

ANNUAL STATEMENT

OF THE

Liberty Northwest Insurance Corporation

of **Portland**

in the state of **Oregon**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2006



41939200620100100

ANNUAL STATEMENT

For the Year Ended December 31, 2006

OF THE CONDITION AND AFFAIRS OF THE

Liberty Northwest Insurance Corporation

NAIC Group Code 0111 0111 NAIC Company Code 41939 Employer's ID Number 93-0824674

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

Country of Domicile United States of America

Incorporated/Organized: January 21, 1983 Commenced Business: February 18, 1983

Statutory Home Office: One Liberty Centre Portland, OR 97232-2038

Main Administrative Office: One Liberty Centre Portland, OR 97232-2038 503-239-5800

Mail Address: PO Box 4555 Portland, OR 97208-4555

Primary Location of Books and Records: One Liberty Centre Portland, OR 97232-2038 503-239-5800

Internet Website Address: www.LibertyMutualAgencyMarkets.com

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

Policyowner Relations Contact: Elisabeth Eby Shia One Liberty Centre Portland, OR 97232-2038 800-275-5600

OFFICERS

Chairman of the Board

Gary Richard Gregg

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

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Rows for Anthony Alexander Fontanes, Scott Rhodes Goodby, Joseph Anthony Gilles, Executive Vice President.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows for Gary Richard Gregg, Larry Wayne Becker, James Francis Dore, Scott Rhodes Goodby - Vice Chairman, Christopher Charles Mansfield, James Edward McKittrick, Jr., Matthew David Nickerson, John Derek Doyle #.

State of Massachusetts County of Suffolk ss

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

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

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

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	70,392,981		70,392,981	930,124,103
2. Stocks (Schedule D):				1,894,100
2.1 Preferred stocks				
2.2 Common stocks	15,738,368		15,738,368	47,250,868
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 46,670,637, Schedule E-Part 1), cash equivalents (\$ 0 Schedule E-Part 2) and short-term investments (\$ 259,013, Schedule DA)	46,929,651		46,929,651	6,811,912
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	5,900,259		5,900,259	22,313,942
8. Receivables for securities	518,782		518,782	
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	139,480,041		139,480,041	1,008,394,925
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	1,143,649		1,143,649	9,782,890
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	4,296,878		4,296,878	48,038,163
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				10,039,803
13.3 Accrued retrospective premiums				8,817,741
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	15,672,105		15,672,105	6,618,369
14.2 Funds held by or deposited with reinsured companies				272,868
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				669,249
16.2 Net deferred tax asset	1,301,000		1,301,000	26,889,407
17. Guaranty funds receivable or on deposit				(34,732)
18. Electronic data processing equipment and software	3,651,051	3,651,051		21,259
19. Furniture and equipment, including health care delivery assets (\$ 0)	332,910	332,910		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	40,852,169		40,852,169	1,097,650
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	268,479		268,479	163,977
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	206,998,282	3,983,961	203,014,321	1,120,771,569
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	206,998,282	3,983,961	203,014,321	1,120,771,569

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 receivables				163,977
2302. Equities and deposits in pools and associations	268,479		268,479	
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	268,479		268,479	163,977

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)		631,577,655
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	3,308,462	3,565,892
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)		81,402,284
4. Commissions payable, contingent commissions and other similar charges		7,363,271
5. Other expenses (excluding taxes, licenses and fees)		20,938,263
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		7,805,810
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	933,000	
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 28,048,273 and including warranty reserves of \$ 0)		92,223,257
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		1,156,700
12. Ceded reinsurance premiums payable (net of ceding commissions)	28,558,692	13,436,062
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	1,881,379	1,092,534
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	77,177,934	8,289,301
20. Payable for securities	1,108,263	1,442,106
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	104,401	18,721,040
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	113,072,131	889,014,175
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	113,072,131	889,014,175
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,000,000	3,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	58,400,000	58,400,000
33. Unassigned funds (surplus)	28,542,190	170,357,394
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)	89,942,190	231,757,394
36. TOTALS (Page 2, Line 26, Col. 3)	203,014,321	1,120,771,569

DETAILS OF WRITE-INS		
2301. Other liabilities	104,401	5,580,111
2302. Retrospective premiums payable		13,140,929
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	104,401	18,721,040
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME		1	2
		Current Year	Prior Year
UNDERWRITING INCOME			
1. Premiums earned (Part 1, Line 34, Column 4)			408,137,912
DEDUCTIONS			
2. Losses incurred (Part 2, Line 34, Column 7)			287,200,135
3. Loss expenses incurred (Part 3, Line 25, Column 1)			43,885,083
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)			97,406,512
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)			428,491,730
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)			(20,353,818)
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		8,821,913	48,471,809
10. Net realized capital gains (losses) less capital gains tax of \$ 184,791 (Exhibit of Capital Gains (Losses))		343,184	6,780,451
11. Net investment gain (loss) (Lines 9 + 10)		9,165,097	55,252,260
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)			1,689,084
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income			4,099
15. Total other income (Lines 12 through 14)			1,693,183
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		9,165,097	36,591,625
17. Dividends to policyholders			5,929,247
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)		9,165,097	30,662,378
19. Federal and foreign income taxes incurred		(56,139,703)	8,677,569
20. Net income (Line 18 minus Line 19) (to Line 22)		65,304,800	21,984,809
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		231,757,394	205,024,357
22. Net income (from Line 20)		65,304,800	21,984,809
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 1,452,668		(2,834,483)	(1,326,523)
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax		(58,830,998)	3,469,749
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		37,018,561	2,605,002
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders		(180,000,000)	
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		(2,473,084)	
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)		(141,815,204)	26,733,037
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		89,942,190	231,757,394
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)			
1401. Policyholder interest received			4,099
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)			4,099
3701. Other changes in surplus		(2,473,084)	
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)		(2,473,084)	

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	(12,837,120)	411,207,800
2. Net investment income	17,628,722	47,457,615
3. Miscellaneous income	(2,377,454)	1,764,564
4. Total (Lines 1 through 3)	2,414,148	460,429,979
5. Benefit and loss related payments	640,888,821	200,834,064
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	117,509,628	125,403,179
8. Dividends paid to policyholders	1,156,700	5,882,907
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	(57,557,161)	20,485,742
10. Total (Lines 5 through 9)	701,997,988	352,605,892
11. Net cash from operations (Line 4 minus Line 10)	(699,583,840)	107,824,087
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	909,229,940	200,334,759
12.2 Stocks	36,921,034	71,076,436
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	28,891,154	6,933,200
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		(2,618)
12.7 Miscellaneous proceeds	1,108,263	1,257,378
12.8 Total investment proceeds (Lines 12.1 to 12.7)	976,150,391	279,599,155
13. Cost of investments acquired (long-term only):		
13.1 Bonds	52,780,641	320,421,856
13.2 Stocks	3,153,090	57,196,119
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	7,407,710	9,760,396
13.6 Miscellaneous applications	1,960,888	(164,477)
13.7 Total investments acquired (Lines 13.1 to 13.6)	65,302,329	387,213,894
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)	910,848,062	(107,614,739)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	180,000,000	
16.6 Other cash provided (applied)	8,853,517	(6,758,339)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(171,146,483)	(6,758,339)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	40,117,739	(6,548,991)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	6,811,912	13,360,903
19.2 End of year (Line 18 plus Line 19.1)	46,929,651	6,811,912

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	(1,315,381)	1,315,381		
2. Allied lines	(755,353)	755,353		
3. Farmowners multiple peril	(3,540,541)	3,540,541		
4. Homeowners multiple peril	(10,410,019)	10,410,019		
5. Commercial multiple peril	(29,274,062)	29,274,062		
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	(1,782,939)	1,782,939		
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	(630,698)	630,698		
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	(4,035,420)	4,035,420		
17.1 Other liability - occurrence	(4,275,492)	4,275,492		
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	(857,598)	857,598		
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	(7,461,073)	7,461,073		
19.3, 19.4 Commercial auto liability	(17,278,120)	17,278,120		
21. Auto physical damage	(10,586,241)	10,586,241		
22. Aircraft (all perils)				
23. Fidelity	(3,417)	3,417		
24. Surety				
26. Burglary and theft	(16,903)	16,903		
27. Boiler and machinery				
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	(92,223,257)	92,223,257		

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)				

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

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

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	171,316	(1,259,966)		226,732		(1,315,382)
2. Allied lines	108,258	(713,035)		150,576		(755,353)
3. Farmowners multiple peril		(3,540,541)				(3,540,541)
4. Homeowners multiple peril	1,958,558	(10,410,018)		1,958,558		(10,410,018)
5. Commercial multiple peril	17,151,718	(21,898,902)	(90)	24,150,636	376,152	(29,274,062)
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	177,332	(1,748,569)		211,702		(1,782,939)
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	152,590	(628,301)		154,888		(630,599)
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	245,310,215	5,293,692	11,977,119	223,475,922	43,140,623	(4,035,519)
17.1 Other liability - occurrence	3,278,503	(5,818,308)		1,631,715	103,973	(4,275,493)
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	184,498	(809,246)		232,849		(857,597)
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	9,026,143	(6,674,071)		9,813,145		(7,461,073)
19.3, 19.4 Commercial auto liability	5,273,956	(15,147,847)		7,404,323	(95)	(17,278,119)
21. Auto physical damage	6,747,516	(9,601,180)		7,732,578		(10,586,242)
22. Aircraft (all perils)						
23. Fidelity		(3,145)		272		(3,417)
24. Surety						
26. Burglary and theft	6,094	(15,753)		7,244		(16,903)
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	289,546,697	(72,975,190)	11,977,029	277,151,140	43,620,653	(92,223,257)

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

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

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	111,708	324,795	71,082	365,421		365,421		
2. Allied lines	1,529	141,515	(3,174)	146,218		146,218		
3. Farmowners multiple peril		2,541,399	1,581,960	959,439		959,439		
4. Homeowners multiple peril	159,670	6,138,394	561,414	5,736,650		5,736,650		
5. Commercial multiple peril	6,848,986	39,513,671	6,911,410	39,451,247		39,451,247		
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine		4,715,043	3,004,033	1,711,010		1,711,010		
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	146,039,171	11,836,968	(381,501,196)	539,377,335		539,377,335		
17.1 Other liability - occurrence	11,083	16,458,882	9,744,533	6,725,432		6,725,432		
17.2 Other liability - claims - made								
18.1 Products liability - occurrence		1,738,422	412,374	1,326,048		1,326,048		
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	3,398,991	20,627,641	4,854,024	19,172,608		19,172,608		
19.3, 19.4 Commercial auto liability	1,168,141	15,752,832	1,436,112	15,484,861		15,484,861		
21. Auto physical damage	2,936,421	1,014,043	2,831,375	1,119,089		1,119,089		
22. Aircraft (all perils)								
23. Fidelity		964	(238)	1,202		1,202		
24. Surety								
26. Burglary and theft		1,047	(48)	1,095		1,095		
27. Boiler and machinery								
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X							
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	160,675,700	120,805,616	(350,096,339)	631,577,655		631,577,655		

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	319,877		319,877		5,879		5,879		
2. Allied lines					3,836		3,836		
3. Farmowners multiple peril									
4. Homeowners multiple peril	379,350	3,000	382,350		177,128		177,128		
5. Commercial multiple peril	7,970,287	254,472	8,224,759		11,104,874	73,404	11,178,278		
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine					9,316	(1,782)	7,534		
10. Financial guaranty									
11.1 Medical malpractice - occurrence								(a)	
11.2 Medical malpractice - claims - made								(a)	
12. Earthquake									
13. Group accident and health									
14. Credit accident and health (group and individual)									
15. Other accident and health									
16. Workers' compensation	515,847,308	23,700,058	539,547,366		234,234,853	23,120,253	257,355,106		
17.1 Other liability - occurrence	500,000		500,000		4,164,509	144,726	4,309,235		
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	20,000		20,000		142,340		142,340		
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability	4,031,582	51,341	4,082,923		531,375		531,375		
19.3, 19.4 Commercial auto liability	1,433,828		1,433,828		1,110,892	(12,555)	1,098,337		
21. Auto physical damage	60,950		60,950			(3,917)	(3,917)		
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	530,563,182	24,008,871	554,572,053		251,485,002	23,320,129	274,805,131		

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	8,982,910			8,982,910
1.2 Reinsurance assumed	11,878,644			11,878,644
1.3 Reinsurance ceded	20,861,554			20,861,554
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		9,500,694		9,500,694
2.2 Reinsurance assumed, excluding contingent		5,572,212		5,572,212
2.3 Reinsurance ceded, excluding contingent		15,072,906		15,072,906
2.4 Contingent-direct		1,313,094		1,313,094
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded		1,313,094		1,313,094
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)				
3. Allowances to manager and agents				
4. Advertising			692	692
5. Boards, bureaus and associations				
6. Surveys and underwriting reports				
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			211,587	211,587
8.2 Payroll taxes			8,247	8,247
9. Employee relations and welfare			21,222	21,222
10. Insurance			184	184
11. Directors' fees			925	925
12. Travel and travel items			4,133	4,133
13. Rent and rent items			3,569	3,569
14. Equipment			2,964	2,964
15. Cost or depreciation of EDP equipment and software			1,837	1,837
16. Printing and stationery			589	589
17. Postage, telephone and telegraph, exchange and express			6,709	6,709
18. Legal and auditing			15,216	15,216
19. Totals (Lines 3 to 18)			277,874	277,874
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			393,107	393,107
25. Total expenses incurred			670,981 (a)	670,981
26. Less unpaid expenses-current year				
27. Add unpaid expenses-prior year	81,402,284	36,107,344		117,509,628
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)	81,402,284	36,107,344	670,981	118,180,609

DETAILS OF WRITE-INS				
2401. Other expenses			393,107	393,107
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			393,107	393,107

(a) Includes management fees of \$ 230,396 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 6,998,109	7,511,363
1.1 Bonds exempt from U.S. tax	(a) 5,688,238	5,850,695
1.2 Other bonds (unaffiliated)	(a) 23,071,758	13,854,812
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 101,000	68,000
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	956,147	889,610
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 2,181,040	2,182,583
7. Derivative instruments	(f)	
8. Other invested assets	292,492	292,492
9. Aggregate write-ins for investment income	(21,156,662)	(21,156,662)
10. Total gross investment income	18,132,122	9,492,893

11. Investment expenses		(g) 670,981
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		670,981
17. Net investment income (Line 10 minus Line 16)		8,821,912

DETAILS OF WRITE-INS		
0901. Investment Expense due to Pooling Restatement	(21,086,487)	(21,086,487)
0902. Miscellaneous Income / (Expenses)	(70,175)	(70,175)
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(21,156,662)	(21,156,662)
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 \$ 400,182 accrual of discount less \$ 567,763 amortization of premium and less \$ 277,151 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 59,048 accrual of discount less \$ 0 amortization of premium and less \$ 32,418 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.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	3,487,163			3,487,163
1.1 Bonds exempt from U.S. tax	2,657			2,657
1.2 Other bonds (unaffiliated)	(6,500,821)	(285,530)	182,288	(6,604,063)
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	105,900			105,900
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	2,378,468		(2,021,396)	357,072
2.21 Common stocks of affiliates			(101,632)	(101,632)
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets	1,641,546	(301,407)	558,925	1,899,064
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)	1,114,913	(586,937)	(1,381,815)	(853,839)

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

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums		979,749	979,749
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset		34,695,258	34,695,258
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	3,651,051		(3,651,051)
19. Furniture and equipment, including health care delivery assets	332,910	3,841,658	3,508,748
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets		1,485,857	1,485,857
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,983,961	41,002,522	37,018,561
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	3,983,961	41,002,522	37,018,561

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 receivables		1,485,857	1,485,857
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)		1,485,857	1,485,857

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office ("SVO Manual").
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. The Company does not own unaffiliated common stocks.
4. The Company does not own unaffiliated preferred stocks.
5. The Company does not own mortgage loans.
6. Mortgage-backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 88, *Investments in Subsidiary, Controlled and Affiliated Entities*, 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. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2006.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

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>
Oregon Auto Insurance Company	January 1, 2002	100.00%	\$9,000,000	\$1,350,000	\$270,000
North Pacific Insurance Company	January 1, 2002	100.00%	\$9,000,000	\$1,350,000	\$270,000

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

- 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 does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the asset leads to impairment losses being recognized by management. The Company realized impairment losses of \$301,407 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.

NOTES TO FINANCIAL STATEMENTS

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2006	December 31, 2005	Change
Total of gross deferred tax assets	15,794,000	63,753,631	(47,959,631)
Total of deferred tax liabilities	(14,493,000)	(2,168,966)	(12,324,034)
Net deferred tax asset	1,301,000	61,584,665	(60,283,665)
Net deferred tax asset non-admitted	0	(34,695,258)	34,695,258
Net admitted deferred tax asset	1,301,000	26,889,407	(25,588,407)

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

	2006	2005
Federal tax on operations	(56,139,703)	8,677,569
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	(56,139,703)	8,677,569
Tax on capital gains	184,791	3,651,012
Total income tax incurred	(55,954,912)	12,328,581

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, fixed asset depreciation differences, and statutory non-admitted assets.

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

	2006
Change in net deferred income tax (without unrealized gain or loss)	(58,830,998)
Tax effect of unrealized (gains) losses	(1,452,667)
Total change in net deferred income tax	(60,283,665)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, dividends-received deductions, goodwill, revisions to prior year estimates, and the change in non-admitted deferred tax assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is none from the current year and \$12,416,000 from the preceding year.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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. The Company is a wholly-owned subsidiary of Liberty Mutual Insurance Company ("LMIC"), an insurance company incorporated in the Commonwealth of Massachusetts. The ultimate parent of LMIC is Liberty Mutual Holding Company, Inc., a Massachusetts company.

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

During 2006 the Company paid an ordinary dividend of \$ 23,175,734 to its parent, LMIC. The Company also paid its parent, pursuant to the approval of its domiciliary state, an extraordinary dividend of \$156,824,266.

C. Refer to Notes 10F and 26.

D. At December 31, 2006, the Company reported \$35,640,837 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

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

F. Effective January 1, 2006, the Company entered into a Management Services Agreement with LMIC.

Effective January 1, 2006, the Company was added as a party to an existing Services Agreement with Peerless Insurance Company ("PIC") and other affiliated insurance companies of the Liberty Mutual Group via Amendment 4 to the Services Agreement.

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which they may borrow up to \$50,000,000 from LMIC. Each loan will be for six months or less. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments.

The Company entered into investment management agreements, effective October 15, 1993 with LMIC, and effective June 19, 2003 with Liberty Mutual Investment Advisors LLC (LMIA). Under these agreements, LMIC and LMIA provide investment management services to the Company.

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

The Company services certain insurance contracts located in its geographical area for the Liberty Mutual Group.

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

H. The Company does not own shares of an upstream company, either directly or indirectly.

I. The Company owns 100% of Oregon Auto Insurance Company ("OAIC") and North Pacific Insurance Company ("NPIC"). The Companies are carried at underlying statutory equity, as reported in their respective annual statements. The Company also owns Liberty Management Inc. and Access Insurance Services Co. Both companies are carried at \$0.

NOTES TO FINANCIAL STATEMENTS

The Company's subsidiaries are not publicly traded. At December 31, 2006, the statement value of the Company's subsidiaries' assets, liabilities and results of operations are as follows:

	Assets	Liabilities	Results of Operations
Total of All Subsidiaries	\$48,325,548	\$34,386,989	\$475,409

The Company did not change the valuation method of its subsidiaries, controlled and affiliated entities.

J. Impairment of subsidiaries

The Company did not recognize any impairment write down for its subsidiary, controlled, or affiliated companies during this statement period.

K. The Company does not hold investments in foreign subsidiaries.

Note 11- Debt

A. Capital Notes

Not applicable

B. All Other Debt

Not applicable

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

The Company's eligible direct employees are included in the U.S. Liberty Mutual Retirement Benefit Plan, which is a defined benefit plan; the Supplemental Income at Retirement Plan, which has both a defined benefit component and a defined contribution component; and the Thrift Incentive Plan, which is a defined contribution plan. The Company's post retirement health and life insurance benefit obligations were transferred to the Liberty Mutual Group Inc ("LMGI") post retirement health and life insurance plan, effective January 1, 2006, the Company's eligible direct employees are included in the Liberty postretirement health and life insurance benefit plans. Each of these plans is sponsored by the holding company, LMGI. Accordingly, these plans' assets and obligations are not disclosed in this note. The costs for these plans are allocated by LMGI to LMIC pursuant to an Employee Benefit Plans Cost Sharing Agreement. The Costs are allocated to the Company, pursuant to the Management Services Agreement Described in Note 10 F.

The Company's eligible direct employees also participate in the Deferred Compensation Plan sponsored by LMGI which has both a defined benefit component and a defined contribution component. The cost for this plan is allocated to the Company based on payroll.

The Company also provides a supplemental pension benefit to three of its former executives. The Company has accrued a liability of \$2,618,370 for this supplemental pension benefit.

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

1. Common Stock

The Company has 10,000,000 shares authorized, and 1,000,000 shares issued and outstanding as of December 31, 2006. All shares have a stated par value of \$3 each.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends that can be paid by Oregon-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout that may be made without prior approval in 2007 is \$65,304,800.

5. The Company does not have restricted unassigned surplus.

6. The Company had no advances to surplus.

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

8. The Company does not hold special surplus funds.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$1,080,256.

10. Surplus Notes

Not applicable

NOTES TO FINANCIAL STATEMENTS

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

The Company is subject to guaranty 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.

As a result of an inter-company 100% Quota Share Reinsurance Agreement with PIC (see Note 26), all guaranty fund and other assessments liabilities are ceded to PIC.

C. Gain Contingencies

Not applicable

D. All other Contingencies

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

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

Note 15- Leases

As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (see Note 26), the Company has no net lease obligations.

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

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

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

A. Transfers of Receivables reported as sales

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

B. Transfers and servicing of financial assets

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

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

Not applicable.

Note 21- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$27,115,073 and \$308,107,046 as of December 31, 2006 and 2005, respectively, were on deposit with government authorities or trustees as required by law.

D. As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (see Note 26), the Company has no net exposure to uncollectible premium receivable balances.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. Hybrid Securities

The Company does not hold hybrid securities.

G. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

H. Impact of Medicare Modification Act on Post Retirement Benefits

Not applicable. (Refer to Note 12)

Note 22- Events Subsequent

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

Note 23- Reinsurance

A. Excluding amounts arising pursuant to the inter-company 100% Quota Share Reinsurance Agreement, as described in Note 26, the unsecured reinsurance recoverables with an individual reinsurer that 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 WC Assigned Risk Pool		AA-1127400	\$86,951,011
National Union Fire Insurance Company	19445	25-0687550	\$15,222,451
Everest Reinsurance Company	26921	22-2005057	\$13,491,711
Federal Insurance Company	20281	13-1963496	\$13,368,174
OneBeacon Insurance Company	21970	23-1502700	\$10,109,864
Insurance Company of North America	22713	23-0723970	\$5,123,000
Endurance Reinsurance Company	11551	99-0360327	\$2,957,043
Allied World Assurance Company		AA-3194128	\$2,943,543

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

C. Reinsurance Assumed & Ceded

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

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>
Affiliates	\$2,021,478	\$547,821	\$25,428,000	\$5,104,431	\$(23,406,522)	\$(4,556,610)
All Other	2,681,452	113,180	2,620,273	73,622	61,179	39,558
Total	<u>\$4,702,930</u>	<u>\$661,001</u>	<u>\$28,048,273</u>	<u>\$5,178,053</u>	<u>\$(23,345,343)</u>	<u>\$(4,517,052)</u>

NOTES TO FINANCIAL STATEMENTS

Direct unearned premium reserve of \$23,345,343

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

Direct	\$3,850,411
Assumed	289,029
Ceded	<u>(4,139,440)</u>
Net	<u>\$0</u>

- D. The Company did not write off any uncollectible balances in 2006.
- E. The Company does not have ceded commutations.
- F. The Company does not have any retroactive reinsurance agreements.
- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2006.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not have net accrued retrospective premiums.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (see Note 26), the Company has no net exposure to changes in incurred losses and loss adjustment expenses.

Note 26- Intercompany Pooling Arrangements

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

Note 27- Structured Settlements

- A. As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (see Note 26), the Company has no net exposure to contingent liabilities from the purchase of annuities.
- B. Not applicable

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (see Note 26), the Company has no net exposure to liabilities related to premium deficiency reserves.

Note 31- High Dollar Deductible Policies

Not applicable.

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

As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (see Note 26), the Company has no net loss and loss adjustment expense reserves.

Note 33 - Asbestos/Environmental Reserves

As a result of the inter-company 100% Quota Share Reinsurance Agreement with PIC (See Note 26), the Company has no net exposure to asbestos and environmental claims.

Note 34- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

NOTES TO FINANCIAL STATEMENTS

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	39,482,906	28.307	39,482,906	28.307
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	3,559,190	2.552	3,559,190	2.552
1.22 Issued by U.S. government sponsored agencies	2,000,000	1.434	2,000,000	1.434
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	1,995,726	1.431	1,995,727	1.431
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	2,000,000	1.434	2,000,000	1.434
1.43 Revenue and assessment obligations	8,339,164	5.979	8,339,165	5.979
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	13,015,994	9.332	13,015,994	9.332
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	15,738,368	11.284	15,738,368	11.284
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	518,782	0.372	518,781	0.372
8. Cash, cash equivalents and short-term investments	46,929,651	33.646	46,929,650	33.646
9. Other invested assets	5,900,259	4.230	5,900,259	4.230
10. Total invested assets	139,480,040	100.000	139,480,040	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? Oregon
- 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: 12/31/2002
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2002
- 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. 12/31/2002
- 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). 11/10/2003
- 3.4 By what department or departments? Oregon Department of Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

1 Nationality	2 Type of Entity

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Ernst & Young, LLP
 200 Clarendon Street, Boston, MA 02116
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? William M. Finn, FCAS, MAAA
 62 Maple Avenue, Keene, NH 03431
 Vice President & Chief Actuary of Liberty Mutual Agency Markets
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
 11.11 Name of real estate holding company _____
 11.12 Number of parcels involved _____
 11.13 Total book/adjusted carrying value \$ _____

11.2 If yes, provide explanation _____

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

BOARD OF DIRECTORS

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

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 16.11 To directors or other officers \$ _____
 16.12 To stockholders not officers \$ _____
 16.13 Trustees, supreme or grand (Fraternal only) \$ _____
- 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 \$ _____
 16.22 To stockholders not officers \$ _____
 16.23 Trustees, supreme or grand (Fraternal only) \$ _____
- 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 \$ _____
 17.22 Borrowed from others \$ _____
 17.23 Leased from others \$ _____
 17.24 Other \$ _____
- 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 \$ _____
 18.22 Amount paid as expenses \$ _____
 18.23 Other amounts paid \$ _____
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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	\$ _____
21.22 Subject to repurchase agreements	\$ _____
21.23 Subject to reverse repurchase agreements	\$ _____
21.24 Subject to dollar repurchase agreements	\$ _____
21.25 Subject to reverse dollar repurchase agreements	\$ _____
21.26 Pledged as collateral	\$ _____
21.27 Placed under option agreements	\$ _____
21.28 Letter stock or securities restricted as to sale	\$ _____
21.29 Other	\$ _____

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. \$ _____

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

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

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

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

25.2 If yes, complete the following schedule:

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

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

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	70,651,995	66,223,540	(4,428,455)
26.2 Preferred stocks			
26.3 Totals	70,651,995	66,223,540	(4,428,455)

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

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? \$ _____

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? \$ _____

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. \$ 0
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
 1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

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

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 0	\$ 0
2.2 Premium Denominator	\$ 0	\$ 0
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 0	\$ 0
2.5 Reserve Denominator	\$ 3,308,462	\$ 0
2.6 Reserve Ratio (2.4/2.5)	0.00	0.00

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 \$ 48,399,112
 3.22 Non-participating policies \$ 422,396,671

4. For Mutual Reporting Entities and Reciprocal Exchange only:
 4.1 Does the reporting entity issue assessable policies? YES [] NO [X]
 4.2 Does the reporting entity issue non-assessable policies? YES [] NO [X]
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0 %
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

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

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

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2006 the Company purchased Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$975m xs \$25m.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company tracks aggregate property and WC exposure and reviews quarterly. It uses RiskLink from RMS and AIR from AIR for EQ and wind. It uses RiskLink for WC. Concentrations are in the Northeast for wind and New Madrid for EQ.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In 2006 the Company purchased property catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,650m xs \$50m. The coverage is sufficient to protect against the Company's 250 year event.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates. YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES NO
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES NO N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES NO
- 11.2 If yes, give full information

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | |
|-------|---|----|---|
| 12.11 | Unpaid losses | \$ | 0 |
| 12.12 | Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 0 |
- 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? \$ 0
- 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 | 0.000 % |
| 12.42 | To | 9.000 % |
- 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 | \$ <u>0</u> |
| 12.62 | Collateral and other funds | \$ <u>0</u> |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 0
- 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. 3
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES NO
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: Premiums and recoverables were allocated pursuant to separate intercompany agreements.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? YES NO
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES NO
- 14.5 If the answer to 14.4 is no, please explain: _____
- 15.1 Has the reporting entity guaranteed any financed premium accounts? YES NO
- 15.2 If yes, give full information _____
- 16.1 Does the reporting entity write any warranty business? YES NO
- If yes, disclose the following information for each of the following types of warranty coverage:
- | | 1 | 2 | 3 | 4 | 5 |
|------------------|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
| | Direct Losses
Incurred | Direct Losses
Unpaid | Direct Written
Premium | Direct Premium
Unearned | Direct Premium
Earned |
| 16.11 Home | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.12 Products | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.13 Automobile | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.14 Other* | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

* Disclose type of coverage: _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

17.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$ <u>0</u>
17.12	Unfunded portion of Interrogatory 17.11	\$ <u>0</u>
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$ <u>0</u>
17.14	Case reserves portion of Interrogatory 17.11	\$ <u>0</u>
17.15	Incurred but not reported portion of Interrogatory 17.11	\$ <u>0</u>
17.16	Unearned premium portion of Interrogatory 17.11	\$ <u>0</u>
17.17	Contingent commission portion of Interrogatory 17.11	\$ <u>0</u>

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

17.18	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$ <u>0</u>
17.19	Unfunded portion of Interrogatory 17.18	\$ <u>0</u>
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ <u>0</u>
17.21	Case reserves portion of Interrogatory 17.18	\$ <u>0</u>
17.22	Incurred but not reported portion of Interrogatory 17.18	\$ <u>0</u>
17.23	Unearned premium portion of Interrogatory 17.18	\$ <u>0</u>
17.24	Contingent commission portion of Interrogatory 17.18	\$ <u>0</u>

FIVE-YEAR HISTORICAL DATA

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

	1 2006	2 2005	3 2004	4 2003	5 2002
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	251,894,654	347,286,242	345,835,079	312,039,789	253,924,390
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(6,603,698)	41,224,765	40,345,322	36,157,998	33,814,751
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(16,739,275)	87,072,284	84,270,361	75,052,801	65,087,058
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(3,145)	18,143	55,643	30,255	18,130
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
6. Total (Line 34)	228,548,536	475,601,434	470,506,405	423,280,843	352,844,329
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(33,907,801)	291,570,481	289,283,153	264,634,662	200,695,848
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(15,087,418)	39,203,286	38,214,577	29,033,393	17,165,584
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(43,224,621)	83,815,034	80,482,020	63,685,720	37,372,968
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(3,417)	(74,384)	55,808	25,859	18,130
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
12. Total (Line 34)	(92,223,257)	414,514,417	408,035,558	357,379,634	255,252,530
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)		(20,353,818)	(18,502,749)	(19,968,485)	(17,718,988)
14. Net investment gain (loss) (Line 11)	9,165,097	55,252,260	51,729,548	43,571,537	38,370,557
15. Total other income (Line 15)		1,693,183	(79,934)	(195,372)	(73,580)
16. Dividends to policyholders (Line 17)		5,929,247	9,749,756	5,125,483	9,080,697
17. Federal and foreign income taxes incurred (Line 19)	(56,139,703)	8,677,569	12,530,921	12,548,776	5,916,657
18. Net income (Line 20)	65,304,800	21,984,809	10,866,188	5,733,421	5,580,635
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	203,014,321	1,120,771,569	994,099,296	890,603,728	773,646,387
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	4,296,878	48,038,163	48,677,684	37,603,902	36,898,108
20.2 Deferred and not yet due (Line 13.2)		10,039,803	7,971,032	18,720,251	16,555,519
20.3 Accrued retrospective premiums (Line 13.3)		8,817,741	6,714,740	4,225,106	4,230,718
21. Total liabilities excluding protected cell business (Page 3, Line 24)	113,072,131	889,014,175	789,074,939	698,214,948	605,052,692
22. Losses (Page 3, Line 1)		635,143,547	547,094,154	477,579,682	405,348,285
23. Loss adjustment expenses (Page 3, Line 3)		81,402,284	67,750,754	55,482,729	47,394,901
24. Unearned premiums (Page 3, Line 9)		92,223,257	85,846,752	69,534,601	41,964,839
25. Capital paid up (Page 3, Lines 28 & 29)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	89,942,190	231,757,394	205,024,357	192,388,780	168,593,695
Risk-Based Capital Analysis					
27. Total adjusted capital	89,942,190	231,757,394	205,024,357	192,388,780	168,593,695
28. Authorized control level risk-based capital	6,725,204	42,300,699	43,486,986	40,815,568	30,977,031
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	50.5	92.2	89.8	88.6	86.9
30. Stocks (Lines 2.1 & 2.2)	11.3	4.9	6.8	6.8	7.1
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	33.6	0.7	1.5	2.7	4.5
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)	4.2	2.2	1.9	1.9	1.6
36. Receivables for securities (Line 8)	0.4				
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	15,738,368	15,840,000	16,380,000	16,920,000	17,460,000
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44	15,738,368	15,840,000	16,380,000	16,920,000	17,460,000
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)	17.5	6.8	8.0	8.8	10.4

FIVE-YEAR HISTORICAL DATA
(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	(2,834,483)	(1,326,523)	3,651,381	9,658,338	(7,719,212)
48. Dividends to stockholders (Line 35)	(180,000,000)				
49. Change in surplus as regards policyholders for the year (Line 38)	(141,815,204)	26,733,037	12,635,577	23,795,085	2,636,881
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	217,032,131	188,634,525	187,956,377	164,803,281	142,895,488
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,246,101	13,946,496	13,484,442	13,961,683	10,826,818
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	55,202,120	29,275,349	30,179,852	17,497,791	10,027,826
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	964				
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
55. Total (Line 34)	281,481,316	231,856,370	231,620,671	196,262,755	163,750,132
Net Losses Paid (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	582,086,284	158,921,596	158,547,511	140,801,230	125,289,539
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,342,833	14,072,615	12,579,385	9,365,531	4,400,510
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	46,147,336	26,261,678	24,301,532	11,418,626	6,030,283
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,202				
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
61. Total (Line 34)	631,577,655	199,255,889	195,428,428	161,585,387	135,720,332
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)		70.4	67.5	71.8	75.3
64. Loss expenses incurred (Line 3)		10.8	10.3	10.8	8.5
65. Other underwriting expenses incurred (Line 4)		23.9	27.0	23.5	100.2
66. Net underwriting gain (loss) (Line 8)		(5.0)	(4.7)	(6.1)	(7.7)
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)		23.1	25.9	21.7	21.5
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)		81.1	77.7	82.6	83.7
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	(102.5)	178.9	199.0	185.8	151.4
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)		31,397	692	20,052	(2,276)
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)		15.3	0.4	11.9	(1.4)
Two Year Loss Development (000 omitted)					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)		56,031	36,475	808	(13,146)
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)		29.1	21.6	0.5	(7.5)

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	45,042,095	40,842,224	41,837,003	41,130,303
	2. Canada				
	3. Other Countries				
	4. Totals	45,042,095	40,842,224	41,837,003	41,130,303
States, Territories and Possessions (Direct and guaranteed)	5. United States	1,995,727	2,005,600	1,995,520	2,000,000
	6. Canada				
	7. Other Countries				
8. Totals	1,995,727	2,005,600	1,995,520	2,000,000	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	2,000,000	2,030,000	2,000,000	2,000,000
	10. Canada				
	11. Other Countries				
12. Totals	2,000,000	2,030,000	2,000,000	2,000,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	8,339,165	8,301,383	8,337,730	8,355,000
	14. Canada				
	15. Other Countries				
16. Totals	8,339,165	8,301,383	8,337,730	8,355,000	
Public Utilities (unaffiliated)	17. United States	3,955,710	3,866,400	3,939,590	4,000,000
	18. Canada				
	19. Other Countries				
20. Totals	3,955,710	3,866,400	3,939,590	4,000,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	9,060,284	8,918,919	9,088,541	8,995,003
	22. Canada				
	23. Other Countries				
24. Totals	9,060,284	8,918,919	9,088,541	8,995,003	
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	70,392,981	65,964,526	67,198,384	66,480,306
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
34. Totals					
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
38. Totals					
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
48. Totals					
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
52. Totals					
Parent, Subsidiaries and Affiliates	53. Totals	15,738,368	15,738,368	19,010,000	
	54. Total Common Stocks	15,738,368	15,738,368	19,010,000	
	55. Total Stocks	15,738,368	15,738,368	19,010,000	
	56. Total Bonds and Stocks	86,131,349	81,702,894	86,208,384	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	979,269,071	7. Amortization of premium	567,763
2. Cost of bonds and stocks acquired, Column 7, Part 3	55,933,732	8. Foreign Exchange Adjustment:	
3. Accrual of discount	400,182	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2	(101,632)	9. Book/adjusted carrying value at end of current period	86,131,349
4.4 Column 11 - 13, Part 4	(2,124,635)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	(526,633)	11. Subtotal (Lines 9 plus 10)	86,131,349
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	946,150,973	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	86,131,349

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	10,474	10,474	49	49	175	175			X X X
2. 1997	177,377	177,377		129,449	129,449	5,814	5,814	10,678	10,678	1,630		X X X
3. 1998	173,105	173,105		139,913	139,913	5,854	5,854	11,890	11,890	913		X X X
4. 1999	161,140	161,140		139,543	139,543	5,556	5,556	15,116	15,116	2,091		X X X
5. 2000	147,158	147,158		124,159	124,159	4,907	4,907	12,753	12,753	1,665		X X X
6. 2001	161,792	161,792		123,913	123,913	6,029	6,029	13,055	13,055	2,547		X X X
7. 2002	311,672	311,672		201,052	201,052	9,704	9,704	19,287	19,287	2,266		X X X
8. 2003	411,722	411,722		205,685	205,685	10,473	10,473	18,077	18,077	3,718		X X X
9. 2004	462,625	462,625		216,235	216,235	9,310	9,310	18,427	18,427	4,016		X X X
10. 2005	469,394	469,394		196,803	196,803	11,151	11,151	15,801	15,801	1,986		X X X
11. 2006	298,205	298,205		52,412	52,412	3,323	3,323	18,376	18,376	449		X X X
12. Totals	X X X	X X X	X X X	1,539,638	1,539,638	72,170	72,170	153,635	153,635	21,281		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	192,527	192,527	17,937	17,937			2,087	2,087	7,494	7,494			X X X
2. 1997	21,833	21,833	4,681	4,681			670	670	988	988			X X X
3. 1998	31,285	31,285	5,315	5,315			792	792	1,331	1,331			X X X
4. 1999	35,443	35,443	5,687	5,687			930	930	1,488	1,488			X X X
5. 2000	22,899	22,899	9,576	9,576			1,168	1,168	1,350	1,350			X X X
6. 2001	38,883	38,883	11,654	11,654			1,689	1,689	1,992	1,992			X X X
7. 2002	39,332	39,332	16,108	16,108			2,637	2,637	2,302	2,302			X X X
8. 2003	30,882	30,882	23,201	23,201			3,738	3,738	2,527	2,527			X X X
9. 2004	34,626	34,626	27,389	27,389			5,697	5,697	2,952	2,952			X X X
10. 2005	47,781	47,781	41,742	41,742			8,694	8,694	4,448	4,448			X X X
11. 2006	59,079	59,079	111,514	111,514			5,792	5,792	9,118	9,118			X X X
12. Totals	554,570	554,570	274,804	274,804			33,894	33,894	35,990	35,990			X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X		
2. 1997	174,113	174,113		98.160	98.160						
3. 1998	196,380	196,380		113.446	113.446						
4. 1999	203,763	203,763		126.451	126.451						
5. 2000	176,812	176,812		120.151	120.151						
6. 2001	197,215	197,215		121.894	121.894						
7. 2002	290,422	290,422		93.182	93.182						
8. 2003	294,583	294,583		71.549	71.549						
9. 2004	314,636	314,636		68.011	68.011						
10. 2005	326,420	326,420		69.541	69.541						
11. 2006	259,614	259,614		87.059	87.059						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X		

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

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

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO							
2. Alaska	AK	YES	27,913,165	27,590,844	12,527,195	14,286,528	41,746,261		
3. Arizona	AZ	NO							
4. Arkansas	AR	NO			(33,634)	(33,634)			
5. California	CA	YES	8,286,692	8,338,855	2,452,416	3,870,617	11,537,238		
6. Colorado	CO	NO							
7. Connecticut	CT	NO							
8. Delaware	DE	NO							
9. Dist. Columbia	DC	NO							
10. Florida	FL	NO							
11. Georgia	GA	NO							
12. Hawaii	HI	NO							
13. Idaho	ID	YES	47,435,866	46,811,347	3,999,618	23,282,180	43,984,004	68,616,067	
14. Illinois	IL	NO							
15. Indiana	IN	NO							
16. Iowa	IA	NO							
17. Kansas	KS	NO							
18. Kentucky	KY	NO							
19. Louisiana	LA	NO							
20. Maine	ME	NO							
21. Maryland	MD	NO							
22. Massachusetts	MA	YES							
23. Michigan	MI	NO							
24. Minnesota	MN	NO							
25. Mississippi	MS	NO							
26. Missouri	MO	NO							
27. Montana	MT	YES	37,136,275	37,076,514	164,617	19,561,324	31,834,667	109,634,195	
28. Nebraska	NE	NO							
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	NO							
32. New Mexico	NM	NO							
33. New York	NY	NO							
34. No. Carolina	NC	NO							
35. No. Dakota	ND	NO							
36. Ohio	OH	NO							
37. Oklahoma	OK	NO							
38. Oregon	OR	YES	140,588,824	137,812,144	159,468	92,038,364	113,199,688	507,879,184	2,869
39. Pennsylvania	PA	NO							
40. Rhode Island	RI	NO							
41. So. Carolina	SC	NO							
42. So. Dakota	SD	NO							
43. Tennessee	TN	NO							
44. Texas	TX	NO							
45. Utah	UT	YES							
46. Vermont	VT	NO							
47. Virginia	VA	NO							
48. Washington	WA	YES	28,185,874	24,720,468	10,847,855	23,683,703	42,635,240		
49. West Virginia	WV	NO							
50. Wisconsin	WI	NO							
51. Wyoming	WY	YES							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X							
59. Totals	(a) 9		289,546,696	282,350,172	4,323,703	160,675,700	230,825,573	782,048,185	2,869

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

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

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

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

106

