

**ANNUAL STATEMENT**

**OF THE**

**North Pacific Insurance Company**

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**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**



23892200620100100

ANNUAL STATEMENT  
For the Year Ended December 31, 2006  
OF THE CONDITION AND AFFAIRS OF THE  
North Pacific Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 23892 Employer's ID Number 93-6029263  
(Current Period) (Prior Period)  
Organized under the Laws of Oregon , State of Domicile or Port of Entry Oregon  
Country of Domicile United States of America  
Incorporated/Organized: June 26, 1958 Commenced Business: July 1, 1958  
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 46558  
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

	Name	Title
1.	<u>Gary Richard Gregg</u>	<u>Chief Executive Officer</u>
2.	<u>Edmund Campion Kenealy</u>	<u>Secretary</u>
3.	<u>James Francis Dore</u>	<u>Chief Financial Officer &amp; Treasurer</u>

Vice-Presidents

Name	Title	Name	Title
<u>Anthony Alexander Fontanes</u>	<u>EVP and Chief Investment Officer</u>	<u>Joseph Anthony Gilles</u>	<u>Executive Vice President</u>
<u>Scott Rhodes Goodby</u>	<u>EVP and Chief Operating Officer</u>		

DIRECTORS OR TRUSTEES

<u>Gary Richard Gregg</u>	<u>Larry Wayne Becker</u>	<u>James Francis Dore</u>	<u>Scott Rhodes Goodby</u>
<u>Christopher Charles Mansfield</u>	<u>James Edward McKittrick, Jr.</u>	<u>Matthew David Nickerson</u>	<u>John Derek Doyle #</u>

State of Massachusetts  
County of Suffolk ss

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

<u>(Signature)</u> <u>Gary Richard Gregg</u> (Printed Name) 1. <u>Chief Executive Officer</u> (Title)	<u>(Signature)</u> <u>Edmund Campion Kenealy</u> (Printed Name) 2. <u>Secretary</u> (Title)	<u>(Signature)</u> <u>James Francis Dore</u> (Printed Name) 3. <u>Chief Financial Officer &amp; Treasurer</u> (Title)
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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)	6,372,061		6,372,061	6,972,858
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ (3,085,633) , Schedule E-Part 1), cash equivalents (\$ 0				
Schedule E-Part 2) and short-term investments (\$ 171 , Schedule DA)	(3,085,462)		(3,085,462)	(3,362,072)
6. Contract loans (including \$ 0 premium notes)				
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)	3,286,599		3,286,599	3,610,786
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	78,346		78,346	
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	6,485,637		6,485,637	
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				
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	25,318,626		25,318,626	2,689,214
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets				
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	35,169,208		35,169,208	6,300,000
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	35,169,208		35,169,208	6,300,000

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.				
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)				

LIABILITIES, SURPLUS AND OTHER FUNDS			1	2
			Current Year	Prior Year
1.	Losses (Part 2A, Line 34, Column 8)			
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)			
3.	Loss adjustment expenses (Part 2A, Line 34, Column 9)			
4.	Commissions payable, contingent commissions and other similar charges			
5.	Other expenses (excluding taxes, licenses and fees)			
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)			
7.1	Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		130,176	
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 \$ 61,755,374 and including warranty reserves of \$ 0 )			
10.	Advance premium			
11.	Dividends declared and unpaid:			
11.1	Stockholders			
11.2	Policyholders			
12.	Ceded reinsurance premiums payable (net of ceding commissions)		10,136,187	
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		160,001	
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		18,049,235	
20.	Payable for securities			
21.	Liability for amounts held under uninsured plans			
22.	Capital notes \$ 0 and interest thereon \$ 0			
23.	Aggregate write-ins for liabilities		173,371	
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)		28,648,970	
25.	Protected cell liabilities			
26.	Total liabilities (Lines 24 and 25)		28,648,970	
27.	Aggregate write-ins for special surplus funds			
28.	Common capital stock		3,000,140	1,500,070
29.	Preferred capital stock			
30.	Aggregate write-ins for other than special surplus funds			
31.	Surplus notes			
32.	Gross paid in and contributed surplus		178,204	1,678,274
33.	Unassigned funds (surplus)		3,341,894	3,121,656
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)		6,520,238	6,300,000
36.	TOTALS (Page 2, Line 26, Col. 3)		35,169,208	6,300,000

DETAILS OF WRITE-INS				
2301.	Other liabilities		173,371	
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)		173,371	
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)		
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)		
3. Loss expenses incurred (Part 3, Line 25, Column 1)		(49,897)
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		(77,446)
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		(127,343)
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		127,343
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	345,238	
10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses))		
11. Net investment gain (loss) (Lines 9 + 10)	345,238	
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0 )		(127,343)
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)		(127,343)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	345,238	
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	345,238	
19. Federal and foreign income taxes incurred	125,000	
20. Net income (Line 18 minus Line 19) (to Line 22)	220,238	
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	6,300,000	6,300,000
22. Net income (from Line 20)	220,238	
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax		
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		
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	1,500,070	
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	(1,500,070)	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	220,238	
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	6,520,238	6,300,000

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.		
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)		
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)		

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	8,200,659	
2. Net investment income	245,220	35,832
3. Miscellaneous income	160,000	
4. Total (Lines 1 through 3)	8,605,879	35,832
5. Benefit and loss related payments	6,485,637	
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions		
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	(5,176)	
10. Total (Lines 5 through 9)	6,480,461	
11. Net cash from operations (Line 4 minus Line 10)	2,125,418	35,832
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,000,000	1,000,000
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,000,000	1,000,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	377,531	1,240,137
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	377,531	1,240,137
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)	622,469	(240,137)
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		
16.6 Other cash provided (applied)	(2,471,277)	(265,596)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(2,471,277)	(265,596)
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)	276,610	(469,901)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	(3,362,072)	(2,892,171)
19.2 End of year (Line 18 plus Line 19.1)	(3,085,462)	(3,362,072)

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

20.0001.		
20.0002.		
20.0003.		

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

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

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1B - PREMIUMS WRITTEN

Line of Business	1  Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6  Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2  From Affiliates	3  From Non- Affiliates	4  To Affiliates	5  To Non- Affiliates	
1. Fire	1,822,755			1,822,755		
2. Allied lines	1,098,436			1,098,436		
3. Farmowners multiple peril	8,480,993			8,480,993		
4. Homeowners multiple peril	18,778,720			18,778,720		
5. Commercial multiple peril	33,262,520			32,819,279	443,241	
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	2,264,932			2,264,932		
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	1,253,926			1,253,926		
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability - occurrence	8,542,565			8,502,007	40,558	
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	722,403			722,403		
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	22,894,661			22,894,661		
19.3, 19.4 Commercial auto liability	21,134,146			21,113,096	21,050	
21. Auto physical damage	24,457,330			24,457,330		
22. Aircraft (all perils)						
23. Fidelity	(237)			(237)		
24. Surety						
26. Burglary and theft	30,245			30,245		
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	144,743,395			144,238,546	504,849	

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	6	7	8
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	710,692		710,692					
2. Allied lines	357,660		357,660					
3. Farmowners multiple peril	2,081,637		2,081,637					
4. Homeowners multiple peril	9,423,040		9,423,040					
5. Commercial multiple peril	12,728,246		12,728,246					
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	5,623,603		5,623,603					
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	53,615		53,615					
17.1 Other liability - occurrence	389,312		389,312					
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	95,926		95,926					
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	16,420,584		16,420,584					
19.3, 19.4 Commercial auto liability	5,698,009		5,698,009					
21. Auto physical damage	9,900,290		9,900,290					
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft	6,017		6,017					
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	63,488,631		63,488,631					
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	9
		1	2	3	4	5	6	7		
		Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
1.	Fire	142,882		142,882		75,467		75,467		
2.	Allied lines	256,106		256,106		44,663		44,663		
3.	Farmowners multiple peril	2,988,458		2,988,458		689,160		689,160		
4.	Homeowners multiple peril	5,046,451		5,046,451		2,863,635		2,863,635		
5.	Commercial multiple peril	15,839,732		15,839,732		16,893,450		16,893,450		
6.	Mortgage guaranty									
8.	Ocean marine									
9.	Inland marine	67,528		67,528		92,082		92,082		
10.	Financial guaranty									
11.1	Medical malpractice - occurrence									
11.2	Medical malpractice - claims - made									
12.	Earthquake									
13.	Group accident and health								(a)	
14.	Credit accident and health (group and individual)									
15.	Other accident and health								(a)	
16.	Workers' compensation	3,256,511		3,256,511						
17.1	Other liability - occurrence	990,217		990,217		15,474,502		15,474,502		
17.2	Other liability - claims - made									
18.1	Products liability - occurrence	106,110		106,110		715,153		715,153		
18.2	Products liability - claims - made									
19.1, 19.2	Private passenger auto liability	16,619,878		16,619,878		3,760,156		3,760,156		
19.3, 19.4	Commercial auto liability	9,479,020		9,479,020		4,756,651		4,756,651		
21.	Auto physical damage	255,613		255,613						
22.	Aircraft (all perils)									
23.	Fidelity					(34)		(34)		
24.	Surety									
26.	Burglary and theft					973		973		
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	55,048,506		55,048,506		45,365,858		45,365,858		

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	5,344,114			5,344,114
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	5,344,114			5,344,114
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		22,527,929		22,527,929
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		22,527,929		22,527,929
2.4 Contingent-direct		3,089,930		3,089,930
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded		3,089,930		3,089,930
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			8	8
5. Boards, bureaus and associations				
6. Surveys and underwriting reports				
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			1,935	1,935
8.2 Payroll taxes			84	84
9. Employee relations and welfare			84	84
10. Insurance			7	7
11. Directors' fees				
12. Travel and travel items			64	64
13. Rent and rent items			27	27
14. Equipment			30	30
15. Cost or depreciation of EDP equipment and software			16	16
16. Printing and stationery			4	4
17. Postage, telephone and telegraph, exchange and express			10	10
18. Legal and auditing			184	184
19. Totals (Lines 3 to 18)			2,453	2,453
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			287	287
25. Total expenses incurred			2,740 (a)	2,740
26. Less unpaid expenses-current year				
27. Add unpaid expenses-prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)			2,740	2,740

DETAILS OF WRITE-INS				
2401. Other expenses			287	287
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)			287	287

(a) Includes management fees of \$ 2,740 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) 326,097	400,372
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 20,276	24,347
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(76,741)	(76,741)
10. Total gross investment income	269,632	347,978
11. Investment expenses		(g) 2,740
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)		2,740
17. Net investment income (Line 10 minus Line 16)		345,238
DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	(76,741)	(76,741)
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)	(76,741)	(76,741)
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 \$ 23,016 accrual of discount less \$ 1,344 amortization of premium and less \$ 6,762 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 \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.		
(g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.		
(h) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.		
(i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds				
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)				
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)				
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)				
NONE				
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)				

EXHIBIT OF NONADMITTED ASSETS

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

NONE

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.			
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)			

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 North Pacific Insurance Company (the “Company”) have been prepared in conformity with the National Association of Insurance Commissioners (“NAIC”) *Accounting Practices and Procedures Manual* (“APP Manual”).

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

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

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

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

**Note 3- Business Combinations and Goodwill**

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

NOTES TO FINANCIAL STATEMENTS

**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 has no loan-backed securities.

- E. Repurchase Agreements

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

- F. Real Estate

The Company does not own real estate.

- G. Investments in Low-Income Housing Tax Credits

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

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

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

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

Not applicable

**Note 7- Investment Income**

- A. Accrued Investment Income

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

- B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2006.

**Note 8- Derivative Instruments**

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

**Note 9 - Income Taxes**

- A. The Company has no deferred tax asset/(liability).

- B. Not Applicable

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

	2006	2005
Federal tax on operations	125,000	0
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	125,000	0
Tax on capital gains	0	0
Total income tax incurred	125,000	0

- 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.

NOTES TO FINANCIAL STATEMENTS

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 none 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.
Countrywide Services Corporation	Mid-American Agency, Inc.
Diversified Settlements, Inc.	Mid-American Fire and Casualty Company
Employers Insurance Company of Wausau	Missouri Agency, Inc.
Excelsior Insurance Company	North Pacific Insurance Company
First State Agency, Inc.	Oregon Automobile Insurance Company
Florida State Agency, Inc.	Peerless Indemnity Insurance Company
Globe American Casualty Company	Peerless Insurance Company
Golden Eagle Insurance Corporation	LM Personal Insurance Company
Gulf States AIF, Inc.	LM General Insurance Company
Hawkeye-Security Insurance Company	LM Property and Casualty Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	San Diego Insurance Company
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Indiana corporation)
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Wisconsin corporation)
Indiana Insurance Company	St. James Insurance Company
LEXCO Limited	Summit Consulting, Inc.
Liberty Assignment Corporation	Summit Consulting, Inc. of Louisiana
Liberty Energy Corporation	Summit Holding Southeast, Inc.
Liberty Financial Services, Inc.	The First Liberty Insurance Corporation
Liberty Hospitality Group, Inc.	The Midwestern Indemnity Company
Liberty Insurance Company of America	The National Corporation
Liberty Insurance Corporation	The Netherlands Insurance Company
Liberty Insurance Holdings, Inc.	Wausau Business Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau General Insurance Company
Liberty International Asia Pacific Holdings, Inc.	Wausau Service Corporation
Liberty International Holdings, Inc.	Wausau Signature Agency, Inc.
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All outstanding shares of the Company are owned by Liberty Northwest Insurance Corporation (“LNW”), an insurance company incorporated in the State of Oregon. LNW is wholly owned by Liberty Mutual Insurance Company (“LMIC”), an insurance company incorporated in Massachusetts. The ultimate parent of LMIC is Liberty Mutual Holding Company, Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Notes 10F and 26.
- D. At December 31, 2006, the Company reported \$5,333,863 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

NOTES TO FINANCIAL STATEMENTS

- 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 Janaury 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 Lbierty Mutual Group via Amendment 4 to the Services Agreement.  
  
The Company entered into investment management agreements, effective February 27, 2002 with LMIC and Liberty Mutual Investment Advisors LLC (LMIA). Under these agreements, LMIC and LMIA provide investment management services to the Company. Effective January 1, 2007, the February 27, 2002 Investment Management Agreement with LMIC was terminated and a new agreement went into effect. Under these agreements LMIC and LMIA provided investment management services to the Company.  
  
The Company is party to a Federal Tax Sharing Agreement between LMIC and affiliates (see Note 9F).
- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies.
- J. Impairment of subsidiaries  
  
Not applicable
- K. The Company does not hold investments in foreign subsidiaries.

Note 11- Debt

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

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

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

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

1. Common Stock  
  
The Company has 20,000 shares authorized, 11,539 shares issued and outstanding as of December 31, 2006. All shares have a stated par value of \$260.
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 \$317,834.
5. The Company does not have restricted unassigned surplus.
6. The Company had no advances to surplus.
7. The Company did not hold stock for special purposes.
8. The Company does not hold special surplus funds.
9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.
10. Surplus Notes  
  
Not applicable

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 the 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**

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

**Note 21- Other Items**

- A. The Company has no extraordinary items to report.
- B. Troubled Debt Restructuring for Debtors  
  
Not applicable
- C. Other Disclosures  
  
1) Assets in the amount of \$1,265,751 and \$1,125,290 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, there are no unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer that exceed 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. Reinsurance Assumed & Ceded  
  
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.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$0	\$0	\$61,755,373	\$1,655,386	(\$61,755,373)	(\$1,655,386)
All Other	0	0	0	0	0	0
Total	\$0	\$0	\$61,755,373	\$1,655,386	(\$61,755,373)	(\$1,655,386)

Direct unearned premium reserve of \$61,755,373

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	\$1,116,033
Assumed	0
Ceded	(1,116,033)
Net	\$0

- D. The Company did not write off any uncollectible balances in 2006.

NOTES TO FINANCIAL STATEMENTS

- 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 Reinsurance Agreements between the Company and LNW was terminated via Cancellation Addenda to the Reinsurance Agreement.

Effective January 1, 2006 the Company entered into an inter-company 100% Quota Share Reinsurance Agreement with PIC.

**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**

Not applicable

**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

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	6,372,061	193.880	6,372,061	193.880
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
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)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	(3,085,462)	(93.880)	(3,085,462)	(93.880)
9. Other invested assets				
10. Total invested assets	3,286,599	100.000	3,286,599	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 ☒ 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 ☒ 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 ☐
- 2.2

If yes, date of change:

07/07/2006
- 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 ☒

4.12

renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 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	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) Yes ☒ No ☐ Suspend 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 ☒
- 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	2
Nationality	Type of Entity

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ☐ No ☒
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP  
200 Clarendon Street, Boston, MA 02116
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

William M. Finn, FCAS, MAAA  
62 Maple Avenue, Keene, 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?

11.11 Name of real estate holding company  
11.12 Number of parcels involved  
11.13 Total book/adjusted carrying value

Yes [ ] No [X]

0

\$0
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [X]

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [X]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ] No [ ] N/A [X]
- BOARD OF DIRECTORS
13. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [ ] No [X]

14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No [ ]

15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes [X] No [ ]
- FINANCIAL
- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers  
16.12 To stockholders not officers  
16.13 Trustees, supreme or grand (Fraternal only)

\$0  
\$0  
\$0

16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers  
16.22 To stockholders not officers  
16.23 Trustees, supreme or grand (Fraternal only)

\$0  
\$0  
\$0

17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [ ] No [X]

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

17.21 Rented from others  
17.22 Borrowed from others  
17.23 Leased from others  
17.24 Other

\$0  
\$0  
\$0  
\$0

18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [ ] No [X]

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment  
18.22 Amount paid as expenses  
18.23 Other amounts paid

\$0  
\$0  
\$0
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No [ ]
- 16 . 1

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

\$0

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes [X] No [ ]

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

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1).

Yes [ ] No [X]

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

\$0

\$0

\$0

\$0

\$0

\$0

\$0

\$0

\$0

21.3 For category (21.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ] No [ ] N/A [X]

If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [X]

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

\$0

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No [ ]

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

1	2
Name of Custodian(s)	Custodian's Address
JP MORGAN CHASE	3 Chase Metrotech 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	2	3
Name(s)	Location(s)	Complete Explanation(s)

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [ ] No [X]

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

1	2	3	4
Old Custodian	New Custodian	Date of Change	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	2	3
Central Registration Depository Number(s)	Name	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	2	3
CUSIP#	Name of Mutual Fund	Book/Adjusted Carrying Value
25.2999	Total	

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	6,372,233	6,365,821	(6,412)
26.2 Preferred stocks			
26.3 Totals	6,372,233	6,365,821	(6,412)

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

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

- 27.2 If no, list exceptions:
- 
- 
- 

OTHER

- 28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 0
- 28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid
	\$
	\$
	\$

- 29.1 Amount of payments for legal expenses, if any? \$ 0
- 29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
	\$
	\$
	\$

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0
- 30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

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

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

YES [ ] NO [X]

1.2

If yes, indicate premium earned on U. S. business only.

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

\$

All years prior to most current three years:

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

\$

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

\$

All years prior to most current three years:

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

\$

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

\$

\$

2.2

Premium Denominator

\$

\$

2.3

Premium Ratio (2.1/2.2)

2.4

Reserve Numerator

\$

\$

2.5

Reserve Denominator

\$

\$

2.6

Reserve Ratio (2.4/2.5)

3.1

Does the reporting entity issue both participating and non-participating policies?

YES [ ] NO [X]

3.2

If yes, state the amount of calendar year premiums written on:

3.21

Participating policies

\$

3.22

Non-participating policies

\$

4.

For Mutual Reporting Entities and Reciprocal Exchange only:

4.1

Does the reporting entity issue assessable policies?

YES [ ] NO [X]

4.2

Does the reporting entity issue non-assessable policies?

YES [ ] NO [X]

4.3

If assessable policies are issued, what is the extent of the contingent liability of the policyholders?

%

4.4

Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.

\$

5.

For Reciprocal Exchanges Only:

5.1

Does the exchange appoint local agents?

YES [ ] NO [X]

5.2

If yes, is the commission paid:

5.21

Out of Attorney's-in-fact compensation

YES [ ] NO [ ] N/A [X]

5.22

As a direct expense of the exchange

YES [ ] NO [ ] N/A [X]

5.3

What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4

Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?

YES [ ] NO [X]

5.5

If yes, give full information

17

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 of \$25M

6.2

Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company tracks aggregate property and WC exposure and reviews quarterly. It uses Risklink from RMS and AIR from AIR for EQ and wind. It uses Risklink for WC. Concentrations are in the Northeast for wind and New Madrid for EQ.

6.3

What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In 2006 the Company purchased property catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,650M xs \$50M. The coverage is sufficient to protect against the Company's 250 year event.

6.4

Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?

YES ☒ NO ☐

6.5

If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss

7.1

Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

YES ☐ NO ☒

7.2

If yes, indicate the number of reinsurance contracts containing such provisions.

7.3

If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?

YES ☐ NO ☒

8.1

Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?

YES ☐ NO ☒

8.2

If yes, give full information

9.1

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

YES ☐ NO ☒

9.2

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.

YES ☐ NO ☒

9.3

If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatroy 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4

Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

YES ☐ NO ☒

9.5

If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

YES ☐ NO ☐ N/A ☒

11.1

Has the reporting entity guaranteed policies issued by any other entity and now in force:

YES ☐ NO ☒

11.2

If yes, give full information

## GENERAL INTERROGATORIES

(Continued)

## PART 2 - PROPERTY & CASUALTY INTERROGATORIES

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11	Unpaid losses	\$	
-------	---------------	----	--

12.12	Unpaid underwriting expenses (including loss adjustment expenses)	\$
-------	---	----

12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ \_\_\_\_\_

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES ☐ NO ☒ N/A ☐

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41 From %

12.42 To \_\_\_\_\_ %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?

YES ☐ NO ☒

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

12.61	Letters of Credit	\$
-------	-------------------	----

12.62	Collateral and other funds	\$
-------	----------------------------	----

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation):	\$
--	----

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

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

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

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

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

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

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

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

15.2 If yes, give full information .....

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

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

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

\* Disclose type of coverage:

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5.

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

17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5

17.12 Unfunded portion of Interrogatory 17.11

17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11

17.14 Case reserves portion of Interrogatory 17.11

17.15 Incurred but not reported portion of Interrogatory 17.11

17.16 Unearned premium portion of Interrogatory 17.11

17.17 Contingent commission portion of Interrogatory 17.11

YES [ ] NO [X]

\$

\$

\$

\$

\$

\$

\$

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

17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5

17.19 Unfunded portion of Interrogatory 17.18

17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18

17.21 Case reserves portion of Interrogatory 17.18

17.22 Incurred but not reported portion of Interrogatory 17.18

17.23 Unearned premium portion of Interrogatory 17.18

17.24 Contingent commission portion of Interrogatory 17.18

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FIVE-YEAR HISTORICAL DATA

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

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	53,293,775	54,810,384	54,301,208	50,299,151	50,183,039
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	30,927,624	32,981,914	33,903,227	33,224,177	32,798,162
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	60,522,233	56,344,366	55,826,029	50,195,783	46,157,584
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	(237)	14,202	35,018	24,396	17,711
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
6. Total (Line 34)	144,743,395	144,150,866	144,065,482	133,743,507	129,156,496
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
12. Total (Line 34)					
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)		127,343	181,540		
14. Net investment gain (loss) (Line 11)	345,238				
15. Total other income (Line 15)		(127,343)	(181,540)		
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	125,000				
18. Net income (Line 20)	220,238				
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	35,169,208	6,300,000	6,300,000	7,845,719	6,300,000
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)					
20.2 Deferred and not yet due (Line 13.2)					
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	28,648,970			1,545,719	
22. Losses (Page 3, Line 1)					
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)	3,000,140	1,500,070	1,500,070	1,500,070	1,500,070
26. Surplus as regards policyholders (Page 3, Line 35)	6,520,238	6,300,000	6,300,000	6,300,000	6,300,000
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	6,520,238	6,300,000	6,300,000	6,300,000	6,300,000
28. Authorized control level risk-based capital	1,604,207	1,226,082	1,668,791	3,053,451	2,915,799
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	193.9	193.1	174.6	83.1	146.0
30. Stocks (Lines 2.1 & 2.2)					
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	(93.9)	(93.1)	(74.6)	16.9	(46.0)
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)					
36. Receivables for securities (Line 8)					
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)					
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	220,238				1,257,973
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	22,657,446	28,621,049	36,401,930	30,454,109	31,970,253
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	16,598,262	11,354,285	11,975,276	12,587,564	13,511,540
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	24,232,923	20,076,538	32,037,005	21,901,639	28,688,511
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
55. Total (Line 34)	63,488,631	60,051,872	80,414,211	64,943,312	74,170,304
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
61. Total (Line 34)					
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)					
64. Loss expenses incurred (Line 3)					
65. Other underwriting expenses incurred (Line 4)					
66. Net underwriting gain (loss) (Line 8)					
<b>Other Percentages</b>					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)					
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)					
<b>One Year Loss Development (000 omitted)</b>					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)					
71. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Col. 1 x 100.0)					
<b>Two Year Loss Development (000 omitted)</b>					
72. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)					
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)					

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b>  Governments (Including all obligations guaranteed by governments)	1. United States .....	6,372,061	6,365,650	6,333,818	6,400,000
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	6,372,061	6,365,650	6,333,818	6,400,000
States, Territories and Possessions (Direct and guaranteed)	5. United States .....				
	6. Canada .....				
	7. Other Countries .....				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....				
	10. Canada .....				
	11. Other Countries .....				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....				
	14. Canada .....				
	15. Other Countries .....				
	16. Totals				
Public Utilities (unaffiliated)	17. United States .....				
	18. Canada .....				
	19. Other Countries .....				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....				
	22. Canada .....				
	23. Other Countries .....				
	24. Totals				
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	6,372,061	6,365,650	6,333,818	6,400,000
<b>PREFERRED STOCKS</b>  Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States .....				
	36. Canada .....				
	37. Other Countries .....				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>				
<b>COMMON STOCKS</b>  Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States .....				
	50. Canada .....				
	51. Other Countries .....				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	<b>54. Total Common Stocks</b>				
	55. Total Stocks				
	56. Total Bonds and Stocks	6,372,061	6,365,650	6,333,818	

SCHEDULE D - VERIFICATION BETWEEN YEARS  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year .....	6,972,858	7. Amortization of premium .....	1,344
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	377,531	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	23,016	8.1 Column 15, Part 1 .....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1 .....	
4.1 Columns 12 - 14, Part 1 .....		8.3 Column 16, Part 2, Section 2 .....	
4.2 Column 15 - 17, Part 2, Section 1 .....		8.4 Column 15, Part 4 .....	
4.3 Column 15, Part 2, Section 2 .....		9. Book/adjusted carrying value at end of current period .....	6,372,061
4.4 Column 11 - 13, Part 4 .....		10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....		11. Subtotal (Lines 9 plus 10) .....	6,372,061
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	1,000,000	12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	6,372,061

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
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
				4	5	6	7	8	9			
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	64	64	145	145			34		X X X
2. 1997	168,275	168,275		117,107	117,107	11,405	11,405	9,850	9,850	15		X X X
3. 1998	160,495	160,495		100,630	100,630	8,601	8,601	10,928	10,928	19		X X X
4. 1999	149,224	149,224		90,524	90,524	7,463	7,463	8,272	8,272	34		X X X
5. 2000	144,460	144,460		81,536	81,536	5,904	5,904	1,278	1,278	160		X X X
6. 2001	133,438	133,438		70,506	70,506	3,976	3,976	2,446	2,446	183		X X X
7. 2002	124,147	124,147		61,996	61,996	3,003	3,003	6,640	6,640	609		X X X
8. 2003	134,102	134,102		50,683	50,683	1,875	1,875	4,159	4,159	1,180		X X X
9. 2004	140,592	140,592		54,786	54,786	1,465	1,465	54	54	3,534		X X X
10. 2005	142,645	142,645		53,769	53,769	833	833	32	32	3,480		X X X
11. 2006	142,927	142,927		35,720	35,720	191	191	49	49	1,464		X X X
12. Totals	X X X	X X X	X X X	717,321	717,321	44,861	44,861	43,708	43,708	10,712		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	22			
	13  Direct and Assumed	14  Ceded	15  Direct and Assumed	16  Ceded	17  Direct and Assumed	18  Ceded	19  Direct and Assumed	20  Ceded	Direct and Assumed	Ceded			
1. Prior	6,898	6,898	514	514			209	209	180	180			X X X
2. 1997	1,230	1,230	140	140			131	131	80	80			X X X
3. 1998	579	579	362	362			190	190	70	70			X X X
4. 1999	1,119	1,119	468	468			278	278	111	111			X X X
5. 2000	1,918	1,918	666	666			482	482	178	178			X X X
6. 2001	4,541	4,541	794	794			673	673	323	323			X X X
7. 2002	2,512	2,512	1,568	1,568			855	855	298	298			X X X
8. 2003	1,252	1,252	3,027	3,027			1,401	1,401	382	382			X X X
9. 2004	4,691	4,691	5,716	5,716			1,827	1,827	839	839			X X X
10. 2005	10,045	10,045	10,700	10,700			2,916	2,916	1,642	1,642			X X X
11. 2006	20,265	20,265	21,412	21,412			4,192	4,192	3,275	3,275			X X X
12. Totals	55,050	55,050	45,367	45,367			13,154	13,154	7,378	7,378			X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34	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	Inter-Company Pooling Participation Percentage	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	139,943	139,943		83.163	83.163						
3. 1998	121,360	121,360		75.616	75.616						
4. 1999	108,235	108,235		72.532	72.532						
5. 2000	91,962	91,962		63.659	63.659						
6. 2001	83,259	83,259		62.395	62.395						
7. 2002	76,872	76,872		61.920	61.920						
8. 2003	62,779	62,779		46.814	46.814						
9. 2004	69,378	69,378		49.347	49.347						
10. 2005	79,937	79,937		56.039	56.039						
11. 2006	85,104	85,104		59.544	59.544						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X		

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

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

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

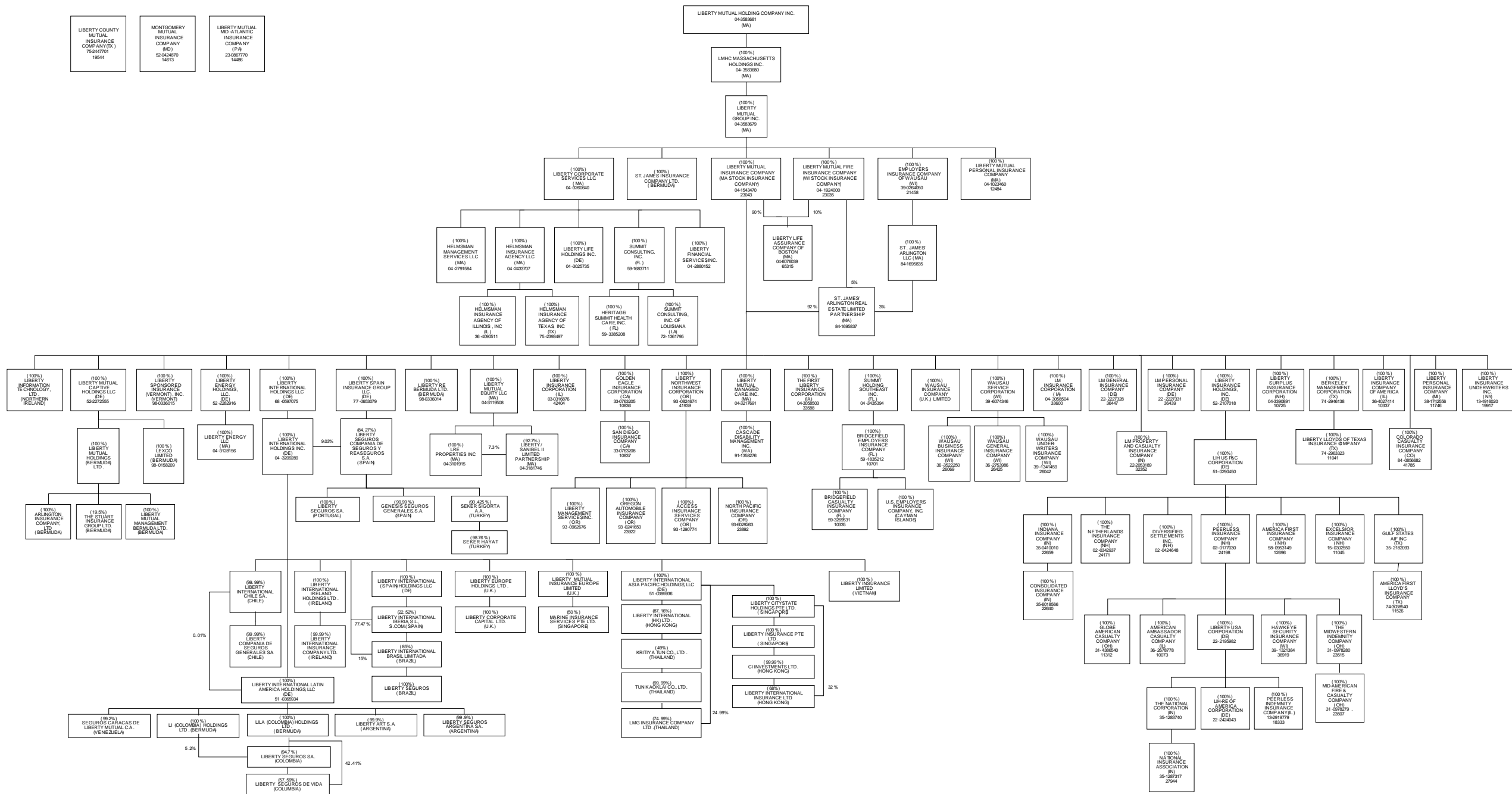
Allocated by States and Territories

States, Etc.		1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
			2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO								
2. Alaska	AK	NO								
3. Arizona	AZ	NO								
4. Arkansas	AR	NO								
5. California	CA	NO								
6. Colorado	CO	NO								
7. Connecticut	CT	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	13,811,550	13,342,289		5,670,300	6,307,085	6,108,034		
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	NO								
23. Michigan	MI	NO								
24. Minnesota	MN	NO								
25. Mississippi	MS	NO								
26. Missouri	MO	NO								
27. Montana	MT	YES	750,447	176,248		22,898	44,745	21,847		
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	69,349,144	68,373,788		25,331,945	31,032,571	45,316,889		
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	(356)	6		(12,500)	92,015	332,362		
46. Vermont	VT	NO								
47. Virginia	VA	NO								
48. Washington	WA	YES	60,832,612	61,035,231		32,475,989	34,370,506	48,635,232		
49. West Virginia	WV	NO								
50. Wisconsin	WI	NO								
51. Wyoming	WY	NO								
52. American Samoa	AS	NO								
53. Guam	GU	NO								
54. Puerto Rico	PR	NO								
55. U.S. Virgin Islands	VI	NO								
56. Northern Mariana Islands	MP	NO								
57. Canada	CN	NO								
58. Aggregate other alien	OT	X X X								
59. Totals	(a)	5	144,743,397	142,927,562		63,488,632	71,846,922	100,414,364		

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 Court - Surety
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage	*Address of Assured - Other Accident and Health
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity	*Location of Properties covered - Burglary and Theft
*Point of origin of shipment or principal location of assured - Inland Marine	*Principal Location of Assured - Ocean Marine, Credit
*State in which employees regularly work - Group Accident and Health	*Primary residence of Assured - Aircraft (all perils)

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



OVERFLOW PAGE FOR WRITE-INS