

**ANNUAL STATEMENT**

**OF THE**

**Peerless Insurance Company**

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**of** \_\_\_\_\_

**in the state of** \_\_\_\_\_ **Keene**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF New Hampshire**

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



24198200620100100

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

NAIC Group Code 0111 0111 NAIC Company Code 24198 Employer's ID Number 02-0177030  
(Current Period) (Prior Period)  
Organized under the Laws of New Hampshire , State of Domicile or Port of Entry New Hampshire  
Country of Domicile United States of America  
Incorporated/Organized: March 7, 1901 Commenced Business: November 23, 1903  
Statutory Home Office: 62 Maple Avenue Keene, NH 03431  
Main Administrative Office: 62 Maple Avenue Keene, NH 03431 603-352-3221  
Mail Address: 175 Berkeley Street Boston, MA 02117  
Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500  
Internet Website Address: www.LibertyMutualAgencyMarkets.com  
Statutory Statement Contact: Douglas Link 617-357-9500 45668  
Douglas.Link@LibertyMutual.com 617-574-5955  
(E-Mail Address) (Fax Number)  
Policyowner Relations Contact: 62 Maple Avenue Keene, NH 03431 603-352-3221

OFFICERS  
Chairman of the Board  
Gary Richard Gregg

	Name	Title
1.	<u>Gary Richard Gregg</u>	<u>President and Chief Executive Officer</u>
2.	<u>Edmund Campion Kenealy</u>	<u>Secretary</u>
3.	<u>James Francis Dore</u>	<u>Treasurer and Chief Financial Officer</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>James Francis Dore</u>	<u>John Derek Doyle</u>	<u>Joseph Anthony Gilles</u>	<u>Scott Rhodes Goodby</u>
<u>Gary Richard Gregg</u>	<u>Christopher Charles Mansfield</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>President and 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>Treasurer and Chief Financial Officer</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)	3,718,409,676		3,718,409,676	2,572,613,176
2. Stocks (Schedule D):				
2.1 Preferred stocks	96,530,700		96,530,700	17,150,700
2.2 Common stocks	359,091,398		359,091,398	684,924,507
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	13,128,804		13,128,804	
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	5,804,910		5,804,910	6,484,540
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 3,433 , Schedule E-Part 1), cash equivalents (\$ 89,976,059 Schedule E-Part 2) and short-term investments (\$ 131,785,985 , Schedule DA)	221,765,477		221,765,477	175,467,673
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	22,853,248		22,853,248	4,167,735
8. Receivables for securities	19,016,599		19,016,599	966,086
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	4,456,600,812		4,456,600,812	3,461,774,417
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	37,537,342		37,537,342	24,266,263
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	174,954,267	3,593,548	171,360,719	240,008,958
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 22,990,671 earned but unbilled premiums)	619,702,723	2,211,460	617,491,263	550,080,761
13.3 Accrued retrospective premiums	9,054,135	905,413	8,148,722	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	151,635,205		151,635,205	116,389,160
14.2 Funds held by or deposited with reinsured companies	6,381,562		6,381,562	7,093,655
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	165,725,000	48,861,290	116,863,710	121,812,148
17. Guaranty funds receivable or on deposit	3,907,373		3,907,373	3,779,542
18. Electronic data processing equipment and software	35,033,108	35,032,323	785	2,647
19. Furniture and equipment, including health care delivery assets (\$ 0 )	74,601	74,601		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	115,027,305		115,027,305	
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	47,544,507	24,602,442	22,942,065	26,271,069
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	5,823,177,940	115,281,077	5,707,896,863	4,551,478,620
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	5,823,177,940	115,281,077	5,707,896,863	4,551,478,620

DETAILS OF WRITE-INS				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets	5,133,904	3,070,157	2,063,747	4,920,555
2302. Receivable for administrative services - OneBeacon	9,721,188		9,721,188	12,121,188
2303. OneBeacon Goodwill	21,532,285	21,532,285		
2398. Summary of remaining write-ins for Line 23 from overflow page	11,157,130		11,157,130	9,229,326
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	47,544,507	24,602,442	22,942,065	26,271,069

LIABILITIES, SURPLUS AND OTHER FUNDS	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 34, Column 8)	2,081,607,322	1,398,181,035
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	154,218,208	164,553,519
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	477,618,586	359,180,936
4. Commissions payable, contingent commissions and other similar charges	76,626,543	88,341,239
5. Other expenses (excluding taxes, licenses and fees)	59,312,075	35,466,241
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	40,695,751	23,621,991
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	20,395,536	54,574,097
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 \$ 474,489,616 and including warranty reserves of \$ 0 )	1,121,458,176	1,001,005,264
10. Advance premium	4,514,291	3,020,948
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	1,051,670	
12. Ceded reinsurance premiums payable (net of ceding commissions)	76,888,413	74,032,256
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	23,432,494	21,289,129
14. Amounts withheld or retained by company for account of others	935,973	8,015,753
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	22,179,258	6,174,744
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	38,660	
19. Payable to parent, subsidiaries and affiliates	55,751,755	87,461,192
20. Payable for securities	60,397,719	5,055,505
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	211,554,330	204,842,842
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	4,488,676,760	3,534,816,691
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	4,488,676,760	3,534,816,691
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	8,848,635	8,848,635
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	699,537,163	549,537,163
33. Unassigned funds (surplus)	511,000,021	458,441,847
34. Less treasury stock, at cost:		
34.1 14,998 shares common (value included in Line 28 \$ 37,495 )	165,716	165,716
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)	1,219,220,103	1,016,661,929
36. TOTALS (Page 2, Line 26, Col. 3)	5,707,896,863	4,551,478,620

DETAILS OF WRITE-INS		
2301. Other liabilities	15,403,691	3,101,007
2302. Collateral held for securities loaned	195,132,797	200,516,695
2303. Restructure liability - OneBeacon	1,017,842	1,225,140
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	211,554,330	204,842,842
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)	2,430,916,555	2,046,431,084
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	1,319,590,125	1,009,638,422
3. Loss expenses incurred (Part 3, Line 25, Column 1)	290,421,779	269,254,441
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	813,501,296	734,875,370
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	2,423,513,200	2,013,768,233
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	7,403,355	32,662,851
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	679,656,056	116,272,570
10. Net realized capital gains (losses) less capital gains tax of \$ (576,802) (Exhibit of Capital Gains (Losses))	(1,079,700)	6,034,429
11. Net investment gain (loss) (Lines 9 + 10)	678,576,356	122,306,999
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ (27) amount charged off \$ 3,629,130 )	(3,629,157)	(2,682,695)
13. Finance and service charges not included in premiums	13,137,824	13,459,209
14. Aggregate write-ins for miscellaneous income	(397,520)	(7,377,075)
15. Total other income (Lines 12 through 14)	9,111,147	3,399,439
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	695,090,858	158,369,289
17. Dividends to policyholders	6,871,671	3,380,696
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)	688,219,187	154,988,593
19. Federal and foreign income taxes incurred	108,737,255	115,997,734
20. Net income (Line 18 minus Line 19) (to Line 22)	579,481,932	38,990,859
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,016,661,929	862,051,773
22. Net income (from Line 20)	579,481,932	38,990,859
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 1,685,201	(469,385,832)	31,263,135
25. Change in net unrealized foreign exchange capital gain (loss)	(41,926)	
26. Change in net deferred income tax	26,924,201	47,668,569
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(7,100,521)	32,452,079
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(16,004,514)	(133,521)
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	150,000,000	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(67,370,072)	
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	6,054,906	4,369,035
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	202,558,174	154,610,156
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	1,219,220,103	1,016,661,929

DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		
1401. Other income/(expense)	(397,520)	(7,377,075)
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)	(397,520)	(7,377,075)
3701. Other changes in surplus	6,054,906	4,369,035
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)	6,054,906	4,369,035

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	2,552,348,328	2,097,421,578
2. Net investment income	666,651,763	107,042,926
3. Miscellaneous income	3,531,731	8,534,770
4. Total (Lines 1 through 3)	3,222,531,822	2,212,999,274
5. Benefit and loss related payments	681,706,537	261,624,031
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	956,273,723	732,936,246
8. Dividends paid to policyholders	5,820,001	3,380,696
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	142,339,013	64,116,294
10. Total (Lines 5 through 9)	1,786,139,274	1,062,057,267
11. Net cash from operations (Line 4 minus Line 10)	1,436,392,548	1,150,942,007
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	483,341,899	479,453,747
12.2 Stocks	4,275,217	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	14,353,918	4,294,500
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	10,594	(13,515)
12.7 Miscellaneous proceeds	37,291,701	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	539,273,329	483,734,732
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,629,222,695	1,714,152,311
13.2 Stocks	227,944,754	27,478,185
13.3 Mortgage loans	13,128,804	
13.4 Real estate	44,109	355,486
13.5 Other invested assets	31,786,219	2,079,185
13.6 Miscellaneous applications		27,546,352
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,902,126,581	1,771,611,519
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)	(1,362,853,252)	(1,287,876,787)
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	150,000,000	
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	67,370,072	
16.6 Other cash provided (applied)	(109,871,420)	369,363,218
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(27,241,492)	369,363,218
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)	46,297,804	232,428,438
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	175,467,673	(56,960,765)
19.2 End of year (Line 18 plus Line 19.1)	221,765,477	175,467,673

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

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1- PREMIUMS EARNED

Line of Business	1  Net Premiums Written per Column 6, Part 1B	2  Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3  Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4  Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	24,764,754	11,841,772	12,584,345	24,022,181
2. Allied lines	21,249,156	10,488,464	10,858,679	20,878,941
3. Farmowners multiple peril	24,656,946	8,212,657	11,483,140	21,386,463
4. Homeowners multiple peril	193,478,460	91,410,036	101,335,251	183,553,245
5. Commercial multiple peril	796,443,783	335,467,598	371,453,681	760,457,700
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	74,904,281	28,007,047	32,962,110	69,949,218
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	9,102,231	3,675,343	4,636,810	8,140,764
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	491,912,664	111,090,567	137,296,845	465,706,386
17.1 Other liability - occurrence	146,375,783	55,156,897	65,837,274	135,695,406
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	4,192,736	1,193,167	1,689,233	3,696,670
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	181,872,847	78,087,910	81,439,336	178,521,421
19.3, 19.4 Commercial auto liability	338,445,781	140,297,366	156,914,915	321,828,232
21. Auto physical damage	235,235,675	103,286,370	108,614,592	229,907,453
22. Aircraft (all perils)				
23. Fidelity	59,169	123,332	117,069	65,432
24. Surety	6,105,318	861,019	741,064	6,225,273
26. Burglary and theft	330,835	132,977	143,030	320,782
27. Boiler and machinery	564,328	356,821	360,130	561,019
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	2,549,694,747	979,689,343	1,098,467,504	2,430,916,586

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

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

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	12,584,347				12,584,347
2. Allied lines	10,858,679				10,858,679
3. Farmowners multiple peril	11,479,556	3,583			11,483,139
4. Homeowners multiple peril	101,335,251				101,335,251
5. Commercial multiple peril	380,137,325	74,033	(8,757,678)		371,453,680
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	32,952,707	9,403			32,962,110
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	4,636,811				4,636,811
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	147,865,213		(10,568,368)		137,296,845
17.1 Other liability - occurrence	69,466,534	35,364	(3,664,626)		65,837,272
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	1,689,233				1,689,233
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	81,439,335				81,439,335
19.3, 19.4 Commercial auto liability	156,870,908	44,007			156,914,915
21. Auto physical damage	108,602,789	11,803			108,614,592
22. Aircraft (all perils)					
23. Fidelity	57,690	59,379			117,069
24. Surety	608,063	133,002			741,065
26. Burglary and theft	142,811	219			143,030
27. Boiler and machinery	358,960	1,171			360,131
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	1,121,086,212	371,964	(22,990,672)		1,098,467,504
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					22,990,672
37. Balance (Sum of Line 34 through 36)					1,121,458,176

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

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



UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1B - PREMIUMS WRITTEN

Line of Business	1  Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6  Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2  From Affiliates	3  From Non- Affiliates	4  To Affiliates	5  To Non- Affiliates	
1. Fire	18,492,087	17,251,832	760,094	11,185,611	553,648	24,764,754
2. Allied lines	15,385,616	16,981,852	238,893	9,679,529	1,677,676	21,249,156
3. Farmowners multiple peril	6,172,157	29,563,218	100	10,988,175	90,354	24,656,946
4. Homeowners multiple peril	120,414,954	160,010,338	1,028,672	86,775,509	1,199,994	193,478,461
5. Commercial multiple peril	327,391,301	861,691,971	(26)	346,299,549	46,339,913	796,443,784
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	52,996,218	58,305,603	(6,048)	34,287,049	2,104,442	74,904,282
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	1,943,476	11,818,579	5,610	4,113,080	552,354	9,102,231
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	113,841,471	568,940,625	26,426,260	205,871,543	11,424,149	491,912,664
17.1 Other liability - occurrence	68,502,204	141,309,516	15,521	60,017,271	3,434,188	146,375,782
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	1,798,478	4,154,300		1,718,354	41,689	4,192,735
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	97,680,441	157,181,155	3,061,826	74,845,288	1,205,286	181,872,848
19.3, 19.4 Commercial auto liability	131,385,586	343,028,530	5,752,871	138,897,081	2,824,126	338,445,780
21. Auto physical damage	125,314,241	210,743,053	778,846	100,275,110	1,325,356	235,235,674
22. Aircraft (all perils)						
23. Fidelity	75,282	8,272		24,351	33	59,170
24. Surety	1,126,090	7,465,314		2,502,208	(16,122)	6,105,318
26. Burglary and theft	81,223	400,298	2,719	149,718	3,688	330,834
27. Boiler and machinery	586,454	1,069,956		230,979	861,103	564,328
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	1,083,187,279	2,589,924,412	38,065,338	1,087,860,405	73,621,877	2,549,694,747

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	4,157,284	6,166,913	3,392,433	6,931,764	4,874,394	2,342,820	9,463,338	39.394
2. Allied lines	7,052,157	15,756,692	10,576,985	12,231,864	2,703,611	7,573,956	7,361,519	35.258
3. Farmowners multiple peril	2,757,363	10,068,796	4,643,409	8,182,750	5,112,089	3,552,756	9,742,083	45.553
4. Homeowners multiple peril	50,936,313	102,576,943	45,594,570	107,918,686	43,570,581	37,081,540	114,407,727	62.329
5. Commercial multiple peril	114,556,389	340,814,037	175,681,949	279,688,477	537,815,713	447,427,681	370,076,509	48.665
6. Mortgage guaranty								
8. Ocean marine		237,257	54,851	182,406	14,465	(3,785,750)	3,982,621	
9. Inland marine	13,400,897	15,825,671	8,520,292	20,706,276	7,911,736	6,267,455	22,350,557	31.953
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake	(5,276)	416	(1,413)	(3,447)	4,079	71	561	0.007
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	47,500,824	(265,013,642)	(48,772,612)	(168,740,206)	831,658,628	342,178,097	320,740,325	68.872
17.1 Other liability - occurrence	11,323,357	52,879,205	43,101,326	21,101,236	161,962,682	110,098,928	72,964,990	53.771
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	46,661	(347,500)	(87,454)	(213,385)	3,672,080	(958,569)	4,417,264	119.493
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	75,714,665	95,808,536	55,106,905	116,416,296	171,610,780	169,087,355	118,939,721	66.625
19.3, 19.4 Commercial auto liability	52,914,889	128,782,236	57,697,289	123,999,836	298,573,862	259,462,050	163,111,648	50.683
21. Auto physical damage	52,159,178	98,424,190	43,891,039	106,692,329	6,129,351	7,050,257	105,771,423	46.006
22. Aircraft (all perils)								
23. Fidelity	(11,426)	(1,482)	(3,752)	(9,156)	159,259	20,070	130,033	198.730
24. Surety	2,152,131	93,367	816,974	1,428,524	1,782,404	2,539,623	671,305	10.784
26. Burglary and theft	10,063	19,490	8,591	20,962	17,267	(38,095)	76,324	23.793
27. Boiler and machinery	14,057	105,839	119,649	247	113,713	4,295,446	(4,181,486)	(745.338)
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X	(523,929)	(152,306)	(371,623)	3,920,627	3,985,344	(436,340)	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	434,679,526	601,673,035	400,188,725	636,163,836	2,081,607,321	1,398,181,035	1,319,590,122	54.284

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Unpaid Loss Adjustment Expenses
	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		
1. Fire	1,716,665	5,402,976	2,626,309	4,493,332	309,853	234,164	162,955	4,874,394	331,416
2. Allied lines	1,543,261	3,410,595	2,583,374	2,370,482	406,833	1,232,581	1,306,284	2,703,612	406,926
3. Farmowners multiple peril	1,931,717	4,332,558	1,821,025	4,443,250	104,486	1,010,381	446,029	5,112,088	934,925
4. Homeowners multiple peril	20,458,136	26,471,046	14,355,247	32,573,935	6,981,904	14,308,942	10,294,200	43,570,581	8,265,342
5. Commercial multiple peril	121,903,850	340,146,168	149,451,552	312,598,466	88,339,406	244,187,973	107,310,131	537,815,714	228,963,773
6. Mortgage guaranty									
8. Ocean marine						54,591	40,125	14,466	2,444
9. Inland marine	3,680,487	4,232,524	2,397,750	5,515,261	2,462,473	1,017,777	1,083,777	7,911,734	1,465,334
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake	5,588	163	1,672	4,079		99	99	4,079	15,677
13. Group accident and health								(a)	1,634
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	122
16. Workers' compensation	68,888,395	654,369,955	245,820,760	477,437,590	73,546,451	530,443,450	249,768,863	831,658,628	108,458,181
17.1 Other liability - occurrence	20,063,071	66,662,625	39,446,584	47,279,112	49,853,039	139,469,256	74,638,724	161,962,683	35,493,005
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	370,098	736,902	321,805	785,195	780,600	3,090,903	984,618	3,672,080	1,273,331
18.2 Products liability - claims - made									78
19.1, 19.2 Private passenger auto liability	69,188,363	104,648,293	54,354,894	119,481,762	32,288,179	42,546,370	22,705,531	171,610,780	36,246,740
19.3, 19.4 Commercial auto liability	56,359,117	164,200,572	66,314,454	154,245,235	71,663,854	143,018,445	70,353,672	298,573,862	53,369,698
21. Auto physical damage	3,066,086	6,296,288	2,937,063	6,425,311		143,490	439,450	6,129,351	1,987,470
22. Aircraft (all perils)									
23. Fidelity	25,015		7,272	17,743	196,394	3,120	57,999	159,258	19,933
24. Surety	1,832,368	32,924	823,836	1,041,456	897,336	647,352	803,740	1,782,404	312,931
26. Burglary and theft	314	12,028	3,588	8,754	1,655	10,347	3,489	17,267	87,676
27. Boiler and machinery					12,361	(19,422)	(120,774)	113,713	(18,052)
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	658,415	191,401	467,014	X X X	4,869,044	1,415,431	3,920,627	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	371,032,531	1,381,614,032	583,458,586	1,169,187,977	327,844,824	1,126,268,863	541,694,343	2,081,607,321	477,618,584

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	27,138,858			27,138,858
1.2 Reinsurance assumed	149,003,239			149,003,239
1.3 Reinsurance ceded	63,838,725			63,838,725
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	112,303,372			112,303,372
2. Commission and brokerage:				
2.1 Direct, excluding contingent		165,849,586		165,849,586
2.2 Reinsurance assumed, excluding contingent		319,486,824		319,486,824
2.3 Reinsurance ceded, excluding contingent		145,578,368		145,578,368
2.4 Contingent-direct		80,470,100		80,470,100
2.5 Contingent-reinsurance assumed		14,068,609		14,068,609
2.6 Contingent-reinsurance ceded		28,153,978		28,153,978
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)		406,142,773		406,142,773
3. Allowances to manager and agents	1,983	883,568		885,551
4. Advertising	1,691,399	6,657,174	3,106	8,351,679
5. Boards, bureaus and associations	734,989	5,876,136	103	6,611,228
6. Surveys and underwriting reports	45	7,335,164	3	7,335,212
7. Audit of assureds' records		43,877		43,877
8. Salary and related items:				
8.1 Salaries	70,012,657	171,027,944	735,558	241,776,159
8.2 Payroll taxes	5,100,316	12,996,968	31,886	18,129,170
9. Employee relations and welfare	18,750,792	45,869,703	31,909	64,652,404
10. Insurance	15,114,072	1,483,209	2,473	16,599,754
11. Directors' fees	733	13,161	(1)	13,893
12. Travel and travel items	4,046,001	14,550,309	24,439	18,620,749
13. Rent and rent items	6,765,936	18,461,334	10,425	25,237,695
14. Equipment	4,648,111	11,546,564	11,478	16,206,153
15. Cost or depreciation of EDP equipment and software	9,140,235	10,498,205	6,017	19,644,457
16. Printing and stationery	1,353,504	3,573,053	1,635	4,928,192
17. Postage, telephone and telegraph, exchange and express	2,964,539	9,199,586	3,637	12,167,762
18. Legal and auditing	644,885	3,030,878	69,914	3,745,677
19. Totals (Lines 3 to 18)	140,970,197	323,046,833	932,582	464,949,612
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 803,359		54,182,924		54,182,924
20.2 Insurance department licenses and fees		1,615,800		1,615,800
20.3 Gross guaranty association assessments		99,236		99,236
20.4 All other (excluding federal and foreign income and real estate)		7,561,059		7,561,059
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		63,459,019		63,459,019
21. Real estate expenses			1,422,392	1,422,392
22. Real estate taxes			319,097	319,097
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	37,148,209	20,852,672	141,671	58,142,552
25. Total expenses incurred	290,421,778	813,501,297	2,815,742	(a) 1,106,738,817
26. Less unpaid expenses-current year	477,618,586	176,567,663	66,706	654,252,955
27. Add unpaid expenses-prior year	359,180,936	147,353,239	76,231	506,610,406
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)	171,984,128	784,286,873	2,825,267	959,096,268

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	24,934,249			24,934,249
2402. Other expenses	12,213,960	20,852,672	141,671	33,208,303
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	37,148,209	20,852,672	141,671	58,142,552

(a) Includes management fees of \$ 1,041,495 to affiliates and \$ 4,380 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 22,860,299	23,383,989
1.1 Bonds exempt from U.S. tax	(a) 20,611,248	27,401,662
1.2 Other bonds (unaffiliated)	(a) 87,894,068	92,180,671
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 2,979,857	3,435,950
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	8,170,141	8,170,141
2.21 Common stocks of affiliates	504,105,330	504,905,330
3. Mortgage loans	(c) 238,474	238,474
4. Real estate	(d) 2,662,654	2,662,654
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 4,386,004	4,800,283
7. Derivative instruments	(f)	
8. Other invested assets	358,449	358,449
9. Aggregate write-ins for investment income	15,657,937	15,657,937
10. Total gross investment income	669,924,461	683,195,540
11. Investment expenses		(g) 2,815,743
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) 723,740
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		3,539,483
17. Net investment income (Line 10 minus Line 16)		679,656,057
DETAILS OF WRITE-INS		
0901. INVESTMENT INCOME DUE TO POOLING RESTATEMENT	14,956,706	14,956,706
0902. MISCELLANEOUS INCOME/(EXPENSE)	701,231	701,231
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	15,657,937	15,657,937
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 \$ 4,074,541 accrual of discount less \$ 3,624,290 amortization of premium and less \$ 9,704,943 paid for accrued interest on purchases.		
(b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.		
(c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.		
(d) Includes \$ 2,662,654 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.		
(e) Includes \$ 53,357 accrual of discount less \$ 19,722 amortization of premium and less \$ 225,448 paid for accrued interest on purchases.		
(f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.		
(g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.		
(h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.		
(i) Includes \$ 723,740 depreciation on real estate and \$ 0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4
	Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Unrealized Increases (Decreases) by Adjustment	Total
1. U.S. Government bonds	(410,911)			(410,911)
1.1 Bonds exempt from U.S. tax	68,089			68,089
1.2 Other bonds (unaffiliated)	209,243	(1,364,190)	1,005,164	(149,783)
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	(250,000)		1,147,243	897,243
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	47,672		1,489,844	1,537,516
2.21 Common stocks of affiliates			(472,557,418)	(472,557,418)
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments	10,594			10,594
7. Derivative instruments				
8. Other invested assets	425,149	(383,653)	1,214,537	1,256,033
9. Aggregate write-ins for capital gains (losses)	(8,496)			(8,496)
10. Total capital gains (losses)	91,340	(1,747,843)	(467,700,630)	(469,357,133)
DETAILS OF WRITE-INS				
0901. GAIN/(LOSS) - SALE OF MISCELLANEOUS ASSET	(8,496)			(8,496)
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)	(8,496)			(8,496)

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	3,593,548	8,250,256	4,656,708
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,211,460	2,000,482	(210,978)
13.3 Accrued retrospective premiums	905,413		(905,413)
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	48,861,290	18,673,852	(30,187,438)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	35,032,323	53,383,186	18,350,863
19. Furniture and equipment, including health care delivery assets	74,601	166,718	92,117
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	24,602,442	25,706,062	1,103,620
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	115,281,077	108,180,556	(7,100,521)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	115,281,077	108,180,556	(7,100,521)

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	3,070,157	3,201,603	131,446
2302. OneBeacon Goodwill	21,532,285	22,504,459	972,174
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	24,602,442	25,706,062	1,103,620

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 New Hampshire, the accompanying financial statements of Peerless Insurance Company (the “Company”) have been prepared in conformity with the National Association of Insurance Commissioners (“NAIC”) *Accounting Practices and Procedures Manual* (“APP Manual”).

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value except that investments in stocks of subsidiaries and affiliates are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. Mortgage loans are carried at unpaid principal balances less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 88, *Investment in Subsidiaries Controlled Entities and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships, and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2006.
13. The Company has no pharmaceutical rebate receivables.

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

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

**Note 3- Business Combinations and Goodwill**

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2006, the Company began direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors. As of December 31, 2006 the Company held commercial loans in good standing with an outstanding principal balance of \$13,128,804. The maximum and minimum lending rates for mortgage loans during 2006 were 7.375% and 4.75% respectively. The maximum loan to value of any loan written during 2006 was 75%. No loans were impaired or had interest more than 180 days past due.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

F. Real Estate

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

G. Investments in Low-Income Housing Tax Credits

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

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

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.
- B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim performance which indicates a probable inability to recover the carrying amount of the asset leads to impairment losses being recognized by management. The Company realized impairment losses of \$383,652 during the year.

**Note 7- Investment Income**

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2006.

**Note 8- Derivative Instruments**

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



NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Taxes

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

	December 31, 2006	December 31, 2005	Change
Total of gross deferred tax assets	210,489,000	171,124,000	39,365,000
Total of deferred tax liabilities	(44,764,000)	(30,638,000)	(14,126,000)
Net deferred tax asset	165,725,000	140,486,000	25,239,000
Net deferred tax asset non-admitted	(48,861,290)	(18,673,852)	(30,187,438)
Net admitted deferred tax asset	116,863,710	121,812,148	(4,948,438)

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

	2006	2005
Federal tax on operations	108,737,255	115,997,734
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	108,737,255	115,997,734
Tax on capital (losses) gains	(576,802)	3,249,308
Total income tax incurred	108,160,453	119,247,042

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

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

	2006
Change in net deferred income tax (without unrealized gain or loss)	26,924,201
Tax effect of unrealized (gains) losses	(1,685,201)
Total change in net deferred income tax	25,239,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, dividends-received deductions, goodwill, revisions to prior year estimates, and the change in non-admitted deferred tax assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$91,849,000 from the current year and \$111,558,000 from the preceding year.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Globe American Casualty Company	Peerless Insurance Company
Golden Eagle Insurance Corporation	LM Personal Insurance Company
Gulf States AIF, Inc.	LM General Insurance Company
Hawkeye-Security Insurance Company	LM Property and Casualty Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	San Diego Insurance Company
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Indiana corporation)
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Wisconsin corporation)
Indiana Insurance Company	St. James Insurance Company
LEXCO Limited	Summit Consulting, Inc.
Liberty Assignment Corporation	Summit Consulting, Inc. of Louisiana
Liberty Energy Corporation	Summit Holding Southeast, Inc.
Liberty Financial Services, Inc.	The First Liberty Insurance Corporation
Liberty Hospitality Group, Inc.	The Midwestern Indemnity Company
Liberty Insurance Company of America	The National Corporation
Liberty Insurance Corporation	The Netherlands Insurance Company
Liberty Insurance Holdings, Inc.	Wausau Business Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau General Insurance Company
Liberty International Asia Pacific Holdings, Inc.	Wausau Service Corporation
Liberty International Holdings, Inc.	Wausau Signature Agency, Inc.
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company

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

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

- A. The Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company (“LMIC”), a Massachusetts company. LMIC is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.

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

1. Received a capital contribution of \$150,000,000 from LMIC through an affiliated downstream intermediary non-insurance company.  
Paid an ordinary dividend to its parent, LMIC, \$67,370,072, through an affiliated upstream intermediary non-insurance company. The dividend primarily consisted of a subsidiary, Liberty Insurance Underwriters, Inc., transferred at statutory book value at the date of the transfer.  
Received the following distributions from its subsidiaries through an affiliate downstream intermediary non-insurance company:

a. Ordinary dividends, \$73,803,353  
Extraordinary dividends, \$433,101,982
- C. Refer to Note 26.
- D. At December 31, 2006, the Company reported \$59,275,551 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. The Company entered into a Services Agreement, effective January 1, 1999, with The Netherlands Insurance Company (NIC), Excelsior Insurance Company (EIC), America First Insurance Company (AMF), Indiana Insurance Company (IIC), Consolidated Insurance Company (CIC), Peerless Indemnity Insurance Company (PIIC), Liberty Insurance Underwriters (LIU), Globe American Casualty Company (Globe), American Ambassador Casualty Company (AACC), and Mid-American Fire and Casualty Company (MAF). Amendments 1 and 2 added affiliates Montgomery Mutual Insurance Company (MMIC), Colorado Casualty Insurance Company (CCIC) and Golden Eagle Insurance Company (GEIC) to the agreement in 2000 and 2001.

The Services Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company also entered into service agreements with Hawkeye-Security Insurance Company (HSIC) and National Corporation in 1999. Under those agreements the Company is allowed to perform common management functions including , but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting an other financial services, as well as consulting and other services as the parties may request.

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

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**NOTES TO FINANCIAL STATEMENTS**

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The Company entered into investment management agreements, effective May 26, 1999 with LMIC, and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Effective January 1, 2007, the May 26, 1999 Investment Management Agreement with LMIC was terminated and a new agreement went into effect. Under these agreements, LMIC and LMIA provide investment management services to the Company.

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

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

The Company entered into a management agreement, effective April 1, 2002, with Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC), (fka Merchants and Business Men’s Mutual Insurance Company), with services related to common management functions including, but not limited to, coordinating marketing and advertising, actuarial support, and accounting, as well as consulting and other services as the parties may request.

The Company entered into a cash management agreement with LMIA effective January 1, 2000.

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which the Company may borrow up to \$150,000,000 from LMIC. Each loan will be for six months or less. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2006, there have been no drawings under this agreement.

- 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 greater than 10% of admitted assets.
- J. The Company did not recognize any impairment write down for its subsidiary, controlled, or affiliated companies during the statement period.
- K. The Company does not hold investments in foreign subsidiaries.

**Note 11- Debt**

Not applicable.

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

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

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

- 1. Common Stock

The Company has 5,000,000 shares authorized, and 3,524,456 shares issued and outstanding as of December 31, 2006. All shares have a stated par value of \$2.50.
- 2. Preferred Stock

The Company has 113,043 shares authorized, but no shares are issued and outstanding as of December 31, 2006. All shares have a stated par value of \$2.50.
- 3. Dividend Restrictions

The Company has no dividend restrictions.
- 4. The maximum amount of dividends which can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of policyholder surplus less any dividends paid in the preceding twelve months. The maximum dividend payout which may be made without prior approval in 2007 is \$121,922,010.
- 5. The Company does not have restricted unassigned surplus.
- 6. The Company had no advances to surplus.
- 7. The Company did not hold stock for special purposes.
- 8. The Company had no changes in special surplus funds.
- 9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$(346,468,271).
- 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 made no commitments or contingent commitments to affiliates except as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$14,902,723 that is offset by future premium tax credits of \$3,907,373. This represents management’s best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company’s share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2006.

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

C. Gain Contingencies

Not applicable

D. All other Contingencies

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

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

**Note 15- Leases**

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

Year(s)	Operating Lease Arrangements
2007	\$8,654,169
2008	8,409,073
2009	6,093,156
2010	5,033,989
2011	4,832,279
2012 & thereafter	17,869,800
Total	<u>\$50,892,466</u>

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

Not applicable

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

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

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

A. The Company did not sell premium receivables.

B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company’s portfolio to qualifying third parties, via a lending agent.

NOTES TO FINANCIAL STATEMENTS

Under the terms of the lending agreement, the Company does not participant in term loans. Therefore, the Company does not have collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Under the terms of the securities lending program, all collateral is restricted. Cash collateral is carried as a liability on the balance sheet, as, while the collateral is restricted, the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company. At December 31, 2006 the total market value of fixed maturities on loan was \$258,060,985 with corresponding collateral value of \$263,617,356 of which \$195,132,797 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

**Note 20 – September 11 Events**

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

**Note 21- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$300,418,895 and \$22,421,414 as of December 31, 2006 and 2005, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. Hybrid Securities

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

CUSIP	Issuer	Description	Book/Adjusted Carrying Value
05563RAA6	BANK OF NY CAPITAL	Redeemable Preferred	1,033,718
065912AA5	BANKAMERICA INSTIT-B	Redeemable Preferred	582,057
31945JAA9	FIRST CHICAGO CAPITAL	Redeemable Preferred	6,743,325

G. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

H. Impact of Medicare Modification Act on Post Retirement Benefits

Not applicable. (Refer to Note 12)

**Note 22- Events Subsequent**

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

NOTES TO FINANCIAL STATEMENTS

Note 23- Reinsurance

A. Excluding amounts arising pursuant to the PIC Inter-Company Reinsurance Agreement, as described in Note 26, the following are the unsecured reinsurance recoverables of an individual reinsurer which exceed 3% of policyholders surplus.

Reinsurer	NAIC Co.	Fed ID #	Recoverable Amount
Swiss Reinsurance America Corporation	25364	13-1675535	\$99,612,000

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

C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$1,072,870,074	\$157,694,704	\$459,619,190	\$77,070,791	\$613,250,884	\$80,623,913
All Other	12,759,516	4,253,546	14,870,427	2,270,568	(2,110,911)	1,982,978
Total	\$1,085,629,590	\$161,948,250	\$474,489,617	\$79,341,359	\$611,139,973	\$82,606,890

Direct unearned premium reserve \$510,318,203

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

Direct	\$89,419,270
Assumed	10,797,466
Ceded	(29,133,190)
Net	\$71,083,546

- D. The Company did not write off any uncollectible balances in 2006.
- E. The Company commuted ceded reinsurance treaties in the current year. The net effect of all commutations was a decrease in loss and loss adjustment expense of \$552,178.
- F. The Company does not have any retroactive reinsurance agreements.
- G. There are no contracts recorded as deposit accounting.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features see Schedule P - Part 7A.
- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

a. Total accrued retro premium	\$9,054,135
b. Less: Non-admitted amount (10%)	905,413
c. Admitted amount	\$8,148,722

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

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

NOTES TO FINANCIAL STATEMENTS

Note 26- Inter-Company Pooling Arrangements

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

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
Lead Company	Peerless Insurance Company (PIC)	24198	70.93%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	0.30%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	13.25%	All Lines
				(Except WC)
	Indiana Insurance Company (IIC)	22659	12.25%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.27%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (fka Merchants & Business Men's Mutual Insurance Company) (LMMAIC)	14486	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	0.00%	All Lines
			100.00%	
100% Quota Share				
Affiliated Companies:	National Insurance Association (NIA)	27944	0.00%	All Lines
	Mid-America Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	Liberty Northwest Insurance Company (LNW)	41939	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

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

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

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

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$39,659,279 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$39,659,279 as of December 31, 2006.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

NOTES TO FINANCIAL STATEMENTS

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$14,377,207

**Note 28 - Health Care Receivables**

Not applicable

**Note 29 - Participating Policies**

Not applicable

**Note 30 – Premium Deficiency Reserves**

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

**Note 31- High Dollar Deductible Policies**

The Company does not have any high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2006, liabilities of \$857,801,775 are carried at a discounted value of \$831,658,629 representing a discount of \$26,143,147.

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

**Note 33 - Asbestos/Environmental Reserves**

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

*Factors Contributing to Uncertainty in Establishing Adequate Reserves*

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

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

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

*Uncertainty Regarding Reserving Methodologies*

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

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

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



NOTES TO FINANCIAL STATEMENTS

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

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

<b><u>Asbestos:</u></b>					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Direct Basis</b>					
Beginning Reserves	7,951,042	10,787,197	12,228,236	12,828,614	12,774,965
Incurred losses and LAE	4,078,475	2,439,597	2,292,831	1,710,512	2,344,726
Calendar year payments	1,242,320	998,558	1,692,453	1,764,161	966,291
Ending Reserves	10,787,197	12,228,236	12,828,614	12,774,965	14,153,400
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	1,419,812	948,706	672,870	213,500	213,500
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	471,106	275,836	459,370	-	-
Ending Reserves	948,706	672,870	213,500	213,500	213,500
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	7,548,580	8,976,048	11,158,585	10,195,653	9,806,632
Incurred losses and LAE	2,872,665	3,456,932	845,986	1,375,140	1,919,146
Calendar year payments	1,445,197	1,274,395	1,808,918	1,764,161	540,711
Ending Reserves	8,976,048	11,158,585	10,195,653	9,806,632	11,185,067
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					10,246,096
Assumed Reinsurance Basis					213,499
Net of Ceded Reinsurance Basis					8,293,528
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					2,730,592
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					2,382,715
<b><u>Environmental:</u></b>					
<b>Direct Basis</b>					
Beginning Reserves	14,931,595	9,385,472	9,214,558	9,900,307	12,437,642
Incurred losses and LAE	356,600	527,401	2,120,307	6,041,432	2,091,455
Calendar year payments	5,902,722	698,316	1,434,558	3,504,097	5,367,899
Ending Reserves	9,385,473	9,214,558	9,990,307	12,437,642	9,161,198
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	464,916	533,896	3,975,895	3,687,651	3,771,998
Incurred losses and LAE	-	3,546,500	-	97,591	248,322
Calendar year payments	(68,980)	104,501	288,651	13,244	578,851
Ending Reserves	533,896	3,975,895	3,687,651	3,771,998	3,441,469
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	13,064,939	7,416,530	12,386,875	10,377,042	10,112,191
Incurred losses and LAE	-	5,545,224	137,323	3,072,697	973,867
Calendar year payments	5,648,409	574,879	2,147,156	3,337,548	4,882,464
Ending Reserves	7,416,530	12,386,875	10,377,042	10,112,191	6,203,594
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					2,200,345
Assumed Reinsurance Basis					3,432,036
Net of Ceded Reinsurance Basis					3,341,449
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					1,943,237
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					1,518,054

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	441,908,756	9.916	441,908,756	9.916
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	151,815,167	3.407	151,815,167	3.407
1.22 Issued by U.S. government sponsored agencies	90,899,264	2.040	90,899,264	2.040
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	27,414,752	0.615	27,414,752	0.615
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	336,276,146	7.546	336,276,146	7.546
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	214,095,211	4.804	214,095,211	4.804
1.43 Revenue and assessment obligations	525,741,093	11.797	525,741,093	11.797
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	7,413,595	0.166	7,413,595	0.166
1.512 Issued or guaranteed by FNMA and FHLMC	480,749,413	10.787	480,749,413	10.787
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	482,508,693	10.827	482,508,693	10.827
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage- backed securities issued or guaranteed by agencies shown in Line 1.521	2,902,478	0.065	2,902,478	0.065
1.523 All other	198,038,798	4.444	198,038,798	4.444
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	693,999,848	15.572	693,999,848	15.572
2.2 Unaffiliated foreign securities	64,646,462	1.451	64,646,462	1.451
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	139,627,689	3.133	139,627,689	3.133
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	96,530,700	2.166	96,530,700	2.166
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	219,463,709	4.924	219,463,709	4.924
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	13,128,804	0.295	13,128,804	0.295
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	5,804,910	0.130	5,804,910	0.130
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	19,016,599	0.427	19,016,599	0.427
8. Cash, cash equivalents and short-term investments	221,765,477	4.976	221,765,477	4.976
9. Other invested assets	22,853,248	0.513	22,853,248	0.513
10. Total invested assets	4,456,600,812	100.000	4,456,600,812	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?

New Hampshire
- 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:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2004
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2004
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/23/2006
- 3.4

By what department or departments? State of New Hampshire Insurance Department
- 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) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 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 [ ☒ ]
- 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?

Yes [ ☐ ] No [ ☒ ]

11.11 Name of real estate holding company	
11.12 Number of parcels involved	0
11.13 Total book/adjusted carrying value	\$ 0

- 11.2 If yes, provide explanation

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

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

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

Yes [ ☐ ] No [ ☒ ]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes [ ☐ ] No [ ☒ ]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ☐ ] No [ ☐ ] N/A [ ☒ ]

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

Yes [ ☒ ] 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 [ ☒ ] No [ ☐ ]

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers

\$ 0

16.12 To stockholders not officers

\$ 0

16.13 Trustees, supreme or grand (Fraternal only)

\$ 0

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

16.21 To directors or other officers

\$ 0

16.22 To stockholders not officers

\$ 0

16.23 Trustees, supreme or grand (Fraternal only)

\$ 0

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

Yes [ ☐ ] No [ ☒ ]

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

17.21 Rented from others

\$ 0

17.22 Borrowed from others

\$ 0

17.23 Leased from others

\$ 0

17.24 Other

\$ 0

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

Yes [ ☐ ] No [ ☒ ]

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

\$ 0

18.22 Amount paid as expenses

\$ 0

18.23 Other amounts paid

\$ 0

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

Yes [ ☒ ] No [ ☐ ]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

\$0

INVESTMENT

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

Yes [X] No [ ]

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

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

Yes [X] No [ ]

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

21.21 Loaned to others

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

\$258,060,986

\$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 Metro Tech Center, Brooklyn, NY 11245
BANCO ITAU	Praca Alfredo Egydio de Souza Aranha n 100 - Torre Itausa

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

1	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
	STANCORP MORTGAGE INVESTORS	1100 SW SIXTH AVENUE, PORTLAND, OR 97204

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

1	2	3
CUSIP#	Name of Mutual Fund	Book/Adjusted Carrying Value
42982#100	LMIA HIGH YIELD FUND	139,627,689
25.2999    Total		139,627,689

- 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
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CRP	3,022,512	12/31/2006
LMIA HIGH YIELD FUND	JP MORGAN PRIME MONEY MARKET FUND	2,864,923	12/31/2006
LMIA HIGH YIELD FUND	CHESAPEAKE ENERGY CORP	2,846,795	12/31/2006
LMIA HIGH YIELD FUND	WILLIAMS PARTNERS LP/WIL	2,506,148	12/31/2006
LMIA HIGH YIELD FUND	SENIOR HOUSING PROP	2,328,586	12/31/2006

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

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1    Bonds	3,850,195,661	3,811,417,690	(38,777,971)
26.2    Preferred stocks	96,530,700	96,816,700	286,000
26.3    Totals	3,946,726,361	3,908,234,390	(38,491,971)

- 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?
- \$ 3,453,081

- 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
Insurance Services Office Inc.	\$ 951,321
	\$
	\$

- 29.1 Amount of payments for legal expenses, if any?
- \$ 564,522

- 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 1 - COMMON INTERROGATORIES

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1

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

YES [ ] NO [X]

1.2

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

\$

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

\$ 2,430,916,555

\$ 2,046,431,084

2.3

Premium Ratio (2.1/2.2)

2.4

Reserve Numerator

\$ 1,756

\$ 1,750

2.5

Reserve Denominator

\$ 3,834,902,291

\$ 2,922,920,754

2.6

Reserve Ratio (2.4/2.5)

3.1

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

YES [X] NO [ ]

3.2

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

3.21

Participating policies

\$ 5,805,312

3.22

Non-participating policies

\$ 1,077,381,965

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 \$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	\$	37,667,536
-------	---------------	----	------------

12.12	Unpaid underwriting expenses (including loss adjustment expenses)	\$	4,203,348
-------	---	----	-----------

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? \$ 1,826,448

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?

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 \_\_\_\_\_ %

<p>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?</p>	<p>YES <input type="checkbox"/> NO <input checked="" type="checkbox"/></p>
--	--

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):	\$ 13,600,828
--	---------------

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

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

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 ☒

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 ☒

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

\$

\$

\$

\$

\$

\$

\$

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)	1,663,078,784	1,277,053,701	1,258,705,194	1,051,701,694	1,040,520,415
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	531,494,192	478,440,838	505,684,589	479,444,374	497,327,327
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,507,929,095	1,325,994,022	1,300,870,601	1,029,606,066	957,767,624
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	8,674,958	1,275,951	2,071,142	3,783,862	10,236,100
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)				(10,956)	
6. Total (Line 34)	3,711,177,029	3,082,764,512	3,067,331,526	2,564,525,040	2,505,851,466
<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)	1,162,799,809	1,006,943,955	484,676,623	387,415,948	338,045,699
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	365,586,931	397,843,705	203,747,388	179,386,296	158,793,511
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,015,143,519	1,066,470,987	505,621,080	373,508,440	291,062,297
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	6,164,488	1,533,509	849,135	815,439	2,646,075
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)				(4,557)	
12. Total (Line 34)	2,549,694,747	2,472,792,156	1,194,894,226	941,121,566	790,547,582
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	7,403,355	32,662,851	450,992	54,835,927	(69,775,932)
14. Net investment gain (loss) (Line 11)	678,576,356	122,306,999	89,584,941	88,588,058	62,181,398
15. Total other income (Line 15)	9,111,147	3,399,439	6,932,347	19,932,532	(19,344,982)
16. Dividends to policyholders (Line 17)	6,871,671	3,380,696	1,503,576	1,620,026	1,786,476
17. Federal and foreign income taxes incurred (Line 19)	108,737,255	115,997,734	32,459,646	54,479,105	
18. Net income (Line 20)	579,481,932	38,990,859	63,005,058	107,257,386	(28,725,992)
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	5,707,896,863	4,551,478,620	2,541,989,714	2,268,270,424	1,726,268,794
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	171,360,719	240,008,958	54,364,866	139,185,626	36,814,320
20.2 Deferred and not yet due (Line 13.2)	617,491,263	550,080,761	310,292,205	268,988,072	206,222,770
20.3 Accrued retrospective premiums (Line 13.3)	8,148,722			7,067,223	
21. Total liabilities excluding protected cell business (Page 3, Line 24)	4,488,676,760	3,534,816,691	1,679,937,941	1,468,581,741	1,562,063,583
22. Losses (Page 3, Line 1)	2,081,607,322	1,562,734,554	767,313,733	595,661,503	555,102,828
23. Loss adjustment expenses (Page 3, Line 3)	477,618,586	359,180,936	171,591,280	113,539,239	114,052,187
24. Unearned premiums (Page 3, Line 9)	1,121,458,176	1,001,005,264	563,718,584	459,140,713	379,169,538
25. Capital paid up (Page 3, Lines 28 & 29)	8,848,635	8,848,635	8,848,635	8,848,635	8,848,635
26. Surplus as regards policyholders (Page 3, Line 35)	1,219,220,103	1,016,661,929	862,051,773	799,688,683	164,205,211
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	1,219,220,103	1,016,661,929	862,051,773	799,688,683	164,205,211
28. Authorized control level risk-based capital	227,339,457	203,723,687	178,109,077	136,757,700	70,564,110
<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)	83.4	74.3	69.0	62.0	83.8
30. Stocks (Lines 2.1 & 2.2)	10.2	20.3	33.3	36.5	6.8
31. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.3				
32. Real estate (Lines 4.1, 4.2 & 4.3)	0.1	0.2	0.4	0.4	0.5
33. Cash, cash equivalents and short-term investments (Line 5)	5.0	5.1	(3.0)	0.7	8.9
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)	0.5	0.1	0.3	0.4	
36. Receivables for securities (Line 8)	0.4				
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<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)	219,463,709	592,004,868	558,088,370	523,378,425	
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	219,463,709	592,004,868	558,088,370	523,378,425	
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)	18.0	58.2	64.7	65.4	

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)	(469,385,832)	31,263,135	34,561,069	56,557,428	(1,695,877)
48. Dividends to stockholders (Line 35)	(67,370,072)				
49. Change in surplus as regards policyholders for the year (Line 38)	202,558,174	154,610,156	62,363,090	635,483,472	(66,368,222)
<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)	199,609,231	587,758,763	525,108,646	455,003,928	430,685,957
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	212,967,675	190,458,142	185,415,457	217,720,898	195,726,892
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	622,066,994	473,304,023	358,697,635	415,890,226	333,723,691
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	2,232,590	807,645	1,216,654	2,348,879	7,689,140
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	(523,929)		2,530	760,220	
55. Total (Line 34)	1,036,352,561	1,252,328,573	1,070,440,922	1,091,724,151	967,825,680
<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)	92,563,777	49,656,432	170,894,377	173,049,540	164,735,062
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	146,579,748	127,543,716	74,929,256	75,641,442	67,701,135
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	395,972,566	151,455,518	129,545,949	136,563,758	111,690,875
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,419,368	167,330	185,194	298,223	1,643,325
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	(371,623)	(1,648,527)		301,053	
61. Total (Line 34)	636,163,836	327,174,469	375,554,776	385,854,016	345,770,397
<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)	54.3	49.3	53.6	51.3	64.9
64. Loss expenses incurred (Line 3)	11.9	13.2	12.9	8.0	12.8
65. Other underwriting expenses incurred (Line 4)	33.5	35.9	33.8	34.1	32.1
66. Net underwriting gain (loss) (Line 8)	0.3	1.6		6.4	(9.8)
<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)	31.5	29.6	30.1	29.4	31.3
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.2	62.5	66.5	59.3	77.7
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	209.1	243.2	138.6	117.7	481.4
<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)	(38,121)	(44,067)	9,872	(2,580)	34,435
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)	(3.8)	(5.1)	1.2	(1.7)	14.9
<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)	13,250	(12,458)	46,845	42,292	38,063
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)	1.5	(1.6)	28.5	18.2	17.7

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b>  Governments (Including all obligations guaranteed by governments)	1. United States .....	692,036,784	679,451,581	694,258,568	685,360,350
	2. Canada .....				
	3. Other Countries .....	27,414,752	27,898,130	24,885,487	67,455
	4. Totals .....	719,451,536	707,349,711	719,144,055	685,427,805
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	336,276,144	339,725,992	336,191,693	338,870,000
	6. Canada .....				
	7. Other Countries .....				
	8. Totals .....	336,276,144	339,725,992	336,191,693	338,870,000
	9. United States .....	214,095,213	215,446,924	214,027,082	215,320,000
	10. Canada .....				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	11. Other Countries .....				
	12. Totals .....	214,095,213	215,446,924	214,027,082	215,320,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	1,509,992,481	1,496,747,647	1,510,330,652	1,516,495,468
	14. Canada .....				
	15. Other Countries .....				
	16. Totals .....	1,509,992,481	1,496,747,647	1,510,330,652	1,516,495,468
	17. United States .....	112,473,585	110,095,533	112,886,465	111,425,000
	18. Canada .....				
Public Utilities (unaffiliated)	19. Other Countries .....				
	20. Totals .....	112,473,585	110,095,533	112,886,465	111,425,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	761,474,258	747,755,669	764,849,740	756,111,345
	22. Canada .....	15,551,430	14,908,698	15,536,203	15,655,000
	23. Other Countries .....	49,095,029	47,601,531	49,129,801	48,273,000
	24. Totals .....	826,120,717	810,265,898	829,515,744	820,039,345
Parent, Subsidiaries and Affiliates	25. Totals .....				
	26. Total Bonds .....	3,718,409,676	3,679,631,705	3,722,095,691	3,687,577,618
<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 .....	41,786,000	42,072,000	41,030,000	
	32. Canada .....				
	33. Other Countries .....				
	34. Totals .....	41,786,000	42,072,000	41,030,000	
	35. United States .....	54,744,700	54,744,700	54,353,458	
	36. Canada .....				
Industrial and Miscellaneous (unaffiliated)	37. Other Countries .....				
	38. Totals .....	54,744,700	54,744,700	54,353,458	
Parent, Subsidiaries and Affiliates	39. Totals .....				
	40. Total Preferred Stocks .....	96,530,700	96,816,700	95,383,458	
<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 .....				
	49. United States .....	139,627,689	139,627,689	135,992,752	
	50. Canada .....				
Industrial and Miscellaneous (unaffiliated)	51. Other Countries .....				
	52. Totals .....	139,627,689	139,627,689	135,992,752	
Parent, Subsidiaries and Affiliates	53. Totals .....	219,463,709	219,463,709	571,863,744	
	54. Total Common Stocks .....	359,091,398	359,091,398	707,856,496	
	55. Total Stocks .....	455,622,098	455,908,098	803,239,954	
	56. Total Bonds and Stocks .....	4,174,031,774	4,135,539,803	4,525,335,645	

SCHEDULE D - VERIFICATION BETWEEN YEARS  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year .....	3,274,688,382	7. Amortization of premium .....	3,624,291
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	1,857,167,449	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	4,074,540	8.1 Column 15, Part 1 .....	(41,926)
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1 .....	
4.1 Columns 12 - 14, Part 1 .....	(367,028)	8.3 Column 16, Part 2, Section 2 .....	
4.2 Column 15 - 17, Part 2, Section 1 .....	1,147,243	8.4 Column 15, Part 4 .....	(41,926)
4.3 Column 15, Part 2, Section 2 .....	(471,067,574)	9. Book/adjusted carrying value at end of current period .....	4,174,031,774
4.4 Column 11 - 13, Part 4 .....	8,002	10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....	(335,907)	11. Subtotal (Lines 9 plus 10) .....	4,174,031,774
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	487,617,116	12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	4,174,031,774

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	20,002	4,408	3,421	674	723	266	213	18,798	X X X
2. 1997	1,351,978	213,515	1,138,463	866,203	149,165	70,131	10,193	97,077	14,500	34,039	859,553	X X X
3. 1998	1,547,005	283,033	1,263,972	1,030,341	256,047	78,967	16,125	125,853	29,862	34,790	933,127	X X X
4. 1999	1,433,819	211,362	1,222,457	1,008,475	181,767	73,300	11,236	123,579	22,137	34,334	990,214	X X X
5. 2000	1,362,641	168,844	1,193,797	956,746	148,925	70,884	6,745	109,908	12,924	31,870	968,944	X X X
6. 2001	1,462,296	198,188	1,264,108	909,490	147,093	71,570	5,257	106,123	13,936	30,411	920,897	X X X
7. 2002	1,997,065	476,507	1,520,558	1,080,859	238,894	74,196	15,451	95,250	19,933	30,408	976,027	X X X
8. 2003	2,298,875	394,001	1,904,874	1,026,072	202,946	67,294	10,966	145,231	24,947	33,356	999,738	X X X
9. 2004	2,362,174	220,609	2,141,565	892,285	73,934	40,120	3,562	126,980	9,636	35,812	972,253	X X X
10. 2005	2,483,634	147,710	2,335,924	824,082	85,893	30,376	3,563	133,220	6,301	29,516	891,921	X X X
11. 2006	2,562,415	131,497	2,430,918	546,096	15,161	11,418	52	115,858	9,984	14,894	648,175	X X X
12. Totals	X X X	X X X	X X X	9,160,651	1,504,233	591,677	83,824	1,179,802	164,426	309,643	9,179,647	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	152,272	43,156	27,097	18,950			7,127	1,372	6,710	523	123	129,205	X X X
2. 1997	32,735	10,574	11,267	7,714			2,034	181	1,490	103	207	28,954	X X X
3. 1998	43,067	22,129	12,377	8,353			2,571	247	2,047	128	320	29,205	X X X
4. 1999	44,154	24,037	14,431	9,237			3,682	357	2,577	152	463	31,061	X X X
5. 2000	46,878	31,648	24,308	12,528			6,350	582	3,881	240	651	36,419	X X X
6. 2001	50,075	28,383	31,555	11,108			8,269	841	5,186	309	1,352	54,444	X X X
7. 2002	88,295	23,151	51,704	16,334			20,882	1,392	8,038	442	3,118	127,600	X X X
8. 2003	78,219	27,029	81,804	25,726			24,120	1,995	13,500	702	4,628	142,191	X X X
9. 2004	215,724	26,555	172,624	27,698			63,795	2,706	20,370	967	7,942	414,587	X X X
10. 2005	281,652	22,349	241,218	39,391			81,707	3,588	37,503	1,627	10,056	575,125	X X X
11. 2006	406,950	11,820	443,126	22,052			107,814	581	70,258	3,262	18,623	990,433	X X X
12. Totals	1,440,021	270,831	1,111,511	199,091			328,351	13,842	171,560	8,455	47,483	2,559,224	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34  Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26  Direct and Assumed	27  Ceded	28  Net	29  Direct and Assumed	30  Ceded	31  Net	32  Loss	33  Loss Expense		35  Losses Unpaid	36  Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	117,263	11,942
2. 1997	1,080,937	192,430	888,507	79.952	90.125	78.044			70.930	25,714	3,240
3. 1998	1,295,223	332,891	962,332	83.725	117.616	76.136			70.930	24,962	4,243
4. 1999	1,270,198	248,923	1,021,275	88.588	117.771	83.543			70.930	25,311	5,750
5. 2000	1,218,955	213,592	1,005,363	89.455	126.503	84.216			70.930	27,010	9,409
6. 2001	1,182,268	206,927	975,341	80.850	104.409	77.156			70.930	42,139	12,305
7. 2002	1,419,224	315,597	1,103,627	71.065	66.231	72.580			70.930	100,514	27,086
8. 2003	1,436,240	294,311	1,141,929	62.476	74.698	59.948			70.930	107,268	34,923
9. 2004	1,531,898	145,058	1,386,840	64.851	65.753	64.758			70.930	334,095	80,492
10. 2005	1,629,758	162,712	1,467,046	65.620	110.156	62.804			70.930	461,130	113,995
11. 2006	1,701,520	62,912	1,638,608	66.403	47.843	67.407			70.930	816,204	174,229
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,081,610	477,614

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

SCHEDULE P-PART 2-SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	One Year	Two Year
1. Prior	812,267	811,208	799,453	789,065	766,647	790,067	791,537	785,757	799,536	801,046	1,510	15,289
2. 1997	780,565	798,311	792,793	790,140	790,921	791,643	794,134	796,195	803,767	804,997	1,230	8,802
3. 1998	X X X	854,982	845,927	842,734	844,501	841,189	843,904	855,760	864,603	865,399	796	9,639
4. 1999	X X X	X X X	852,891	867,175	874,863	887,911	895,463	906,398	913,534	918,805	5,271	12,407
5. 2000	X X X	X X X	X X X	829,649	865,777	878,021	894,714	891,956	898,219	905,735	7,516	13,779
6. 2001	X X X	X X X	X X X	X X X	858,125	848,314	861,089	875,137	874,414	879,709	5,295	4,572
7. 2002	X X X	X X X	X X X	X X X	X X X	1,006,905	1,029,575	1,026,712	1,017,318	1,022,404	5,086	(4,308)
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	1,034,592	1,012,306	1,000,946	1,011,008	10,062	(1,298)
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,297,872	1,253,997	1,252,240	(1,757)	(45,632)
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,378,668	1,305,538	(73,130)	X X X
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,466,260	X X X	X X X
12. Totals											(38,121)	13,250

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		
1. Prior	000	322,475	445,065	514,755	565,460	597,977	615,309	626,243	646,608	664,949	X X X	X X X
2. 1997	367,253	560,504	650,391	705,338	738,098	754,625	764,915	771,560	773,803	776,976	X X X	X X X
3. 1998	X X X	398,641	604,169	701,500	754,160	786,812	806,060	819,645	826,785	837,136	X X X	X X X
4. 1999	X X X	X X X	415,447	633,677	735,195	800,699	834,979	864,184	878,041	888,772	X X X	X X X
5. 2000	X X X	X X X	X X X	406,239	634,619	737,313	798,272	833,696	855,212	871,960	X X X	X X X
6. 2001	X X X	X X X	X X X	X X X	402,315	621,136	713,542	779,021	804,772	828,710	X X X	X X X
7. 2002	X X X	X X X	X X X	X X X	X X X	392,500	639,882	764,945	856,332	900,710	X X X	X X X
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	453,463	690,897	807,512	879,454	X X X	X X X
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	448,696	727,753	854,909	X X X	X X X
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	471,982	765,002	X X X	X X X
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	542,301	X X X	X X X

SCHEDULE P-PART 4-SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Prior	260,345	178,993	113,489	86,455	58,124	55,185	72,212	34,451	28,080	13,902
2. 1997	197,045	98,024	46,336	26,967	14,323	9,311	7,326	5,027	5,010	5,406
3. 1998	X X X	217,748	85,981	54,876	35,337	17,909	9,837	11,997	8,424	6,348
4. 1999	X X X	X X X	187,329	84,695	49,359	26,705	15,125	17,276	8,495	8,519
5. 2000	X X X	X X X	X X X	170,988	95,617	56,066	35,664	24,496	11,468	17,548
6. 2001	X X X	X X X	X X X	X X X	195,082	101,321	47,027	42,424	19,981	27,875
7. 2002	X X X	X X X	X X X	X X X	X X X	367,449	188,377	83,600	59,227	54,860
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	279,319	134,783	91,696	78,203
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	475,400	279,383	206,015
10. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	543,262	279,946
11. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	528,307



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

States, Etc.		1 Is Insurer Licen- sed? (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	YES				3,292	(1,733)	25,843		
2. Alaska	AK	YES								
3. Arizona	AZ	YES	1,793,617	1,891,547		452,789	365,829	690,114	7,738	
4. Arkansas	AR	YES	3,422,877	3,329,623		1,373,634	2,659,297	2,870,630	14,767	
5. California	CA	YES	272,114,148	269,878,837		83,549,685	95,728,821	150,571,764	1,173,968	
6. Colorado	CO	YES	145	230		74	15,702	47,887	1	
7. Connecticut	CT	YES	62,747,021	65,390,998	82,276	29,045,298	33,315,972	47,414,945	270,706	
8. Delaware	DE	YES	7,464,295	7,391,894	69,408	2,236,240	2,894,884	8,134,746	32,203	
9. Dist. Columbia	DC	YES	2,139,697	2,330,704	544	1,192,709	(88,992)	2,082,706	9,231	
10. Florida	FL	YES	59,355	73,370		(1,913)	(16,991)	91,659	256	
11. Georgia	GA	YES	21,676,798	21,799,167		11,611,542	18,542,968	16,966,413	93,519	
12. Hawaii	HI	NO		(169)						
13. Idaho	ID	YES					(331)			
14. Illinois	IL	YES	10,630,836	10,937,761	1,813	4,212,524	7,367,374	11,619,694	45,864	
15. Indiana	IN	YES	27,662,538	30,366,091	45,457	12,255,585	16,059,287	21,685,190	119,343	
16. Iowa	IA	YES	1,242,958	1,251,008		296,151	1,081,378	1,362,723	5,362	
17. Kansas	KS	YES	2,386,425	2,410,854		912,830	617,343	1,189,007	10,296	
18. Kentucky	KY	YES	5,341,941	5,687,619		2,872,996	626,052	3,120,267	23,046	
19. Louisiana	LA	YES	7,292,175	7,397,136		8,737,770	4,126,458	6,857,656	31,460	
20. Maine	ME	YES	65,211,246	66,998,221	21,125	22,366,728	23,351,551	32,074,619	281,337	
21. Maryland	MD	YES	27,930,720	29,159,390	36,088	9,066,820	6,986,086	23,892,319	120,500	
22. Massachusetts	MA	YES	30,589,612	28,903,299	779	5,381,398	11,787,486	19,002,259	131,971	
23. Michigan	MI	YES	3,562,260	3,518,216		1,653,475	(1,667,033)	2,155,923	15,368	
24. Minnesota	MN	YES	3,976,227	4,196,081		1,571,179	2,676,571	4,387,976	17,154	
25. Mississippi	MS	YES	928	1,154			(3,918)	(2,500)	4	
26. Missouri	MO	YES	12,685,490	13,025,153		5,797,436	7,399,059	9,396,760	54,728	
27. Montana	MT	YES								
28. Nebraska	NE	YES	1,624,395	1,514,356		561,137	564,171	1,150,421	7,008	
29. Nevada	NV	YES		23		(8,554)	(4,984)	68,391		
30. New Hampshire	NH	YES	104,513,891	102,840,182	134,515	44,525,296	38,049,355	47,860,474	450,899	
31. New Jersey	NJ	NO	1,805	14,177		(92)	(30,092)	39,862	8	
32. New Mexico	NM	YES	420	438			(135)		2	
33. New York	NY	YES	93,021,381	91,614,825	264,407	40,284,120	43,840,581	56,581,675	401,317	
34. No. Carolina	NC	YES	78,014,142	79,674,908	27,627	36,594,006	43,004,162	42,196,187	336,572	
35. No. Dakota	ND	YES		1						
36. Ohio	OH	YES	7,426,728	7,871,940		2,242,821	13,022,636	13,138,211	32,041	
37. Oklahoma	OK	YES	6,098,845	6,183,702		2,065,784	3,646,686	4,398,679	26,312	
38. Oregon	OR	YES	200	217			5,061		1	
39. Pennsylvania	PA	YES	95,512,882	103,363,958	30,782	48,343,294	50,994,997	71,415,564	412,066	
40. Rhode Island	RI	YES	25,691,292	26,823,951		16,351,587	16,148,736	21,089,315	110,839	
41. So. Carolina	SC	YES	17,156,461	15,590,989		6,440,061	8,984,667	11,321,095	74,017	
42. So. Dakota	SD	YES								
43. Tennessee	TN	YES	5,851,891	5,487,250	5,512	2,383,117	(1,392,748)	3,226,664	25,246	
44. Texas	TX	YES	10,319,388	10,505,310		4,761,462	8,233,011	8,244,428	44,520	
45. Utah	UT	YES					12			
46. Vermont	VT	YES	38,998,023	39,817,848	51,583	12,381,550	16,675,367	29,665,929	168,247	
47. Virginia	VA	YES	26,724,644	28,088,135	5,236	12,645,557	19,411,595	21,352,630	115,297	
48. Washington	WA	YES		7			(312)			
49. West Virginia	WV	YES	184	184			(110)		1	
50. Wisconsin	WI	YES	2,299,396	2,244,499	17,667	520,140	2,087,823	1,489,231	9,920	
51. Wyoming	WY	YES								
52. American Samoa	AS	NO								
53. Guam	GU	NO		(530)						
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		3,619,676						
59. Totals	(a)	49	1,083,187,277	1,101,194,230	794,819	434,679,528	497,063,599	698,877,356	4,673,135	

DETAILS OF WRITE-INS									
5801. Other alien	X X X		3,619,676						
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		3,619,676						

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

- \*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery

\*States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation

\*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage

\*Principal Location of business or location of coverage - Liability other than Auto, Fidelity

\*Point of origin of shipment or principal location of assured - Inland Marine

\*State in which employees regularly work - Group Accident and Health
- \*Location of Court - Surety

\*Address of Assured - Other Accident and Health

\*Location of Properties covered - Burglary and Theft

\*Principal Location of Assured - Ocean Marine, Credit

\*Primary residence of Assured - Aircraft (all perils)

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

[illegible]

OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation  
ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS				
0904.				
0905.				
0906.				
0907.				
0908.				
0909.				
0910.				
0911.				
0912.				
0913.				
0914.				
0915.				
0916.				
0917.				
0918.				
0919.				
0920.				
0921.				
0922.				
0923.				
0924.				
0925.				
0997. Totals (Lines 0904 through 0925) (Page 2, Line 0998)				
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS				
2304. Equities and deposits in pools and associations	11,157,130		11,157,130	9,229,326
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	11,157,130		11,157,130	9,229,326