance America Inc	3,630,542
Reliance Insurance Co	3,019,482
Other Reinsurers	977,420
Total	\$14,735,216

- E. The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an increase in loss and loss adjustment expense of \$6,364,480. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$4,346,314
Loss Adjustment Expenses Incurred	2,018,166
Premiums Earned	0
Other	0
Total	\$6,364,480
Reinsurer	
Interstate Indemnity	\$ 348,000
British Merchant Ins Co Ltd	22,345
Dominion Insurance Co Ltd	807,245
London & Edinburgh ins Co Ltd	50,882
Royal and Scottish Ins Co Ltd	25,477
Trent Ins Co	13,007
Unione Italiana UK	21,506
World Marine and General	38,964
XI Ins America	6,816
World Auxiliary Ins Co	(1,312)
Heddington Ins (UK) Ltd	(3,680)
Mitsui Sumitomo Re Ltd	(211,464)
Oslo Re (UK) Ltd	(61,849)
Sphere Drake Ins Ltd	(2,915)
Tokio Marine Europe Ins	(171,574)
CX Re Ltd (LMIC)	5,483,032
Total	\$6,364,480

## NOTES TO FINANCIAL STATEMENTS

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

	Assumed	Ceded
a. Reserves Transferred:		
1. Initial Reserves	\$8,115,502	\$1,544,937,670
2. Adjustment – Prior Year(s)	(3,057,801)	(169,932,204)
3. Adjustment – Current Year	(2,578,109)	24,594,296
4. Total	\$2,479,592	\$1,399,599,762
b. Consideration Paid or Received:		
1. Initial Reserves	\$2,432,763	\$723,343,292
2. Adjustment – Prior Year(s)	1,000,000	14,977,771
3. Adjustment – Current Year	99,525	20,267,496
4. Total	\$3,532,288	\$758,588,559
c. Amounts Recovered / Paid - Cumulative		
1. Initial Reserves	\$(17,144,434)	\$ 9,019,935
2. Adjustment – Prior Year(s)	3,713,801	128,239,938
3. Adjustment – Current Year	3,501,708	28,430,430
4. Total	\$ (9,928,925)	\$165,690,303
d. Special Surplus from Retroactive Reinsurance		
1. Initial Reserves	\$2,385,451	\$(833,654,855)
2. Adjustment – Prior Year(s)	344,000	56,670,037
3. Adjustment – Current Year	(1,593,700)	(33,015,054)
4. Total	1,135,751	(809,999,872)
5. Cumulative Total Transferred to Unassigned Funds	\$9,845,870	\$3,298,366
e. Other insurers included in the above transactions:		
Allianz Cornhill International, AA-1120140	\$6,416,166	0
Employers Insurance Company of Wausau, 21458	(4,420,667)	0
Wettereau Insurance Co. Ltd., AA-33191047	484,093	0
National Indemnity Insurance Company, 20087		\$863,893,657
North American Specialty Insurance Company, 29874		668,192,999
Partner Re Co LTD, AA-3190686		242,294,000
ACE INA Overseas Insurance Company, AA-1560515		127,452,000
Federal Insurance Company, 20281		161,516,705
American Re-Insurance Company, 10227		24,456,941
Other		8,380,453
Everest Reinsurance Company, 26921		3,579,477
Ashmont Insurance Company Ltd., 10438		2,053,527
North European Financial Re, 1995 2210 680		1,592,422
Employers Insurance Company of Wausau, 21458		(336,149,215)
Liberty Mutual Fire Insurance Company, 23035		(210,093,259)
Liberty Insurance Corporation, 42404		(126,055,956)
LM Insurance Corporation, 33600		(4,201,866)
The First Liberty Insurance Corporation, 33588		(2,100,933)
Wausau Business Insurance Company, 26069		(8,403,730)
Wausau General Insurance Company, 26425		(8,403,730)
Wausau Underwriters Insurance Company, 26042		(8,403,730)
Total	\$2,479,592	\$1,399,599,762

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. At December 31, 2006, the deposit balance for reinsurance contracts accounted for under the deposit method was \$18,924,067.

### **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 non-admitted and charged to surplus.

Total accrued retro premium \$513,351,472

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**NOTES TO FINANCIAL STATEMENTS**


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Less: Non-admitted amount	50,634,071
Admitted amount	<u>\$462,717,401</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 favorable development in the personal auto and commercial auto lines of business. Original estimates are revised as additional information becomes known regarding individual claims.

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

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

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

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

- 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.
- 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.
- After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- 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.
- 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.
- 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.
- The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.

**NOTES TO FINANCIAL STATEMENTS**

- (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 \$715,641,327 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$715,641,327 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:

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$345,532,847
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$216,508,253
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$106,034,062

**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 \$2,938,979,489 and the amount billed and recoverable on paid claims was \$173,587,913.

**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 \$2,331,744,837 of liabilities carried at a discounted value of \$1,442,444,747 representing a discount of \$889,300,090.

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

## NOTES TO FINANCIAL STATEMENTS

periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of insureds with potential exposure, (vi) the cost to resolve claims, and (vii) the collectibility of reinsurance.

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

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

### Uncertainty Regarding Reserving Methodologies

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

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 \$135,401,000.

### 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.

### Asbestos:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Direct Basis</b>					
Beginning Reserves	\$901,970,408	\$983,576,237	\$1,049,655,346	\$1,132,137,549	\$1,328,836,352
Incurred losses and LAE	274,863,233	283,965,584	274,028,987	368,568,831	66,844,922
Calendar year payments	193,257,404	217,886,475	191,546,784	171,870,028	165,590,576
Ending Reserves	<u>983,576,237</u>	<u>1,049,655,346</u>	<u>1,132,137,549</u>	<u>1,328,836,352</u>	<u>1,230,090,698</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	72,476,036	124,326,398	174,402,174	325,577,910	341,730,084
Incurred losses and LAE	53,841,901	76,634,656	174,256,718	36,205,517	32,459,293
Calendar year payments	1,991,539	26,558,880	23,080,982	20,053,343	12,786,685
Ending Reserves	<u>124,326,398</u>	<u>174,402,174</u>	<u>325,577,910</u>	<u>341,730,084</u>	<u>361,402,692</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	560,570,395	638,409,310	747,851,685	632,726,271	693,166,681
Incurred losses and LAE	193,068,120	208,146,995	2,348,739	145,880,226	8,115,776
Calendar year payments	115,229,205	98,704,620	117,474,153	85,439,816	104,762,668
Ending Reserves	<u>638,409,310</u>	<u>747,851,685</u>	<u>632,726,271</u>	<u>693,166,681</u>	<u>596,519,789</u>
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					622,757,889
Assumed Reinsurance Basis					270,906,090
Net of Ceded Reinsurance Basis					238,198,900



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**NOTES TO FINANCIAL STATEMENTS**


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

Direct Basis	484,324,148
Assumed Reinsurance Basis	3,001,623
Net of Ceded Reinsurance Basis	211,207,834

**Environmental:**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Direct Basis</b>					
Beginning Reserves	379,227,654	296,925,161	213,934,073	472,269,947	456,188,201
Incurred losses and LAE	29,324,407	(36,492,934)	305,982,080	105,446,455	31,820,747
Calendar year payments	111,626,900	46,498,154	47,646,206	121,528,201	151,842,232
Ending Reserves	<u>296,925,161</u>	<u>213,934,073</u>	<u>472,269,947</u>	<u>456,188,201</u>	<u>336,166,716</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	73,787,636	78,381,553	37,184,556	47,138,514	34,792,329
Incurred losses and LAE	5,744,245	(37,454,401)	13,524,600	(8,133,130)	585,883
Calendar year payments	1,150,328	3,742,596	3,570,642	4,213,055	3,493,376
Ending Reserves	<u>78,381,553</u>	<u>37,184,556</u>	<u>47,138,514</u>	<u>34,792,329</u>	<u>31,884,836</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	282,886,345	203,795,235	171,395,770	350,264,436	283,836,280
Incurred losses and LAE	(7,241,185)	(5,320,000)	210,130,624	338,726	13,433,492
Calendar year payments	71,849,925	27,079,465	31,261,958	66,766,882	34,351,402
Ending Reserves	<u>203,795,235</u>	<u>171,395,770</u>	<u>350,264,436</u>	<u>283,836,280</u>	<u>262,918,370</u>

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

Direct Basis	234,772,089
Assumed Reinsurance Basis	19,466,843
Net of Ceded Reinsurance Basis	182,808,205

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

Direct Basis	141,076,906
Assumed Reinsurance Basis	613,022
Net of Ceded Reinsurance Basis	95,117,263

**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	1,639,417,731	6.580	1,639,417,731	6.581
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	671,036,021	2.693	671,036,021	2.694
1.22 Issued by U.S. government sponsored agencies	387,436,779	1.555	387,436,779	1.555
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	517,115,357	2.076	517,115,357	2.076
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	1,034,184,440	4.151	1,034,184,440	4.151
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	624,871,001	2.508	624,871,001	2.508
1.43 Revenue and assessment obligations	1,547,665,507	6.212	1,547,665,507	6.212
1.44 Industrial development and similar obligations	182,110	0.001	182,110	0.001
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	426,359,769	1.711	426,359,769	1.711
1.512 Issued or guaranteed by FNMA and FHLMC	1,965,028,248	7.887	1,965,028,248	7.888
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	1,296,269,816	5.203	1,296,269,816	5.203
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	38,810,516	0.156	38,810,516	0.156
1.523 All other	373,962,507	1.501	373,962,507	1.501
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	3,388,992,900	13.602	3,388,992,900	13.604
2.2 Unaffiliated foreign securities	424,455,758	1.704	424,455,758	1.704
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	38,545,269	0.155	38,545,269	0.155
3.2 Preferred stocks:				
3.21 Affiliated	131,322	0.001	131,322	0.001
3.22 Unaffiliated	234,177,594	0.940	234,177,594	0.940
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	1,453,126,611	5.832	1,453,126,611	5.833
3.4 Other equity securities:				
3.41 Affiliated	3,577,413,444	14.359	3,577,413,444	14.360
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	249,560,880	1.002	249,560,880	1.002
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	326,163,102	1.309	326,163,102	1.309
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)	1,111,445	0.004	1,111,445	0.004
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	41,352,591	0.166	41,352,591	0.166
8. Cash, cash equivalents and short-term investments	1,207,665,883	4.847	1,207,665,883	4.848
9. Other invested assets	3,449,595,396	13.846	3,447,295,251	13.838
10. Total invested assets	24,914,631,997	100.000	24,912,331,852	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? Massachusetts
- 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). 06/22/2006
- 3.4 By what department or departments? Massachusetts 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 [ X ] No [ ]
- 4.12 renewals? Yes [ X ] No [ ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ 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 02116  
 10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? 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 [X] No [ ]  
 11.11 Name of real estate holding company  
 11.12 Number of parcels involved  
 11.13 Total book/adjusted carrying value  
Various  
4  
\$ 523,339,398

- 11.2 If yes, provide explanation Liberty Mutual Insurance Company directly owns 100% of Liberty Mutual Equity, LLC and directly owns 92% of St. James/Arlington Real Estate LP.

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

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes  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	\$	441,528,978
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	\$	851,977,299
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
ROYAL TRUST / RBC	77 King Street West, Toronto, Ontario 1P9
JP MORGAN CHASE	259 George Street, Sydney, Australia
BANCO ITAU	Praca Alfredo Egydio de Souza Aranga n 100 - Torre Itausa

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
2528	LAZARD ASSET MANAGEMENT	30 Rockefeller Plaza, New York, NY 10112
106054	MATTHEWS INTERNATIONAL CAPITAL	Four Embarcadero Center, Suite 550, San Francisco, C
110126	HIGHLAND CAPITAL MANAGEMENT LP	Two Galleria Tower, 13455 Noel Road, Suite 800, Dalla
105247	BARCLAYS GLOBAL INVESTORS	45 Fremont Street, San Francisco, CA 94105
	STANCORP MORTGAGE INVESTORS	1100 SW Sixth Avenue, Portland, OR 97204

## 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#100	LMIA HIGH YIELD FUND	13,070,315
530158104	LIBERTY ALL-STAR EQUITY FUND	25,474,954
25.2999	Total	38,545,269

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 FUND	VENTAS REALTY LP/CAP CRP	282,932	12/29/2006
LMIA HIGH YIELD FUND	JP MORGAN PRIME MONEY MARKET FUND	268,181	12/29/2006
LMIA HIGH YIELD FUND	CHESAPEAKE ENERGY CORP	266,484	12/29/2006
LMIA HIGH YIELD FUND	WILLIAMS PARTNERS LP/WIL	234,596	12/29/2006
LMIA HIGH YIELD FUND	SENIOR HOUSING PROP	217,975	12/29/2006
LIBERTY ALL-STAR EQUITY F	MICROSOFT CORP	555,099	12/29/2006
LIBERTY ALL-STAR EQUITY F	JP MORGAN CHASE	536,248	12/29/2006
LIBERTY ALL-STAR EQUITY F	PHIZER INC	528,860	12/29/2006
LIBERTY ALL-STAR EQUITY F	FANNIE MAE	516,887	12/29/2006
LIBERTY ALL-STAR EQUITY F	COUNTRYWIDE FINANCIAL	453,199	12/29/2006

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	14,886,492,582	14,863,227,357	(23,265,225)
26.2 Preferred stocks	234,308,916	235,064,041	755,125
26.3 Totals	15,120,801,498	15,098,291,398	(22,510,100)

26.4 Describe the sources or methods utilized in determining the fair values: NAIC-SVO, IDC, 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? \$ 39,298,057

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? \$ 41,639,781

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? \$ 1,924,164

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

1 Name	2 Amount Paid
	\$

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

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

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

1.6 Individual policies:  
 Most current three years:  
 1.61 Total premium earned \$ \_\_\_\_\_  
 1.62 Total incurred claims \$ \_\_\_\_\_  
 1.63 Number of covered lives \$ \_\_\_\_\_  
 All years prior to most current three years:  
 1.64 Total premium earned \$ 9,913  
 1.65 Total incurred claims \$ 16,243  
 1.66 Number of covered lives \$ 2

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 55,102	\$ 93,984
2.2 Premium Denominator	\$ 7,561,989,751	\$ 6,889,135,285
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 4,753,286	\$ 5,066,276
2.5 Reserve Denominator	\$ 15,477,731,463	\$ 14,226,662,016
2.6 Reserve Ratio (2.4/2.5)		

3.1 Does the reporting entity issue both participating and non-participating policies? YES [X] NO [ ]  
 3.2 If yes, state the amount of calendar year premiums written on:  
 3.21 Participating policies \$ 2,452,006,132  
 3.22 Non-participating policies \$ 5,469,538

4. For Mutual Reporting Entities and Reciprocal Exchange only:  
 4.1 Does the reporting entity issue assessable policies? YES [ ] NO [X]  
 4.2 Does the reporting entity issue non-assessable policies? YES [ ] NO [X]  
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? \_\_\_\_\_ %  
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ \_\_\_\_\_

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

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

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2006 the Company purchased a Worker's 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 PML. For property exposures, we employ RiskLink v6.0 from RMS and AIR Clasic/2 v8.0 from AIR. For WC, Liberty Mutual utilizes RiskLink 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. 6
- 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 The Company guarantees policies issued by Liberty Life Assurance Company of Boston and Liberty Mutual Insurance Europe Ltd.



**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	\$ 1,385,296,510
12.12	Unpaid underwriting expenses (including loss adjustment expenses)	\$ 279,317,396

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? \$ 193,856,846

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	\$ 5,469,525,426
12.62	Collateral and other funds	\$ 363,517,730

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 243,651,606

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

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1

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

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: Premiums were allocated based on exposures; recoverables were based on losses incurred.

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

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

14.5 If the answer to 14.4 is no, please explain: Premiums were allocated at the inception of the treaties based on exposures. Recoveries were based on actual losses incurred after an event.

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

15.2 If yes, give full information \_\_\_\_\_

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

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

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

\* Disclose type of coverage: \_\_\_\_\_

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5. YES  NO

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

17.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	1,256,000
17.12	Unfunded portion of Interrogatory 17.11	\$	1,234,000
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	
17.14	Case reserves portion of Interrogatory 17.11	\$	
17.15	Incurred but not reported portion of Interrogatory 17.11	\$	1,256,000
17.16	Unearned premium portion of Interrogatory 17.11	\$	
17.17	Contingent commission portion of Interrogatory 17.11	\$	

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

17.18	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	_____
17.19	Unfunded portion of Interrogatory 17.18	\$	_____
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	_____
17.21	Case reserves portion of Interrogatory 17.18	\$	_____
17.22	Incurred but not reported portion of Interrogatory 17.18	\$	_____
17.23	Unearned premium portion of Interrogatory 17.18	\$	_____
17.24	Contingent commission portion of Interrogatory 17.18	\$	_____

## FIVE-YEAR HISTORICAL DATA

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

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	9,228,935,929	8,596,074,589	8,556,639,474	7,684,489,319	6,715,251,623
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,768,196,493	2,298,660,168	2,106,544,565	1,904,646,200	1,669,625,530
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,220,376,327	1,849,814,156	1,684,367,521	1,698,258,022	1,411,525,856
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	283,321,347	226,816,610	423,297,509	527,055,474	629,273,817
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	122,448,204	98,408,543	126,957,992	238,081,809	162,609,082
6. Total (Line 34)	14,623,278,300	13,069,774,066	12,897,807,061	12,052,530,824	10,588,285,908
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	5,048,594,237	4,646,796,895	4,383,902,397	3,641,666,075	3,165,529,803
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,300,377,111	1,199,538,716	1,193,878,941	1,032,128,554	963,879,268
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,298,834,358	1,012,716,155	945,591,093	912,147,358	742,715,587
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	165,556,441	132,780,359	94,175,379	111,968,371	338,971,669
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	76,284,989	54,565,246	80,931,381	139,970,917	91,698,693
12. Total (Line 34)	7,889,647,136	7,046,397,371	6,698,479,191	5,837,881,275	5,302,795,020
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(239,600,769)	(520,024,924)	(497,103,623)	(552,743,624)	(436,569,273)
14. Net investment gain (loss) (Line 11)	1,638,583,474	1,092,891,029	822,517,261	784,044,296	861,384,872
15. Total other income (Line 15)	(78,674,864)	(78,809,145)	(120,642,855)	(149,310,470)	(80,469,896)
16. Dividends to policyholders (Line 17)	33,933,356	24,011,749	26,222,615	(1,517,657)	40,871,676
17. Federal and foreign income taxes incurred (Line 19)	279,364,285	(114,095,184)	(38,311,422)	(10,157,457)	(40,318,928)
18. Net income (Line 20)	1,007,010,200	584,140,395	216,859,590	93,665,316	343,792,955
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	29,920,012,089	26,011,608,289	23,956,964,668	22,145,151,648	19,296,498,887
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	703,139,102	636,279,658	609,392,140	673,579,903	622,435,981
20.2 Deferred and not yet due (Line 13.2)	1,462,229,358	1,376,405,401	1,273,321,091	973,405,672	816,117,738
20.3 Accrued retrospective premiums (Line 13.3)	462,717,401	468,226,952	509,941,443	503,447,580	440,666,485
21. Total liabilities excluding protected cell business (Page 3, Line 24)	19,967,883,060	18,086,911,457	16,701,614,750	16,022,057,314	15,288,749,667
22. Losses (Page 3, Line 1)	10,169,462,164	9,499,145,761	8,942,817,093	8,363,851,842	7,855,730,763
23. Loss adjustment expenses (Page 3, Line 3)	2,084,590,736	1,934,981,136	1,698,423,690	1,648,044,862	1,494,942,432
24. Unearned premiums (Page 3, Line 9)	3,114,705,894	2,792,535,119	2,682,556,143	2,423,884,665	2,032,173,547
25. Capital paid up (Page 3, Lines 28 & 29)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	9,952,129,029	7,924,696,832	7,255,349,918	6,123,094,334	4,007,749,220
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	10,007,632,029	7,976,676,447	7,297,299,791	6,154,213,257	4,032,000,824
28. Authorized control level risk-based capital	1,807,577,710	1,612,464,662	1,590,667,365	1,708,635,780	1,417,595,875
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	57.5	58.4	58.9	59.4	55.3
30. Stocks (Lines 2.1 & 2.2)	21.3	24.5	25.4	31.1	31.4
31. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.0	0.2			
32. Real estate (Lines 4.1, 4.2 & 4.3)	1.3	1.5	1.2	1.3	1.2
33. Cash, cash equivalents and short-term investments (Line 5)	4.8	5.0	3.4	2.5	7.2
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)	13.8	10.3	10.9	5.7	4.8
36. Receivables for securities (Line 8)	0.2	0.1	0.2	0.1	0.1
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)			2		
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	131,322	131,322	3,797,881	11,152,881	11,152,881
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	3,577,413,444	4,016,798,661	3,691,777,264	4,176,578,575	3,848,727,170
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate	39,500,000	39,500,000			
44. All other affiliated	2,525,870,295	1,533,031,957	1,595,066,199	492,125,527	378,440,833
45. Total of above Lines 39 to 44	6,142,915,061	5,589,461,940	5,290,641,346	4,679,856,983	4,238,320,884
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)	61.7	70.5	50.9	68.4	96.3

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	106,820,347	(253,467,664)	373,180,256	568,313,452	(807,003,240)
48. Dividends to stockholders (Line 35)	(2,163,559)	(100,000,000)			2,210,000
49. Change in surplus as regards policyholders for the year (Line 38)	2,027,432,197	669,346,914	1,132,255,584	2,115,345,114	(468,457,898)
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	5,036,541,040	4,910,452,276	5,259,538,361	4,272,433,449	4,591,838,985
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,875,813,948	1,148,216,467	965,040,593	905,262,632	848,160,867
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,155,873,076	1,093,077,356	1,002,156,124	667,265,848	701,337,181
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	51,970,685	41,114,562	951,457,166	337,627,913	500,744,014
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	183,117,093	127,619,834	87,681,215	107,004,255	125,321,904
55. Total (Line 34)	8,303,315,842	7,320,480,495	8,265,873,459	6,289,594,097	6,767,402,951
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,488,612,275	2,485,144,663	2,324,106,243	2,129,589,960	2,473,619,850
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	750,991,450	611,523,898	513,192,188	481,588,572	481,489,450
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	554,257,787	641,485,593	569,510,755	374,092,504	420,799,538
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	10,895,410	35,351,313	319,505,288	185,208,608	273,401,770
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	101,166,421	72,670,898	(3,815,981)	64,067,666	66,538,469
61. Total (Line 34)	3,905,923,343	3,846,176,365	3,722,498,493	3,234,547,310	3,715,849,077
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	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)	(7.5)	(7.7)	(10.0)	(8.8)
<b>Other Percentages</b>					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	26.7	25.5	25.8	25.7	23.8
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	76.4	82.6	82.8	85.5	85.1
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	79.3	88.9	92.3	95.3	132.3
<b>One Year Loss Development (000 omitted)</b>					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	328,648	340,224	228,846	463,785	385,224
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)	4.1	4.7	3.7	11.5	8.6
<b>Two Year Loss Development (000 omitted)</b>					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	895,068	889,237	1,096,707	973,675	1,458,294
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)	12.3	14.5	27.4	21.7	26.4

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

Description	1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds	
<b>BONDS</b>					
Governments (Including all obligations guaranteed by governments)	1. United States	3,065,438,109	3,034,121,527	3,080,797,751	3,031,228,286
	2. Canada	323,234,711	327,874,937	284,595,969	317,681,748
	3. Other Countries	193,880,646	194,477,365	194,259,865	29,553,010
	4. Totals	3,582,553,466	3,556,473,829	3,559,653,585	3,378,463,044
States, Territories and Possessions (Direct and guaranteed)	5. United States	931,201,312	942,736,374	930,867,514	937,995,000
	6. Canada	102,983,128	110,062,535	86,155,437	102,922,400
	7. Other Countries				
	8. Totals	1,034,184,440	1,052,798,909	1,017,022,951	1,040,917,400
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	624,871,002	631,235,885	624,526,235	629,300,000
	10. Canada				
	11. Other Countries				
	12. Totals	624,871,002	631,235,885	624,526,235	629,300,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	4,822,329,313	4,792,691,137	4,824,308,404	4,834,377,758
	14. Canada	27,155,807	28,152,533	21,451,683	26,818,190
	15. Other Countries				
	16. Totals	4,849,485,120	4,820,843,670	4,845,760,087	4,861,195,948
Public Utilities (unaffiliated)	17. United States	374,677,756	370,689,937	376,905,757	372,583,000
	18. Canada				
	19. Other Countries	11,140,557	11,819,975	11,094,022	10,832,825
	20. Totals	385,818,313	382,509,912	387,999,779	383,415,825
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	3,367,531,157	3,346,921,979	3,380,057,573	3,359,899,326
	22. Canada	137,209,766	140,246,035	123,329,790	136,461,420
	23. Other Countries	354,135,196	381,493,016	345,627,217	355,543,770
	24. Totals	3,858,876,119	3,868,661,030	3,849,014,580	3,851,904,516
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	14,335,788,460	14,312,523,235	14,283,977,217	14,145,196,733
<b>PREFERRED STOCKS</b>					
Public Utilities (unaffiliated)	27. United States	1,744,969	1,786,469	1,406,566	
	28. Canada				
	29. Other Countries				
	30. Totals	1,744,969	1,786,469	1,406,566	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	104,600,000	105,172,000	102,646,000	
	32. Canada				
	33. Other Countries				
	34. Totals	104,600,000	105,172,000	102,646,000	
Industrial and Miscellaneous (unaffiliated)	35. United States	127,832,625	127,974,250	126,642,123	
	36. Canada				
	37. Other Countries				
	38. Totals	127,832,625	127,974,250	126,642,123	
Parent, Subsidiaries and Affiliates	39. Totals	131,322	131,322		
	<b>40. Total Preferred Stocks</b>	234,308,916	235,064,041	230,694,689	
<b>COMMON STOCKS</b>					
Public Utilities (unaffiliated)	41. United States	43,137,440	43,137,440	23,263,222	
	42. Canada				
	43. Other Countries	2,294,456	2,294,456	2,609,052	
	44. Totals	45,431,896	45,431,896	25,872,274	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	125,344,858	125,344,858	55,693,135	
	46. Canada				
	47. Other Countries	38,789,223	38,789,223	27,575,024	
	48. Totals	164,134,081	164,134,081	83,268,159	
Industrial and Miscellaneous (unaffiliated)	49. United States	888,555,187	888,555,187	365,988,015	
	50. Canada				
	51. Other Countries	393,550,716	393,550,716	298,007,810	
	52. Totals	1,282,105,903	1,282,105,903	663,995,825	
Parent, Subsidiaries and Affiliates	53. Totals	3,577,413,444	3,577,413,444	3,692,980,293	
	<b>54. Total Common Stocks</b>	5,069,085,324	5,069,085,324	4,466,116,551	
	55. Total Stocks	5,303,394,240	5,304,149,365	4,696,811,240	
	56. Total Bonds and Stocks	19,639,182,700	19,616,672,600	18,980,788,457	

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

1. Book/adjusted carrying value of bonds and stocks, prior year	17,821,665,113	7. Amortization of premium	25,799,594
2. Cost of bonds and stocks acquired, Column 7, Part 3	6,481,213,007	8. Foreign Exchange Adjustment:	
3. Accrual of discount	27,661,367	8.1 Column 15, Part 1	(2,345,415)
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1	(5,116,949)	8.3 Column 16, Part 2, Section 2	16,280,603
4.2 Column 15 - 17, Part 2, Section 1	3,462,818	8.4 Column 15, Part 4	14,374,683
4.3 Column 15, Part 2, Section 2	(28,331,905)	9. Book/adjusted carrying value at end of current period	19,639,182,700
4.4 Column 11 - 13, Part 4	(63,920,897)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	95,155,359	11. Subtotal (Lines 9 plus 10)	19,639,182,700
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	4,695,115,490	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	19,639,182,700

**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	464,544	177,672	186,596	74,583	19,787	9,265	4,822	409,407	X X X
2. 1997	5,625,097	700,401	4,924,696	4,236,960	569,182	387,652	41,666	458,164	2,588	143,477	4,469,340	X X X
3. 1998	5,931,043	714,568	5,216,475	4,836,867	610,731	394,832	37,064	511,984	5,070	164,797	5,090,818	X X X
4. 1999	5,887,967	847,002	5,040,965	4,864,865	678,739	411,612	52,388	519,995	8,283	159,256	5,057,062	X X X
5. 2000	6,209,422	1,003,542	5,205,880	4,800,057	829,742	386,211	53,182	501,961	6,573	124,050	4,798,732	X X X
6. 2001	6,448,861	1,038,399	5,410,462	4,628,657	984,001	341,932	48,820	476,480	5,249	146,865	4,408,999	X X X
7. 2002	7,363,091	1,391,015	5,972,076	4,307,537	780,437	299,590	39,760	537,236	4,470	228,459	4,319,696	X X X
8. 2003	8,199,626	1,862,448	6,337,178	3,780,504	772,941	263,427	22,168	563,353	4,302	228,743	3,807,873	X X X
9. 2004	8,529,744	2,078,958	6,450,786	3,421,792	873,255	189,788	37,443	549,211	26,899	212,467	3,223,194	X X X
10. 2005	8,784,603	1,895,463	6,889,140	3,564,195	983,959	124,436	28,130	522,284	29,956	193,232	3,168,870	X X X
11. 2006	9,560,267	1,998,308	7,561,959	1,963,940	327,599	48,830	6,609	446,606	40,820	118,558	2,084,348	X X X
12. Totals	X X X	X X X	X X X	40,869,918	7,588,258	3,034,906	441,813	5,107,061	143,475	1,724,726	40,838,339	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	3,269,469	996,110	1,406,187	939,338	180,780	149,007	752,654	316,751	44,046	6	26,446	3,251,924	X X X
2. 1997	206,383	29,815	46,886	14,556	13,632	6,988	17,873	4,916	5,999	3	1,835	234,495	X X X
3. 1998	290,713	45,445	112,907	63,932	5,899	749	22,426	5,155	12,711	5	2,985	329,370	X X X
4. 1999	311,255	75,528	88,898	64,597	6,727	948	25,744	11,222	10,883	21	5,928	291,191	X X X
5. 2000	316,522	96,551	124,187	94,543	9,251	4,283	26,865	7,675	11,537	46	7,313	285,264	X X X
6. 2001	442,033	219,790	174,701	111,380	13,777	6,529	50,313	19,582	13,780	567	11,928	336,756	X X X
7. 2002	408,703	210,129	303,060	231,925	20,724	11,052	59,672	2,788	17,505	42	10,677	353,728	X X X
8. 2003	511,253	156,177	541,940	255,788	16,870	3,101	123,083	23,452	27,302	37	17,354	781,893	X X X
9. 2004	618,201	157,860	824,333	276,555	24,210	5,149	188,569	28,464	45,292	432	27,920	1,232,145	X X X
10. 2005	950,443	304,477	1,382,345	502,719	25,884	3,483	293,830	45,128	116,971	14,344	47,876	1,899,322	X X X
11. 2006	1,103,801	206,535	2,381,084	592,096	26,329	4,336	440,101	51,986	162,311	713	142,084	3,257,960	X X X
12. Totals	8,428,776	2,498,417	7,386,528	3,147,429	344,083	195,625	2,001,130	517,119	468,337	16,216	302,346	12,254,048	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,740,208	511,716
2. 1997	5,373,549	669,714	4,703,835	95,528	95,619	95,515			66,500	208,898	25,597
3. 1998	6,188,339	768,151	5,420,188	104,338	107,499	103,905			66,500	294,243	35,127
4. 1999	6,239,979	891,726	5,348,253	105,978	105,280	106,096			66,500	260,028	31,163
5. 2000	6,176,591	1,092,595	5,083,996	99,471	108,874	97,659			66,500	249,615	35,649
6. 2001	6,141,673	1,395,918	4,745,755	95,237	134,430	87,714			66,500	285,564	51,192
7. 2002	5,954,027	1,280,603	4,673,424	80,863	92,062	78,255			66,500	269,709	84,019
8. 2003	5,827,732	1,237,966	4,589,766	71,073	66,470	72,426			66,500	641,228	140,665
9. 2004	5,861,396	1,406,057	4,455,339	68,717	67,633	69,067			66,500	1,008,119	224,026
10. 2005	6,980,388	1,912,196	5,068,192	79,462	100,883	73,568			66,500	1,525,592	373,730
11. 2006	6,573,002	1,230,694	5,342,308	68,753	61,587	70,647			66,500	2,686,254	571,706
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	10,169,458	2,084,590

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	8,801,157	8,603,240	8,247,607	8,123,655	8,541,150	8,851,068	9,175,194	9,631,499	9,956,445	10,141,169	184,724	509,670
2. 1997	3,908,065	3,889,292	4,033,854	4,099,279	4,177,132	4,181,253	4,188,198	4,237,542	4,262,174	4,285,473	23,299	47,931
3. 1998	X X X	4,298,438	4,448,047	4,556,709	4,699,857	4,748,974	4,785,449	4,840,096	4,890,061	4,957,251	67,190	117,155
4. 1999	X X X	X X X	4,230,578	4,362,921	4,527,970	4,644,555	4,728,608	4,766,061	4,846,422	4,870,556	24,134	104,495
5. 2000	X X X	X X X	X X X	4,069,204	4,257,078	4,284,641	4,428,980	4,547,587	4,583,690	4,608,364	24,674	60,777
6. 2001	X X X	X X X	X X X	X X X	4,192,274	4,084,383	4,156,813	4,096,886	4,229,445	4,275,977	46,532	179,091
7. 2002	X X X	X X X	X X X	X X X	X X X	4,158,258	3,925,125	3,930,168	4,058,810	4,136,082	77,272	205,914
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	4,346,850	3,914,224	3,797,403	4,018,443	221,040	104,219
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	4,364,337	4,044,171	3,930,152	(114,019)	(434,185)
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	4,758,225	4,532,026	(226,199)	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	4,850,818	X X X	X X X
12. Totals											328,648	895,068

**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 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		
1. Prior	000	1,642,771	2,698,733	3,503,805	3,987,857	4,623,910	5,102,612	5,597,111	6,040,332	6,439,217	X X X	X X X
2. 1997	1,576,149	2,379,887	2,918,589	3,306,476	3,563,796	3,729,922	3,831,639	3,931,908	3,977,354	4,013,764	X X X	X X X
3. 1998	X X X	1,725,347	2,768,885	3,386,666	3,843,380	4,106,118	4,285,333	4,423,635	4,516,956	4,583,904	X X X	X X X
4. 1999	X X X	X X X	1,714,192	2,724,705	3,359,412	3,810,686	4,114,836	4,329,770	4,460,375	4,545,350	X X X	X X X
5. 2000	X X X	X X X	X X X	1,797,872	2,822,487	3,358,176	3,728,265	4,065,006	4,203,975	4,303,344	X X X	X X X
6. 2001	X X X	X X X	X X X	X X X	1,893,248	2,855,775	3,333,223	3,618,883	3,827,530	3,937,768	X X X	X X X
7. 2002	X X X	X X X	X X X	X X X	X X X	1,781,702	2,730,186	3,283,345	3,557,733	3,786,930	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	1,643,995	2,512,321	2,939,560	3,248,822	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	1,504,509	2,313,201	2,700,882	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	1,749,325	2,676,542	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	1,678,562	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	3,789,945	2,713,376	1,784,139	1,515,010	1,193,984	864,116	819,478	704,996	911,768	939,683
2. 1997	1,289,519	630,980	372,721	247,951	200,490	113,429	55,536	51,545	52,969	60,585
3. 1998	X X X	1,392,278	624,571	357,472	212,601	156,187	72,396	74,090	61,550	88,567
4. 1999	X X X	X X X	1,374,727	652,608	325,851	198,741	115,219	90,061	81,466	60,539
5. 2000	X X X	X X X	X X X	1,126,491	431,394	190,149	130,206	104,390	75,047	61,478
6. 2001	X X X	X X X	X X X	X X X	1,173,271	479,722	287,049	147,085	118,935	95,566
7. 2002	X X X	X X X	X X X	X X X	X X X	1,255,078	495,652	223,651	168,666	130,113
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	1,800,393	740,084	338,447	389,709
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,987,083	1,108,699	739,161
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	2,162,115	1,177,591
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	2,243,925

**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	6,655,303	5,334,596		994,515	1,991,014	7,217,168	4
3. Arizona	AZ	YES	34,155,694	31,837,633	258	38,929,213	19,930,162	20,100,001	7,638
4. Arkansas	AR	YES	7,997,780	7,678,996		2,626,093	2,622,457	22,335,065	908
5. California	CA	YES	212,948,701	241,995,612	(29)	182,601,672	147,248,547	304,113,024	49,591
6. Colorado	CO	YES	32,306,704	33,490,221	5,358	20,087,775	15,651,095	36,882,767	6,395
7. Connecticut	CT	YES	22,379,894	21,384,948	4,220	23,269,478	10,798,157	92,505,879	66,712
8. Delaware	DE	YES	4,638,313	4,476,632	(935)	4,202,215	946,393	27,845,595	4,157
9. Dist. Columbia	DC	YES	10,661,024	9,492,989	865	3,801,655	4,773,795	26,838,526	2,745
10. Florida	FL	YES	152,651,006	139,980,597	223,882	93,351,133	87,089,961	281,667,215	90,710
11. Georgia	GA	YES	53,244,943	54,929,279	78,803	38,029,537	41,441,789	77,833,387	5,889
12. Hawaii	HI	YES	12,178,053	12,116,269	183	1,576,593	(200,505)	6,630,089	3,629
13. Idaho	ID	YES	7,858,948	7,911,073		3,929,945	3,513,097	7,282,702	1,149
14. Illinois	IL	YES	46,278,246	45,361,377	31,115	36,255,930	54,912,478	209,116,395	17,779
15. Indiana	IN	YES	9,917,368	10,293,980	3,254	7,715,361	13,605,082	43,712,710	7,661
16. Iowa	IA	YES	10,868,024	11,119,834	3,403	12,731,701	7,327,440	16,719,897	1,538
17. Kansas	KS	YES	15,116,996	15,234,281	4	5,395,422	10,700,202	26,983,521	955
18. Kentucky	KY	YES	13,409,651	13,985,909	75,319	24,394,079	6,831,157	124,266,172	6,017
19. Louisiana	LA	YES	56,032,539	49,428,011	693	22,800,720	38,816,435	111,062,043	7,547
20. Maine	ME	YES	5,263,453	5,815,952	72	3,542,600	(44,026)	24,751,023	9,757
21. Maryland	MD	YES	19,635,085	17,110,932	7,859	13,066,618	13,499,031	54,972,449	14,764
22. Massachusetts	MA	YES	375,481,087	384,828,687	17,555	268,418,192	118,078,446	467,971,797	5,960,430
23. Michigan	MI	YES	41,171,845	39,950,676	5,555	24,530,261	21,788,168	98,103,288	5,193
24. Minnesota	MN	YES	22,760,964	20,239,778	4,192	7,347,947	383,695	66,106,943	8,941
25. Mississippi	MS	YES	10,876,742	9,094,589	72	9,925,817	(6,876,767)	56,323,648	514
26. Missouri	MO	YES	20,936,193	20,880,701	1,163	10,281,962	21,274,735	47,874,154	5,161
27. Montana	MT	YES	6,115,392	5,498,512	(267)	2,359,962	2,828,825	5,899,273	252
28. Nebraska	NE	YES	8,183,611	7,416,831		5,900,061	9,389,140	19,252,577	1,981
29. Nevada	NV	YES	17,918,388	13,762,459		6,142,226	5,933,701	9,222,626	4,714
30. New Hampshire	NH	YES	9,642,159	11,194,522	140,038	9,397,661	9,466,331	51,605,638	42,957
31. New Jersey	NJ	YES	67,734,868	80,234,507	706	94,259,063	28,611,324	425,725,388	146,307
32. New Mexico	NM	YES	14,482,392	13,122,676	1	7,347,462	6,247,422	15,823,323	1,339
33. New York	NY	YES	178,010,571	181,603,240	391,311	172,343,361	94,619,261	569,570,034	247,999
34. No. Carolina	NC	YES	104,396,062	97,899,119	1,808	54,081,010	53,809,767	97,537,551	544,133
35. No. Dakota	ND	YES	3,026,907	3,060,321		3,613,887	1,113,965	1,969,168	16
36. Ohio	OH	YES	48,569,745	47,292,366		23,725,917	20,387,950	93,271,735	15,240
37. Oklahoma	OK	YES	23,483,582	22,562,628	(1)	20,215,016	14,709,487	37,180,919	2,858
38. Oregon	OR	YES	29,493,964	15,619,565	(200)	8,332,989	8,406,233	14,376,305	3,167
39. Pennsylvania	PA	YES	63,567,592	61,743,130	1,716	32,703,550	39,885,306	268,145,847	49,086
40. Rhode Island	RI	YES	6,193,470	7,220,532		6,879,370	6,646,773	34,776,525	8,999
41. So. Carolina	SC	YES	14,608,633	14,681,924	34,300	7,375,300	12,993,454	41,735,246	2,139
42. So. Dakota	SD	YES	3,863,946	3,121,831	1	1,171,181	174,729	1,633,113	92
43. Tennessee	TN	YES	20,180,675	18,784,066	8,396	13,321,420	30,816,177	94,250,104	5,363
44. Texas	TX	YES	173,107,990	156,219,053	714,114	110,191,729	46,814,881	311,362,748	24,597
45. Utah	UT	YES	14,746,892	13,513,201		4,678,638	4,986,571	13,751,339	1,428
46. Vermont	VT	YES	2,640,237	3,638,944	386,949	2,552,787	1,280,999	19,044,182	4,568
47. Virginia	VA	YES	38,204,745	35,706,192	1,029	32,894,782	11,404,947	102,996,184	12,230
48. Washington	WA	YES	31,302,725	29,263,686		21,894,877	22,460,748	16,147,975	5,933
49. West Virginia	WV	YES	3,853,156	3,537,343		1,094,566	6,153,123	21,033,349	1,099
50. Wisconsin	WI	YES	36,197,695	36,833,599	74,811	23,950,078	34,529,673	98,329,080	8,793
51. Wyoming	WY	YES	6,502,068	6,331,306		2,519,967	3,563,655	3,546,082	20
52. American Samoa	AS	NO							
53. Guam	GU	NO	(161,676)	(73,067)			30,995	71,925	
54. Puerto Rico	PR	YES	13,472,081	12,067,446		4,174,734	5,394,430	7,032,834	
55. U.S. Virgin Islands	VI	YES	1,390,976	1,391,811		349,028	124,063	671,935	
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	YES	164,727,513	162,845,792		147,936,915	122,069,884	257,357,780	
58. Aggregate other alien	OT	X X X	130,766,087	126,342,356		62,146,158	43,587,258	361,412,201	
59. Totals	(a)	53	2,457,475,671	2,414,770,899	2,213,535	1,759,053,324	1,286,390,208	5,327,881,733	7,422,758

DETAILS OF WRITE-INS									
5801. Other alien	X X X		130,766,087	126,342,356		62,146,158	43,587,258	361,412,201	
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		130,766,087	126,342,356		62,146,158	43,587,258	361,412,201	

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

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

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





**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation  
ASSETS**

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

**REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS**

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

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

2304. Amounts billed and receivable under high deductible policies	173,587,913	8,896,671	164,691,242	166,385,613
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)	173,587,913	8,896,671	164,691,242	166,385,613

**OVERFLOW PAGE FOR WRITE-INS**

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

	1 Current Year	2 Prior Year
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES</b>		
2304. Deposit liability	83,425,300	103,985,033
2305. Collateral held for securities loaned	407,095,428	
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)	490,520,728	103,985,033
<b>REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS</b>		
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)		
<b>REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS</b>		
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)		