

**ANNUAL STATEMENT**

OF THE

**The First Liberty Insurance Corporation**

---

---

---

---

of **West Des Moines**

in the state of **Iowa**

TO THE

**Insurance Department**

OF THE

STATE OF

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

PROPERTY AND CASUALTY

**2006**



33588200620100100

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

**NAIC Group Code** 0111 0111 **NAIC Company Code** 33588 **Employer's ID Number** 04-3058503  
 (Current Period) (Prior Period)

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

**Country of Domicile** United States of America

**Incorporated/Organized:** June 16, 1989 **Commenced Business:** June 22, 1989

**Statutory Home Office:** 2829 Westown Parkway Suite 300 West Des Moines, IA 50265

**Main Administrative Office:** 175 Berkeley Street Boston, MA 02116 617-357-9500

**Mail Address:** 175 Berkeley Street Boston, MA 02116

**Primary Location of Books and Records:** 175 Berkeley Street Boston, MA 02116 617-357-9500

**Internet Website Address:** www.LibertyMutual.com

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

**Policyowner Relations Contact:** 175 Berkeley Street Boston, MA 02116 617-357-9500 41015

**OFFICERS**

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

**Vice-Presidents**

<b>Name</b>	<b>Title</b>	<b>Name</b>	<b>Title</b>
<u>James Paul Condrin, III</u>	<u>Vice President</u>	<u>Anthony Alexander Fontanes</u>	<u>Vice President &amp; Assistant Treasurer</u>
<u>David Henry Long</u>	<u>Vice President</u>	<u>Dennis James Langwell</u>	<u>Vice President &amp; Chief Financial Officer</u>
<u>Christopher Charles Mansfield</u>	<u>Vice President &amp; Assistant Secretary</u>	<u>Gary Jay Ostrow</u>	<u>Vice President</u>
<u>John Derek Doyle</u>	<u>Vice President &amp; Comptroller</u>		

**DIRECTORS OR TRUSTEES**

<u>James Paul Condrin, III</u>	<u>Dennis James Langwell</u>	<u>Dexter Robert Legg</u>	<u>Anthony Alexander Fontanes</u>
<u>David Henry Long</u>	<u>Edmund Francis Kelly</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>(Signature)</u>	<u>(Signature)</u>
<u>Edmund Francis Kelly</u>	<u>Dexter Robert Legg</u>	<u>Laurance Henry Soyer Yahia</u>
<u>(Printed Name)</u>	<u>(Printed Name)</u>	<u>(Printed Name)</u>
<u>1.</u>	<u>2.</u>	<u>3.</u>
<u>Chairman of the Board President &amp; CEO</u>	<u>Vice President &amp; Secretary</u>	<u>Vice President &amp; Treasurer</u>
<u>(Title)</u>	<u>(Title)</u>	<u>(Title)</u>

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2007

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

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	35,824,936		35,824,936	32,227,390
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	1,380,821		1,380,821	1,267,966
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E-Part 1), cash equivalents (\$ 0 Schedule E-Part 2) and short-term investments (\$ 2,148,567, Schedule DA)	2,148,567		2,148,567	2,592,617
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities	2,122		2,122	
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	39,356,446		39,356,446	36,087,973
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	443,431		443,431	418,015
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	854,474	31,367	823,107	699,342
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 46 earned but unbilled premiums)	2,752,816		2,752,816	2,069,783
13.3 Accrued retrospective premiums	771,957	76,141	695,816	704,100
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	3,218	3,218		
16.1 Current federal and foreign income tax recoverable and interest thereon				86,236
16.2 Net deferred tax asset	1,365,000	673,198	691,802	821,991
17. Guaranty funds receivable or on deposit	49,161		49,161	56,623
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	241,939		241,939	244,601
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	594,131	28,049	566,082	798,001
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	46,432,573	811,973	45,620,600	41,986,665
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	46,432,573	811,973	45,620,600	41,986,665

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	58,605	14,671	43,934	301,235
2302. Cash surrender value-life insurance	243,668		243,668	215,085
2303. Equities and deposits in pools and associations	30,824		30,824	31,477
2398. Summary of remaining write-ins for Line 23 from overflow page	261,034	13,378	247,656	250,204
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	594,131	28,049	566,082	798,001

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	15,292,424	14,207,137
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	683,335	
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	3,134,723	2,909,746
4. Commissions payable, contingent commissions and other similar charges	196,372	141,257
5. Other expenses (excluding taxes, licenses and fees)	446,073	399,090
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	313,330	299,709
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	225,346	
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 \$ 272,692,335 and including warranty reserves of \$ 0 )	4,683,768	4,199,301
10. Advance premium	34,205	51,442
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	6,015	3,491
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	530,411	229,820
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	413,248	471,795
19. Payable to parent, subsidiaries and affiliates		
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(1,352,158)	(1,301,835)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	24,607,092	21,610,953
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	24,607,092	21,610,953
27. Aggregate write-ins for special surplus funds	1,219,753	1,174,771
28. Common capital stock	3,600,000	3,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	7,400,000	7,400,000
33. Unassigned funds (surplus)	8,793,755	8,200,941
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0 )		
34.2 0 shares preferred (value included in Line 29 \$ 0 )		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	21,013,508	20,375,712
36. TOTALS (Page 2, Line 26, Col. 3)	45,620,600	41,986,665

<b>DETAILS OF WRITE-INS</b>		
2301. Other liabilities	213,232	243,805
2302. Retroactive reinsurance reserve - ceded	(2,295,933)	(2,257,327)
2303. Amounts held under uninsured plans	730,543	711,687
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(1,352,158)	(1,301,835)
2701. Special surplus from retroactive reinsurance	1,219,753	1,174,771
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)	1,219,753	1,174,771
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)		

<b>STATEMENT OF INCOME</b>		1	2
		Current Year	Prior Year
<b>UNDERWRITING INCOME</b>			
1. Premiums earned (Part 1, Line 34, Column 4)		11,371,413	10,359,691
DEDUCTIONS			
2. Losses incurred (Part 2, Line 34, Column 7)		6,948,687	6,607,186
3. Loss expenses incurred (Part 3, Line 25, Column 1)		1,735,405	1,952,713
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		3,045,747	2,583,642
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)		11,729,839	11,143,541
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		(358,426)	(783,850)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		1,899,791	1,806,598
10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses))			118,036
11. Net investment gain (loss) (Lines 9 + 10)		1,899,791	1,924,634
<b>OTHER INCOME</b>			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 2,323 amount charged off \$ 18,217 )		(15,894)	(36,022)
13. Finance and service charges not included in premiums		55,017	56,692
14. Aggregate write-ins for miscellaneous income		(127,474)	(145,237)
15. Total other income (Lines 12 through 14)		(88,351)	(124,567)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		1,453,014	1,016,217
17. Dividends to policyholders		51,028	36,108
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)		1,401,986	980,109
19. Federal and foreign income taxes incurred		661,114	357,682
20. Net income (Line 18 minus Line 19) (to Line 22)		740,872	622,427
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		20,375,712	19,666,529
22. Net income (from Line 20)		740,872	622,427
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 4,176		7,755	(37,549)
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax		259,176	74,098
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		(373,543)	42,928
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)			
37. Aggregate write-ins for gains and losses in surplus		3,536	7,279
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)		637,796	709,183
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		21,013,508	20,375,712
<b>DETAILS OF WRITE-INS</b>			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)			
1401. Other income/(expense)		(178,384)	(176,264)
1402. Retroactive reinsurance gain/(loss)		50,910	31,027
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)		(127,474)	(145,237)
3701. Other changes in surplus		3,536	7,279
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)		3,536	7,279

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	11,038,725	10,435,311
2. Net investment income	1,880,224	1,866,065
3. Miscellaneous income	471,981	(165,219)
4. Total (Lines 1 through 3)	13,390,930	12,136,157
5. Benefit and loss related payments	5,248,718	5,680,330
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	4,441,565	4,184,672
8. Dividends paid to policyholders	48,503	43,629
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	349,531	573,781
10. Total (Lines 5 through 9)	10,088,317	10,482,412
11. Net cash from operations (Line 4 minus Line 10)	3,302,613	1,653,745
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	6,329,496	4,442,746
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		100,240
12.8 Total investment proceeds (Lines 12.1 to 12.7)	6,329,496	4,542,986
13. Cost of investments acquired (long-term only):		
13.1 Bonds	9,932,891	4,076,116
13.2 Stocks	100,925	93,180
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	2,123	
13.7 Total investments acquired (Lines 13.1 to 13.6)	10,035,939	4,169,296
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)	(3,706,443)	373,690
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(40,220)	(855,552)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(40,220)	(855,552)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(444,050)	1,171,883
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	2,592,617	1,420,734
19.2 End of year (Line 18 plus Line 19.1)	2,148,567	2,592,617

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	288,805	125,207	142,930	271,082
2. Allied lines	101,585	40,521	51,329	90,777
3. Farmowners multiple peril	400			400
4. Homeowners multiple peril	1,591,377	741,890	906,814	1,426,453
5. Commercial multiple peril	258,114	105,602	129,633	234,083
6. Mortgage guaranty				
8. Ocean marine	24,543	12,789	12,074	25,258
9. Inland marine	352,718	33,389	39,649	346,458
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	35,975	12,211	16,693	31,493
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	398	66	189	275
16. Workers' compensation	3,917,265	(122,570)	(41,629)	3,836,324
17.1 Other liability - occurrence	655,330	173,682	261,340	567,672
17.2 Other liability - claims-made	172,913	79,583	80,161	172,335
18.1 Products liability - occurrence	161,846	45,865	56,105	151,606
18.2 Products liability - claims-made	7,281	3	641	6,643
19.1, 19.2 Private passenger auto liability	2,186,648	1,116,626	1,108,226	2,195,048
19.3, 19.4 Commercial auto liability	490,584	129,699	170,243	450,040
21. Auto physical damage	1,175,742	777,240	793,143	1,159,839
22. Aircraft (all perils)	74,176	16,599	24,804	65,971
23. Fidelity	5,373	2,172	2,070	5,475
24. Surety	243,187	112,702	146,014	209,875
26. Burglary and theft	632	321	295	658
27. Boiler and machinery	4,525	1,671	2,162	4,034
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	62,671	4,931	6,250	61,352
31. Reinsurance-Nonproportional Assumed Liability	52,043	5,825	2,631	55,237
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	11,864,131	3,416,024	3,911,767	11,368,388

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	141,404	1,526			142,930
2. Allied lines	51,294	35			51,329
3. Farmowners multiple peril					
4. Homeowners multiple peril	906,813				906,813
5. Commercial multiple peril	112,910	16,723			129,633
6. Mortgage guaranty					
8. Ocean marine	10,551	1,523			12,074
9. Inland marine	37,153	2,496			39,649
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	16,495	198			16,693
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	190				190
16. Workers' compensation	619,056	15,045	(46)	(675,684)	(41,629)
17.1 Other liability - occurrence	278,737	22,929		(40,326)	261,340
17.2 Other liability - claims-made	59,059	21,102			80,161
18.1 Products liability - occurrence	70,412	2,115		(16,423)	56,104
18.2 Products liability - claims-made	641				641
19.1, 19.2 Private passenger auto liability	1,108,228				1,108,228
19.3, 19.4 Commercial auto liability	202,885	8,628		(41,271)	170,242
21. Auto physical damage	792,934	208			793,142
22. Aircraft (all perils)	24,804				24,804
23. Fidelity	1,970	100			2,070
24. Surety	135,300	8,965		1,749	146,014
26. Burglary and theft	285	10			295
27. Boiler and machinery	2,155	7			2,162
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	6,250				6,250
31. Reinsurance-Nonproportional Assumed Liability	2,631				2,631
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	4,582,157	101,610	(46)	(771,955)	3,911,766
35. Accrued retrospective premiums based on experience					771,955
36. Earned but unbilled premiums					46
37. Balance (Sum of Line 34 through 36)					4,683,767

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

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



**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	207,412	288,805		207,412		288,805
2. Allied lines	285,490	101,585		285,490		101,585
3. Farmowners multiple peril		400				400
4. Homeowners multiple peril	186,790,022	1,591,377		186,790,022		1,591,377
5. Commercial multiple peril	152,997	258,114		152,997		258,114
6. Mortgage guaranty						
8. Ocean marine	23,552	24,543		23,552		24,543
9. Inland marine	3,269,997	352,718		3,269,997		352,718
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	96,705	35,972		96,705		35,972
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		398				398
16. Workers' compensation	114,611,324	3,917,268		114,611,324		3,917,268
17.1 Other liability - occurrence	2,167,897	655,330		2,167,897		655,330
17.2 Other liability - claims-made		172,913				172,913
18.1 Products liability - occurrence	252,769	161,846		252,769		161,846
18.2 Products liability - claims-made		7,281				7,281
19.1, 19.2 Private passenger auto liability	155,349,076	2,186,648		155,349,076		2,186,648
19.3, 19.4 Commercial auto liability	7,163,146	490,584		7,163,146		490,584
21. Auto physical damage	112,035,098	1,175,742		112,035,098		1,175,742
22. Aircraft (all perils)		74,176				74,176
23. Fidelity	1,919	5,373		1,919		5,373
24. Surety		243,187				243,187
26. Burglary and theft	134	632		134		632
27. Boiler and machinery		4,525				4,525
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	62,671				62,671
31. Reinsurance-Nonproportional Assumed Liability	X X X	52,043				52,043
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	582,407,538	11,864,131		582,407,538		11,864,131

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

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ X ] No [ ]  
 If yes: 1. The amount of such installment premiums \$ 112,329,557  
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 115,091,068

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	13,957	115,145	13,957	115,145	96,151	110,509	100,787	37.180
2. Allied lines	642,890	92,272	642,890	92,272	62,115	60,858	93,529	103.032
3. Farmowners multiple peril					168		168	42.000
4. Homeowners multiple peril	85,262,978	654,835	85,262,973	654,840	326,103	255,340	725,603	50.868
5. Commercial multiple peril		132,973		132,973	311,459	232,522	211,910	90.528
6. Mortgage guaranty								
8. Ocean marine	11,236	13,684	11,236	13,684	39,418	44,464	8,638	34.199
9. Inland marine	986,494	319,734	986,494	319,734	74,791	93,247	301,278	86.959
10. Financial guaranty								
11.1 Medical malpractice - occurrence		11		11	414	(65)	490	
11.2 Medical malpractice - claims - made								
12. Earthquake					(310)	655	(965)	(3.064)
13. Group accident and health		964		964	3,398	3,712	650	
14. Credit accident and health (group and individual)								
15. Other accident and health		580		580	3,191	3,439	332	120.727
16. Workers' compensation	32,178,379	1,750,965	32,178,379	1,750,965	8,816,611	7,838,949	2,728,627	71.126
17.1 Other liability - occurrence	27,946	348,470	27,946	348,470	1,760,876	1,737,201	372,145	65.556
17.2 Other liability - claims - made		69,342		69,342	286,019	286,930	68,431	39.708
18.1 Products liability - occurrence		(39,095)		(39,095)	419,014	414,349	(34,430)	(22.710)
18.2 Products liability - claims - made					11,321	7,396	3,925	59.085
19.1, 19.2 Private passenger auto liability	83,451,299	1,366,096	83,451,299	1,366,096	1,844,237	1,946,455	1,263,878	57.579
19.3, 19.4 Commercial auto liability	1,393,735	246,477	1,393,735	246,477	603,550	650,665	199,362	44.299
21. Auto physical damage	56,992,826	602,065	56,992,826	602,065	(35,677)	(38,721)	605,109	52.172
22. Aircraft (all perils)		31,993		31,993	69,411	66,497	34,907	52.913
23. Fidelity		609		609	14,760	10,148	5,221	95.361
24. Surety		14,231		14,231	88,865	59,351	43,745	20.843
26. Burglary and theft		103		103	1,258	2,016	(655)	(99.544)
27. Boiler and machinery		(15)		(15)	179	(501)	665	16.485
28. Credit					14	14		
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	59,617		59,617	125,108	140,454	44,271	72.159
31. Reinsurance-Nonproportional Assumed Liability	X X X	91,927		91,927	366,291	278,920	179,298	324.598
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	586		586	3,689	2,333	1,942	
33. Aggregate write-ins for other lines of business								
34. TOTALS	260,961,740	5,873,569	260,961,735	5,873,574	15,292,424	14,207,137	6,958,861	61.212

**DETAILS OF WRITE-INS**

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	1,043	73,204	1,043	73,204	13,811	22,947	13,811	96,151	11,933
2. Allied lines	46,832	50,525	46,832	50,525	49,016	11,590	49,016	62,115	9,273
3. Farmowners multiple peril						168		168	104
4. Homeowners multiple peril	21,805,463	191,672	21,805,463	191,672	8,542,064	134,431	8,542,064	326,103	78,900
5. Commercial multiple peril		194,206		194,206	86,746	117,253	86,746	311,459	94,515
6. Mortgage guaranty									
8. Ocean marine	1,501	28,983	1,501	28,983	4,326	10,435	4,326	39,418	9,964
9. Inland marine	152,361	34,221	152,361	34,221	44,066	40,569	44,065	74,791	8,520
10. Financial guaranty									
11.1 Medical malpractice - occurrence		369		369		45		414	
11.2 Medical malpractice - claims - made									
12. Earthquake		108		108	45	(418)	45	(310)	43
13. Group accident and health		1,454		1,454		1,944		(a) 3,398	266
14. Credit accident and health (group and individual)									
15. Other accident and health		832		832		2,359		(a) 3,191	102
16. Workers' compensation	58,854,886	5,323,357	58,854,886	5,323,357	78,132,297	3,493,253	78,132,297	8,816,610	1,058,912
17.1 Other liability - occurrence	714,223	952,684	714,223	952,684	946,600	808,192	946,600	1,760,876	746,673
17.2 Other liability - claims - made		73,074		73,074		212,945		286,019	103,608
18.1 Products liability - occurrence		107,886		107,886	108,316	311,128	108,316	419,014	277,575
18.2 Products liability - claims - made		2,548		2,548		8,773		11,321	5,858
19.1, 19.2 Private passenger auto liability	53,490,181	1,197,098	53,490,181	1,197,098	48,234,313	647,139	48,234,313	1,844,237	507,500
19.3, 19.4 Commercial auto liability	1,216,636	358,499	1,216,636	358,499	1,629,467	245,051	1,629,467	603,550	110,077
21. Auto physical damage		718		718	(1,271,102)	(36,395)	(1,271,102)	(35,677)	56,367
22. Aircraft (all perils)		48,660		48,660		20,751		69,411	14,364
23. Fidelity		3,676		3,676	574	11,085	574	14,761	1,369
24. Surety		14,650		14,650	983	74,215	983	88,865	25,604
26. Burglary and theft		113		113	58	1,145	58	1,258	1,215
27. Boiler and machinery		20		20		159		179	122
28. Credit						14		14	
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	71,012		71,012	X X X	54,096		125,108	2,328
31. Reinsurance-Nonproportional Assumed Liability	X X X	184,573		184,573	X X X	181,718		366,291	9,488
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	3,689		3,689	X X X			3,689	43
33. Aggregate write-ins for other lines of business									
34. TOTALS	136,283,126	8,917,831	136,283,126	8,917,831	136,521,580	6,374,592	136,521,579	15,292,424	3,134,723

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

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

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

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	20,062,901			20,062,901
1.2 Reinsurance assumed	839,394			839,394
1.3 Reinsurance ceded	20,062,901			20,062,901
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	839,394			839,394
2. Commission and brokerage:				
2.1 Direct, excluding contingent		13,147,075		13,147,075
2.2 Reinsurance assumed, excluding contingent		207,904		207,904
2.3 Reinsurance ceded, excluding contingent		13,147,075		13,147,075
2.4 Contingent-direct		850,571		850,571
2.5 Contingent-reinsurance assumed		123,349		123,349
2.6 Contingent-reinsurance ceded		850,571		850,571
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)		331,253		331,253
3. Allowances to manager and agents		3		3
4. Advertising	10,749	120,166	38	130,953
5. Boards, bureaus and associations	2,455	19,390	1	21,846
6. Surveys and underwriting reports	11	23,444		23,455
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	521,968	1,160,082	8,964	1,691,014
8.2 Payroll taxes	29,537	96,536	389	126,462
9. Employee relations and welfare	99,424	326,231	389	426,044
10. Insurance	51,644	15,947	30	67,621
11. Directors' fees		186		186
12. Travel and travel items	35,408	89,595	298	125,301
13. Rent and rent items	31,929	104,822	127	136,878
14. Equipment	26,190	77,855	140	104,185
15. Cost or depreciation of EDP equipment and software	5,252	20,852	73	26,177
16. Printing and stationery	7,394	21,711	20	29,125
17. Postage, telephone and telegraph, exchange and express	22,564	65,696	44	88,304
18. Legal and auditing	5,049	24,807	1,035	30,891
19. Totals (Lines 3 to 18)	849,574	2,167,323	11,548	3,028,445
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 10,336		435,336		435,336
20.2 Insurance department licenses and fees		8,189		8,189
20.3 Gross guaranty association assessments		(9,200)		(9,200)
20.4 All other (excluding federal and foreign income and real estate)		9,219		9,219
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		443,544		443,544
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	46,440	103,627	1,327	151,394
25. Total expenses incurred	1,735,408	3,045,747	12,875 (a)	4,794,030
26. Less unpaid expenses-current year	3,134,723	955,776		4,090,499
27. Add unpaid expenses-prior year	2,909,746	840,056		3,749,802
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,510,431	2,930,027	12,875	4,453,333

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	17,505			17,505
2402. Other expenses	28,935	103,627	1,327	133,889
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	46,440	103,627	1,327	151,394

(a) Includes management fees of \$ 12,692 to affiliates and \$ 0 to non-affiliates.

### EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 757,283	782,215
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 874,355	868,033
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	101,797	101,797
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 155,240	162,047
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(1,426)	(1,426)
10. Total gross investment income	1,887,249	1,912,666
11. Investment expenses		(g) 12,875
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		12,875
17. Net investment income (Line 10 minus Line 16)		1,899,791
<b>DETAILS OF WRITE-INS</b>		
0901. MISCELLANEOUS INCOME/(EXPENSE)	(1,426)	(1,426)
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)	(1,426)	(1,426)
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 \$ 38,408 accrual of discount less \$ 44,257 amortization of premium and less \$ 63,477 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Unrealized Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds				
1.1 Bonds exempt from U.S. tax				
1.2 Other bonds (unaffiliated)				
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)			11,931	11,931
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)			11,931	11,931

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

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants ( for Title insurers only )			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	31,367	28,699	(2,668)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums	76,141	79,179	3,038
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	3,218	3,530	312
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	673,198	288,009	(385,189)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	28,049	35,665	7,616
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	811,973	435,082	(376,891)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	811,973	435,082	(376,891)

<b>DETAILS OF WRITE-INS</b>			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	14,671	26,362	11,691
2302. Amounts receivable under high deductible policies	13,378	9,303	(4,075)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	28,049	35,665	7,616

---

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

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

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

#### C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

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

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

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

### **Note 3- Business Combinations and Goodwill**

#### A. Statutory Purchase Method

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

#### B. Statutory Mergers

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

---

## NOTES TO FINANCIAL STATEMENTS

---

## C. Impairment Loss

Not applicable

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments**

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

The Company has no mortgage loans.

## B. Troubled Debt Restructuring for Creditors

Not applicable

## C. Reverse Mortgages

The Company has no reverse mortgages.

## D. Loan-Backed Securities

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

## E. Repurchase Agreements

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

## F. Real Estate

The Company does not own real estate.

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

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

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

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

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

Not applicable

**Note 7- Investment Income**

## A. Accrued Investment Income

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

## B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2006.

**Note 8- Derivative Instruments**

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

**Note 9 - Income Taxes**

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

	December 31, 2006	December 31, 2005	Change
Total of gross deferred tax assets	1,580,000	1,312,000	268,000
Total of deferred tax liabilities	(215,000)	(202,000)	(13,000)
Net deferred tax asset	1,365,000	1,110,000	255,000
Net deferred tax asset non-admitted	(673,198)	(288,009)	(385,189)
Net admitted deferred tax asset	691,802	821,991	(130,189)



## NOTES TO FINANCIAL STATEMENTS

- 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	661,114	357,682
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	661,114	357,682
Tax on capital gains	0	63,558
Total income tax incurred	661,114	421,240

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred compensation deductions, reversal of discount accretion on bonds, deferred inter-company gain, fixed asset depreciation differences, state accruals, bad debt expense 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)	259,176
Tax effect of unrealized (gains) losses	(4,176)
Total change in net deferred income tax	255,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses are \$588,000 from the current year and \$403,000 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:

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

---

## NOTES TO FINANCIAL STATEMENTS

---

Liberty Financial Services, Inc. Liberty Hospitality Group, Inc. Liberty Insurance Company of America Liberty Insurance Corporation Liberty Insurance Holdings, Inc. Liberty Insurance Underwriters, Inc. Liberty International Asia Pacific Holdings, Inc. Liberty International Holdings, Inc. Liberty Life Assurance Company of Boston	The First Liberty Insurance Corporation The Midwestern Indemnity Company The National Corporation The Netherlands Insurance Company Wausau Business Insurance Company Wausau General Insurance Company Wausau Service Corporation Wausau Signature Agency, Inc. Wausau Underwriters Insurance Company
---	---

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

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

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts company. LMIC is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- C. Refer to Note 26.
- D. At December 31, 2006, the Company reported \$241,939 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 26 for information regarding the Inter-Company Reinsurance Agreement.

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

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

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

### **Note 11- Debt**

Not applicable.

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

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

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

- 1. The Company has 30,000 shares authorized, issued, and outstanding as of December 31, 2006. All shares have a stated par value of \$120.
- 2. Preferred Stock  
Not applicable

---

## NOTES TO FINANCIAL STATEMENTS

---

## 3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Iowa-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of policyholders' surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2007 is \$2,101,351.
5. As of December 31, 2006, the Company has pre-tax restricted surplus of \$1,219,753 resulting from retroactive reinsurance contracts.
6. The Company had no advances to surplus.
7. The Company did not hold stock for special purposes.
8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2006.
9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$46,937.

## 10. Surplus Notes

Not applicable

## 11. Quasi re-organization (dollar impact)

Not applicable

## 12. Quasi re-organization (effective date)

Not applicable

**Note 14- Contingencies**

## A. Contingent Commitments

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

## B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of \$276,700 that is offset by future premium tax credits of \$49,269. 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. Aside from certain sale-leaseback transactions disclosed below, the Company is not involved in material lease arrangements.

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

---

**NOTES TO FINANCIAL STATEMENTS**


---

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2007	\$39,830	\$105,832
2008	36,759	97,171
2009	31,167	73,124
2010	21,796	51,270
2011	5,738	25,400
2012 & thereafter	-	137,170
Total	<u>\$135,290</u>	<u>\$489,967</u>

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

Not applicable

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

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

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

- A. Transfers of Receivables reported as sales:

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

- B. Transfers and servicing of financial assets:

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

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was \$950. Claim payment volume was \$38,730.

- B. Administrative Services Contract (ASC) Plans

Not applicable

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

Not applicable

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

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

**Note 20 – September 11 Events**

The Company has exposure to losses arising from the World Trade Center disaster of September 11, 2001. The exposure arises from the property, workers' compensation, auto, and surety policies and reinsurance contracts written by member companies of the Liberty Mutual Group. The Company shares in the losses via the inter-company pooling agreement (see Note 26). The amount of incurred loss and ALAE recorded by the Company as a result of September 11 events on a direct and net of reinsurance basis are \$396,572 and \$92,400 respectively. Although uncertainty about the final loss amount still exists, the losses are reasonably estimable and such estimate has been recorded. The Company believes that its reinsurers are financially sound and that reinsurance collectibility is not a significant issue or concern.

**Note 21- Other Items**

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

- B. Troubled Debt Restructuring for Debtors

Not applicable

- C. Other Disclosures

- 1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2006 and 2005.

## NOTES TO FINANCIAL STATEMENTS

- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$21,910 in 2006 and \$5,872 in 2005.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$1,188,231 in 2006 and \$1,104,579 in 2005.
- 2) Assets in the amount of \$9,068,968 and \$7,613,932 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 does not hold hybrid securities.
- G. State Transferable Tax Credits
- The Company does not hold transferable state tax credits.
- H. Impact of Medicare Modification Act on Post Retirement Benefits
- Not applicable. (Refer to Note 12)

### **Note 22- Events Subsequent**

Refer to Note 26.

### **Note 23- Reinsurance**

- A. Excluding amounts arising pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2006.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$4,683,768	\$82,077	\$272,692,335	\$6,155,667	\$(268,008,567)	\$(6,073,590)
All Other	0	0	0	0	0	0
Total	\$4,683,768	\$82,077	\$272,692,335	\$6,155,667	\$(268,008,567)	\$(6,073,590)

Direct Unearned Premium Reserve: \$272,692,335

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$0	\$129,706	\$0	\$129,706
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(195,000)	0	(195,000)
Totals	\$0	\$(65,294)	\$0	\$(65,294)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.

## NOTES TO FINANCIAL STATEMENTS

F. The Company has one assumed retroactive contract as a result of the inter-company pooling arrangement with LMIC.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	(2,311,011)	\$0
	2. Adjustment – Prior Year(s)	250,939	0
	3. Adjustment – Current Year	(40,861)	0
	4. Total	(2,100,933)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	(1,084,076)	\$0
	2. Adjustment – Prior Year(s)	(21,019)	0
	3. Adjustment – Current Year	(30,328)	0
	4. Total	(1,135,423)	\$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	(39,345)	\$0
	2. Adjustment – Prior Year(s)	(187,257)	0
	3. Adjustment – Current Year	(37,487)	0
	4. Total	(264,089)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	1,257,204	\$0
	2. Adjustment – Prior Year(s)	(84,701)	0
	3. Adjustment – Current Year	47,250	0
	4. Total	1,219,753	\$0
	5. Cumulative Total Transferred To Unassigned Funds	9,846	
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(2,100,933)	\$0

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

G. There are no contracts recorded as deposit accounting.

### **Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

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

Total accrued retro premium	\$771,957
Less: Non-admitted amount	76,141
Admitted amount	<u>\$695,816</u>

### **Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses**

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

## NOTES TO FINANCIAL STATEMENTS

### Note 26- Inter-Company Pooling Arrangements

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### **Note 27- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$1,076,152 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 \$1,076,152 as of December 31, 2006.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

<u>Life Insurance Company &amp; Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$519,598
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$325,576

### **Note 28 - Health Care Receivables**

Not applicable

### **Note 29 - Participating Policies**

Not applicable

### **Note 30 – Premium Deficiency Reserves**

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

### **Note 31- High Dollar Deductible Policies**

As of December 31, 2006, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$4,419,518 and the amount billed and recoverable on paid claims was \$261,034.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2006, liabilities include \$3,506,383 of liabilities carried at a discounted value of \$2,169,090 representing a discount of \$1,337,293.

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

### **Note 33- Asbestos/Environmental Reserves**

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

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

#### **Factors Contributing to Uncertainty in Establishing Adequate Reserves**

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

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix)



## NOTES TO FINANCIAL STATEMENTS

applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

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

### Uncertainty Regarding Reserving Methodologies

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

During the third quarter of 2005, the Company completed its biennial ground-up asbestos reserve study. As part of that review, a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel completed their comprehensive review of the Company's asbestos exposure on a direct, assumed, and ceded basis including potential exposures of large policyholders that were individually evaluated using the Company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. Small policyholders were evaluated using aggregate methods that utilized information developed from the large policyholders. Additionally, a provision of pure IBNR was established for the potential emergence of first-time filers of future asbestos claims. Based on this internal study, the Company increased its asbestos reserves by \$203,000.

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

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

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

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

### Asbestos:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Direct Basis</b>					
Beginning Reserves	1,356,346	1,479,062	1,578,429	1,702,462	1,998,250
Incurred losses and LAE	413,328	427,016	412,074	554,239	100,519
Calendar year payments	290,613	327,649	288,040	258,451	249,008
Ending Reserves	<u>1,479,062</u>	<u>1,578,429</u>	<u>1,702,462</u>	<u>1,998,250</u>	<u>1,849,761</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	108,987	186,957	262,259	489,591	513,880
Incurred losses and LAE	80,965	115,240	262,040	54,444	48,811
Calendar year payments	2,995	39,938	34,708	30,155	19,228
Ending Reserves	<u>186,957</u>	<u>262,259</u>	<u>489,591</u>	<u>513,880</u>	<u>543,463</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	842,963	960,014	1,124,589	951,468	1,042,356
Incurred losses and LAE	290,328	313,003	3,532	219,369	12,204
Calendar year payments	173,277	148,428	176,653	128,481	157,538
Ending Reserves	<u>960,014</u>	<u>1,124,589</u>	<u>951,468</u>	<u>1,042,356</u>	<u>897,022</u>
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					936,478
Assumed Reinsurance Basis					407,378
Net of Ceded Reinsurance Basis					358,194
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					728,307
Assumed Reinsurance Basis					4,514
Net of Ceded Reinsurance Basis					317,606

### Environmental:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Direct Basis</b>					
Beginning Reserves	570,267	446,504	321,705	710,180	685,997
Incurred losses and LAE	44,097	(54,877)	460,123	158,566	47,851
Calendar year payments	167,860	69,922	71,648	182,749	228,334
Ending Reserves	<u>446,504</u>	<u>321,705</u>	<u>710,180</u>	<u>685,997</u>	<u>505,514</u>

---

**NOTES TO FINANCIAL STATEMENTS**


---

**Assumed Reinsurance Basis**

Beginning Reserves	110,959	117,867	55,917	70,885	52,320
Incurring losses and LAE	8,638	(56,322)	20,338	(12,230)	881
Calendar year payments	1,730	5,628	5,369	6,335	5,253
Ending Reserves	<u>117,867</u>	<u>55,917</u>	<u>70,885</u>	<u>52,320</u>	<u>47,948</u>

**Net of Ceded Reinsurance Basis**

Beginning Reserves	425,393	306,459	257,738	526,713	426,821
Incurring losses and LAE	(10,889)	(8,000)	315,986	509	20,201
Calendar year payments	108,045	40,721	47,010	100,401	51,656
Ending Reserves	<u>306,459</u>	<u>257,738</u>	<u>526,713</u>	<u>426,821</u>	<u>395,366</u>

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

Direct Basis					353,041
Assumed Reinsurance Basis					29,273
Net of Ceded Reinsurance Basis					274,900

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

Direct Basis					212,146
Assumed Reinsurance Basis					922
Net of Ceded Reinsurance Basis					143,033

**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	12,951,572	32.908	12,951,572	32.908
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	5,112,025	12.989	5,112,025	12.989
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	35,034	0.089	35,034	0.089
1.512 Issued or guaranteed by FNMA and FHLMC	4,541,703	11.540	4,541,703	11.540
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	12,186,012	30.963	12,186,012	30.963
2.2 Unaffiliated foreign securities	998,590	2.537	998,590	2.537
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	1,380,821	3.509	1,380,821	3.509
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	2,122	0.005	2,122	0.005
8. Cash, cash equivalents and short-term investments	2,148,567	5.459	2,148,567	5.459
9. Other invested assets				
10. Total invested assets	39,356,446	100.000	39,356,446	100.000

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? Iowa
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change: 12/31/2004
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/24/2006
- 3.4 By what department or departments? Iowa Insurance Division

- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [ X ]
- 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ X ]
- 4.22 renewals? Yes [ X ] No [ ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

1 Nationality	2 Type of Entity

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

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Ernst & Young, LLP  
 200 Clarendon Street, Boston, MA 02116
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Robert T. Muleski  
 175 Berkeley Street, Boston, MA 02117  
 Officer of Liberty Mutual Insurance Company
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
- 11.11 Name of real estate holding company \_\_\_\_\_

11.12 Number of parcels involved \_\_\_\_\_

11.13 Total book/adjusted carrying value \$ \_\_\_\_\_
- 11.2 If yes, provide explanation \_\_\_\_\_
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity? \_\_\_\_\_
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

### BOARD OF DIRECTORS

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

### FINANCIAL

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

16.12 To stockholders not officers \$ \_\_\_\_\_ 0

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

16.22 To stockholders not officers \$ \_\_\_\_\_ 0

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

17.22 Borrowed from others \$ \_\_\_\_\_ 0

17.23 Leased from others \$ \_\_\_\_\_ 0

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

18.22 Amount paid as expenses \$ \_\_\_\_\_ 0

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

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

#### INVESTMENT

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

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

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

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

21.21 Loaned to others		\$	0
21.22 Subject to repurchase agreements		\$	0
21.23 Subject to reverse repurchase agreements		\$	0
21.24 Subject to dollar repurchase agreements		\$	0
21.25 Subject to reverse dollar repurchase agreements		\$	0
21.26 Pledged as collateral		\$	0
21.27 Placed under option agreements		\$	0
21.28 Letter stock or securities restricted as to sale		\$	0
21.29 Other		\$	0

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 METRO TECH CNTR, BROOKLYN, NY 11245

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

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

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

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

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

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

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

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

25.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#100	LMIA HIGH YIELD FUND	1,380,821
		0
		0
		0
25.2999	Total	1,380,821

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
LMIA HIGH YIELD FUND	MULTIPLAN INC	19,555	12/31/2006
LMIA HIGH YIELD FUND	AMERIGAS PART/EAGLE FIN	18,191	12/31/2006
LMIA HIGH YIELD FUND	JP MORGAN PRIME MONEY MARKET FUND	15,832	12/31/2006
LMIA HIGH YIELD FUND	EHOSTAR DBS CORP	14,951	12/31/2006
LMIA HIGH YIELD FUND	SENIOR HOUSING PROP	14,825	12/31/2006

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	37,973,503	37,721,035	(252,468)
26.2 Preferred stocks	0	0	0
26.3 Totals	37,973,503	37,721,035	(252,468)

26.4 Describe the sources or methods utilized in determining the fair values: IDC, BLOOMBERG, NAIC, SVO, BROKER QUOTES  
ANALYTICALLY DETERMINED

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

27.2 If no, list exceptions:  
.....  
.....

#### OTHER

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

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

1 Name	2 Amount Paid
	\$ 0
	\$ 0
	\$ 0

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

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

1 Name	2 Amount Paid
	\$ 0
	\$ 0
	\$ 0

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

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

1 Name	2 Amount Paid
	\$ 0
	\$ 0
	\$ 0
	\$ 0

## **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	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 83	\$ 141
2.2 Premium Denominator	\$ 11,371,413	\$ 10,359,691
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 7,146	\$ 7,618
2.5 Reserve Denominator	\$ 23,794,250	\$ 21,316,184
2.6 Reserve Ratio (2.4/2.5)		

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

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

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

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

**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 Treaty with limits of \$390M part of \$500M xs \$500M.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v6.0 from RMS and AIR Classic/2 v8.0 from AIR. For WC, Liberty Mutual utilizes RiskLink v6.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? The Company purchased a Property Catastrophe Treaty with limits of \$888M part of \$1.4B xs \$300M.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES  NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES  NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES  NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES  NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 3% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 3% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) An unconditional or unilateral right by either party to commute the reinsurance contract except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES  NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates. YES  NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES  NO
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES  NO  N/A
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES  NO
- 11.2 If yes, give full information

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

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

12.11	Unpaid losses	\$ 2,083,153
12.12	Unpaid underwriting expenses (including loss adjustment expenses)	\$ 420,026

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? \$ 291,514

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

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

12.41	From	9.000 %
12.42	To	10.000 %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [X] NO [ ]

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

12.61	Letters of Credit	\$ 8,224,850
12.62	Collateral and other funds	\$ 546,643

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 366,393

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 [X] NO [ ]

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

14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [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 pooling agreements.

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

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

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

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

15.2 If yes, give full information

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

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

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

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

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

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

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

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

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)	287,136,082	225,477,013	201,004,287	162,053,056	122,216,412
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	117,850,290	104,110,953	75,559,299	51,144,761	42,975,864
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	188,919,706	133,430,919	74,197,962	34,267,827	23,161,725
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	250,877	200,744	137,643	177,677	539,889
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	114,714	82,052	120,958	221,419	145,554
6. Total (Line 34)	594,271,669	463,301,681	351,020,149	247,864,740	189,039,444
<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)	7,591,870	6,987,663	6,540,004	5,758,979	5,024,653
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,955,454	1,803,807	1,750,727	1,630,741	1,529,967
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,953,135	1,522,900	1,380,395	1,441,430	1,178,911
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	248,958	199,668	136,698	176,827	538,050
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	114,714	82,052	120,958	221,419	145,554
12. Total (Line 34)	11,864,131	10,596,090	9,928,782	9,229,396	8,417,135
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(358,426)	(783,850)	(743,941)	(874,358)	(692,966)
14. Net investment gain (loss) (Line 11)	1,899,791	1,924,634	1,965,063	2,361,777	2,088,658
15. Total other income (Line 15)	(88,351)	(124,567)	(183,129)	(326,933)	(186,378)
16. Dividends to policyholders (Line 17)	51,028	36,108	39,433	(2,401)	64,876
17. Federal and foreign income taxes incurred (Line 19)	661,114	357,682	296,265	857,191	408,368
18. Net income (Line 20)	740,872	622,427	702,295	305,696	736,070
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	45,620,600	41,986,665	40,250,068	38,585,165	39,594,632
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	823,107	699,342	671,389	885,403	875,846
20.2 Deferred and not yet due (Line 13.2)	2,752,816	2,069,783	1,915,779	1,540,199	1,295,425
20.3 Accrued retrospective premiums (Line 13.3)	695,816	704,100	766,829	796,594	699,471
21. Total liabilities excluding protected cell business (Page 3, Line 24)	24,607,092	21,610,953	20,583,539	19,602,275	20,932,305
22. Losses (Page 3, Line 1)	15,292,424	14,207,137	13,390,241	13,187,318	12,450,689
23. Loss adjustment expenses (Page 3, Line 3)	3,134,723	2,909,746	2,554,020	2,607,666	2,372,925
24. Unearned premiums (Page 3, Line 9)	4,683,768	4,199,301	4,033,919	3,835,261	3,225,673
25. Capital paid up (Page 3, Lines 28 & 29)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	21,013,508	20,375,712	19,666,529	18,982,890	18,662,327
<b>Risk-Based Capital Analysis</b>					
27. Total adjusted capital	21,013,508	20,375,712	19,666,529	18,982,890	18,662,327
28. Authorized control level risk-based capital	1,477,665	1,311,180	1,365,315	1,295,996	1,175,106
<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)	91.0	89.3	92.2	89.9	92.7
30. Stocks (Lines 2.1 & 2.2)	3.5	3.5	3.5	3.8	3.1
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)					
33. Cash, cash equivalents and short-term investments (Line 5)	5.5	7.2	4.0	6.3	4.1
34. Contract loans (Line 6)					XXX
35. Other invested assets (Line 7)					
36. Receivables for securities (Line 8)			0.3		
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)					
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44					
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)					

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2006	2 2005	3 2004	4 2003	5 2002
<b>Capital and Surplus Accounts</b> (Page 4)					
47. Net unrealized capital gains (losses) (Line 24)	7,755	(37,549)	18,168	39,531	(23,007)
48. Dividends to stockholders (Line 35)					
49. Change in surplus as regards policyholders for the year (Line 38)	637,796	709,183	683,639	320,563	999,546
<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)	120,793,625	94,650,805	80,706,981	69,376,692	58,030,269
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	59,765,486	54,067,265	36,996,215	27,727,561	23,707,556
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	86,107,684	62,038,239	43,254,165	13,069,475	8,206,358
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	16,384	53,160	508,604	295,467	433,972
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	152,130	109,279	4,973	101,801	105,617
55. Total (Line 34)	266,835,309	210,918,748	161,470,938	110,570,996	90,483,772
<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)	3,742,266	3,737,061	4,060,750	3,403,564	3,926,380
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,129,319	919,584	776,025	762,298	764,268
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	833,475	964,647	893,938	594,226	667,936
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	16,384	53,160	508,604	295,467	433,972
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	152,130	109,279	4,973	101,801	105,617
61. Total (Line 34)	5,873,574	5,783,731	6,244,290	5,157,356	5,898,173
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	61.1	63.8	66.5	66.4	68.6
64. Loss expenses incurred (Line 3)	15.3	18.8	16.3	19.1	16.4
65. Other underwriting expenses incurred (Line 4)	26.8	24.9	24.9	24.4	100.2
66. Net underwriting gain (loss) (Line 8)	(3.2)	(7.6)	(7.7)	(10.0)	(8.8)
<b>Other Percentages</b>					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	26.4	25.6	26.1	26.7	24.5
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	76.4	82.6	82.8	85.5	85.1
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	56.5	52.0	50.5	48.6	45.1
<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)	499	515	336	736	614
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)	2.4	2.6	1.8	3.9	3.5
<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)	1,349	1,339	1,640	1,349,245	2,317
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)	6.9	7.1	8.8	8.7	13.3

**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>	1. United States .....	18,098,630	17,928,352	18,086,560	18,148,483
	2. Canada .....				
	3. Other Countries .....				
	4. Totals .....	18,098,630	17,928,352	18,086,560	18,148,483
Governments (Including all obligations guaranteed by governments)	5. United States .....				
	6. Canada .....				
	7. Other Countries .....				
	8. Totals .....				
States, Territories and Possessions (Direct and guaranteed)	9. United States .....				
	10. Canada .....				
	11. Other Countries .....				
	12. Totals .....				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	13. United States .....	4,541,703	4,572,764	4,541,555	4,564,288
	14. Canada .....				
	15. Other Countries .....				
	16. Totals .....	4,541,703	4,572,764	4,541,555	4,564,288
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	17. United States .....				
	18. Canada .....				
	19. Other Countries .....				
	20. Totals .....				
Public Utilities (unaffiliated)	21. United States .....	12,186,013	12,062,354	12,246,710	12,016,000
	22. Canada .....				
	23. Other Countries .....	998,590	1,008,998	989,860	1,000,000
	24. Totals .....	13,184,603	13,071,352	13,236,570	13,016,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	25. Totals .....				
	26. Total Bonds .....	35,824,936	35,572,468	35,864,685	35,728,771
	27. United States .....				
	28. Canada .....				
Parent, Subsidiaries and Affiliates	29. Other Countries .....				
	30. Totals .....				
	31. United States .....				
	32. Canada .....				
<b>PREFERRED STOCKS</b>	33. Other Countries .....				
	34. Totals .....				
	35. United States .....				
	36. Canada .....				
Public Utilities (unaffiliated)	37. Other Countries .....				
	38. Totals .....				
	39. Totals .....				
	40. Total Preferred Stocks .....				
Banks, Trust and Insurance Companies (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals .....				
Industrial and Miscellaneous (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals .....				
Parent, Subsidiaries and Affiliates	49. United States .....	1,380,821	1,380,821	1,333,884	
	50. Canada .....				
	51. Other Countries .....				
	52. Totals .....	1,380,821	1,380,821	1,333,884	
<b>COMMON STOCKS</b>	53. Totals .....				
	54. Total Common Stocks .....	1,380,821	1,380,821	1,333,884	
	55. Total Stocks .....	1,380,821	1,380,821	1,333,884	
	56. Total Bonds and Stocks .....	37,205,757	36,953,289	37,198,569	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year .....	33,495,356	7. Amortization of premium .....	44,258
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	10,033,816	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	38,408	8.1 Column 15, Part 1 .....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1 .....	
4.1 Columns 12 - 14, Part 1 .....		8.3 Column 16, Part 2, Section 2 .....	
4.2 Column 15 - 17, Part 2, Section 1 .....		8.4 Column 15, Part 4 .....	
4.3 Column 15, Part 2, Section 2 .....	11,931	9. Book/adjusted carrying value at end of current period .....	37,205,757
4.4 Column 11 - 13, Part 4 .....	11,931	10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....		11. Subtotal (Lines 9 plus 10) .....	37,205,757
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	6,329,496	12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	37,205,757

**SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P-PART 1-SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	699	267	281	112	30	14	7	617	X X X
2. 1997	8,459	1,053	7,406	6,371	856	583	63	689	4	216	6,720	X X X
3. 1998	8,919	1,075	7,844	7,273	918	594	56	770	8	248	7,655	X X X
4. 1999	8,854	1,274	7,580	7,316	1,021	619	79	782	12	239	7,605	X X X
5. 2000	9,337	1,509	7,828	7,218	1,248	581	80	755	10	187	7,216	X X X
6. 2001	9,698	1,562	8,136	6,960	1,480	514	73	717	8	221	6,630	X X X
7. 2002	11,072	2,092	8,980	6,477	1,174	451	60	808	7	344	6,495	X X X
8. 2003	12,330	2,801	9,529	5,685	1,162	396	33	847	6	344	5,727	X X X
9. 2004	12,827	3,126	9,701	5,146	1,313	285	56	826	40	319	4,848	X X X
10. 2005	13,210	2,850	10,360	5,360	1,480	187	42	785	45	291	4,765	X X X
11. 2006	14,376	3,005	11,371	2,953	493	73	10	672	61	178	3,134	X X X
12. Totals	X X X	X X X	X X X	61,458	11,412	4,564	664	7,681	215	2,594	61,412	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	4,916	1,498	2,115	1,413	272	224	1,132	476	66		40	4,890	X X X
2. 1997	310	45	71	22	20	11	27	7	9		3	352	X X X
3. 1998	437	68	170	96	9	1	34	8	19		4	496	X X X
4. 1999	468	114	134	97	10	1	39	17	16		9	438	X X X
5. 2000	476	145	187	142	14	6	40	12	17		11	429	X X X
6. 2001	665	331	263	167	21	10	76	29	21	1	18	508	X X X
7. 2002	615	316	456	349	31	17	90	4	26		16	532	X X X
8. 2003	769	235	815	385	25	5	185	35	41		26	1,175	X X X
9. 2004	930	237	1,240	416	36	8	284	43	68	1	42	1,853	X X X
10. 2005	1,429	458	2,079	756	39	5	442	68	176	22	72	2,856	X X X
11. 2006	1,660	311	3,581	890	40	7	662	78	244	1	214	4,900	X X X
12. Totals	12,675	3,758	11,111	4,733	517	295	3,011	777	703	25	455	18,429	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	4,120	770
2. 1997	8,080	1,008	7,072	95.520	95.726	95.490			0.100	314	38
3. 1998	9,306	1,155	8,151	104.339	107.442	103.914			0.100	443	53
4. 1999	9,384	1,341	8,043	105.986	105.259	106.108			0.100	391	47
5. 2000	9,288	1,643	7,645	99.475	108.880	97.662			0.100	376	53
6. 2001	9,237	2,099	7,138	95.246	134.379	87.734			0.100	430	78
7. 2002	8,954	1,927	7,027	80.871	92.113	78.252			0.100	406	126
8. 2003	8,763	1,861	6,902	71.071	66.441	72.432			0.100	964	211
9. 2004	8,815	2,114	6,701	68.722	67.626	69.075			0.100	1,517	336
10. 2005	10,497	2,876	7,621	79.463	100.912	73.562			0.100	2,294	562
11. 2006	9,885	1,851	8,034	68.760	61.597	70.653			0.100	4,040	860
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	15,295	3,134

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	13,235	12,937	12,402	12,216	12,844	13,310	13,797	14,484	14,972	15,251	279	767
2. 1997	5,877	5,849	6,066	6,164	6,281	6,288	6,298	6,372	6,409	6,443	34	71
3. 1998	X X X	6,464	6,689	6,852	7,067	7,141	7,196	7,278	7,353	7,455	102	177
4. 1999	X X X	X X X	6,362	6,561	6,809	6,984	7,111	7,167	7,288	7,324	36	157
5. 2000	X X X	X X X	X X X	6,119	6,402	6,443	6,660	6,838	6,893	6,930	37	92
6. 2001	X X X	X X X	X X X	X X X	6,304	6,142	6,251	6,161	6,360	6,431	71	270
7. 2002	X X X	X X X	X X X	X X X	X X X	6,253	5,902	5,910	6,103	6,219	116	309
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	6,537	5,886	5,710	6,043	333	157
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	6,563	6,081	5,911	(170)	(652)
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	7,155	6,815	(340)	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	7,294	X X X	X X X
12. Totals											499	1,349

**SCHEDULE P-PART 3-SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		
1. Prior	000	2,470	4,058	5,269	5,997	6,953	7,673	8,417	9,083	9,684	X X X	X X X
2. 1997	2,370	3,579	4,389	4,972	5,359	5,609	5,762	5,913	5,981	6,035	X X X	X X X
3. 1998	X X X	2,595	4,164	5,093	5,780	6,175	6,444	6,652	6,792	6,893	X X X	X X X
4. 1999	X X X	X X X	2,578	4,097	5,052	5,730	6,188	6,511	6,707	6,835	X X X	X X X
5. 2000	X X X	X X X	X X X	2,704	4,244	5,050	5,606	6,113	6,322	6,471	X X X	X X X
6. 2001	X X X	X X X	X X X	X X X	2,847	4,294	5,012	5,442	5,756	5,921	X X X	X X X
7. 2002	X X X	X X X	X X X	X X X	X X X	2,679	4,106	4,937	5,350	5,694	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	2,472	3,778	4,420	4,886	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	2,262	3,478	4,062	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	2,631	4,025	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	2,523	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	5,699	4,080	2,683	2,278	1,795	1,299	1,232	1,060	1,371	1,414
2. 1997	1,939	949	560	373	301	171	84	78	80	92
3. 1998	X X X	2,094	939	538	320	235	109	111	93	134
4. 1999	X X X	X X X	2,067	981	490	299	173	135	123	92
5. 2000	X X X	X X X	X X X	1,694	649	286	196	157	113	92
6. 2001	X X X	X X X	X X X	X X X	1,764	721	432	221	179	145
7. 2002	X X X	X X X	X X X	X X X	X X X	1,887	745	336	254	196
8. 2003	X X X	X X X	X X X	X X X	X X X	X X X	2,707	1,113	509	586
9. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,988	1,667	1,112
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	3,251	1,771
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	3,375

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	YES	6,085,771	5,080,473		2,981,935	3,522,713	4,073,381	16,619
2. Alaska	AK	YES	12,028	10,849			(356)	5,825	
3. Arizona	AZ	YES	2,759,896	1,504,677		449,575	697,591	535,040	3,332
4. Arkansas	AR	YES	692,370	757,926	(10)	175,498	289,607	480,467	864
5. California	CA	YES	6,102,138	5,019,915		993,559	1,457,976	5,429,948	20
6. Colorado	CO	YES	1,634,791	1,459,148		873,327	1,061,741	720,620	6,213
7. Connecticut	CT	YES	6,953,991	6,112,833		3,011,071	2,562,185	3,646,735	23,855
8. Delaware	DE	YES	2,223,553	1,943,960		894,506	941,321	1,051,609	5,416
9. Dist. Columbia	DC	YES	1,019,355	827,514		403,630	539,146	604,481	1,788
10. Florida	FL	YES	132,037,551	129,487,610	(8,431)	70,656,510	68,484,513	67,647,659	74,705
11. Georgia	GA	YES	35,453,878	30,667,186	(9)	20,571,854	24,313,559	9,637,899	81,863
12. Hawaii	HI	YES	1,077,138	1,015,565		330,381	693,023	939,647	
13. Idaho	ID	YES	162,996	127,884		22,972	(15,010)	20,535	656
14. Illinois	IL	YES	5,883,726	5,008,273		2,428,816	3,983,676	3,825,773	5,536
15. Indiana	IN	YES	4,451,913	4,309,537		1,653,356	1,214,765	2,883,654	4,653
16. Iowa	IA	YES	6,496,139	6,252,927		2,853,069	3,108,588	1,266,803	39,709
17. Kansas	KS	YES	3,565,937	3,732,502		1,732,437	2,026,116	3,735,930	1,217
18. Kentucky	KY	YES	1,839,301	1,931,310		514,279	518,052	1,478,580	4,193
19. Louisiana	LA	YES	1,624,852	1,612,283		410,219	903,263	1,107,498	2,034
20. Maine	ME	YES	2,476,864	2,009,451		536,470	852,563	940,661	8,902
21. Maryland	MD	YES	7,856,273	6,881,833		2,932,936	3,319,144	3,287,258	27,282
22. Massachusetts	MA	YES	4,956,439	3,054,310	21,822	1,252,694	1,864,904	3,129,695	8,078
23. Michigan	MI	YES	3,203,964	2,978,300		707,578	2,339,451	2,489,210	
24. Minnesota	MN	YES	1,546,629	1,130,792		355,860	607,088	611,642	3,454
25. Mississippi	MS	YES	1,484,617	1,445,939	(3)	950,188	1,116,734	1,904,298	488
26. Missouri	MO	YES	1,606,680	1,201,205		436,739	406,640	481,136	5,295
27. Montana	MT	YES	235,865	226,953		77,554	156,628	78,470	1,123
28. Nebraska	NE	YES	1,006,914	1,204,941		488,710	852,707	1,057,533	324
29. Nevada	NV	YES	905,143	733,698		543,472	425,675	360,502	2,399
30. New Hampshire	NH	YES	4,512,362	3,230,932		908,688	340,390	1,573,544	18,980
31. New Jersey	NJ	YES	9,393,584	6,951,414		2,394,700	6,516,245	14,441,376	(12)
32. New Mexico	NM	YES	460,986	487,002		170,890	251,060	254,637	1,818
33. New York	NY	YES	61,479,665	48,833,381		17,872,871	26,840,211	15,193,887	370,047
34. No. Carolina	NC	YES	3,474,415	3,354,835		1,097,566	2,590,915	5,322,116	3
35. No. Dakota	ND	YES	16,801	17,412		22,211	24,879	1,835	128
36. Ohio	OH	YES	1,724,155	1,777,094		429,096	466,567	358,609	6,715
37. Oklahoma	OK	YES	1,279,264	1,336,924	56,337	1,308,938	2,335,181	2,411,313	3,474
38. Oregon	OR	YES	856,628	702,452		369,171	(457,734)	260,096	3,705
39. Pennsylvania	PA	YES	165,699,316	151,141,610		76,171,119	101,867,781	66,632,858	1,131,200
40. Rhode Island	RI	YES	335,292	154,388		137	97,684	123,570	
41. So. Carolina	SC	YES	2,708,274	2,559,715		1,901,009	1,176,748	3,443,722	48
42. So. Dakota	SD	YES	57,923	42,311		35,000	49,953	18,341	
43. Tennessee	TN	YES	7,398,735	6,470,009	(178)	3,023,326	2,297,406	2,833,246	29,592
44. Texas	TX	YES	7,055,890	6,493,587	(7)	2,156,670	1,636,103	6,231,528	
45. Utah	UT	YES	182,211	157,138		48,045	(167,000)	140,698	649
46. Vermont	VT	YES	2,374,926	2,008,231		321,218	841,312	865,671	4,784
47. Virginia	VA	YES	63,777,243	57,764,904		31,513,912	39,659,226	24,517,428	423,783
48. Washington	WA	YES	46,302	43,340		82,353	(172,141)	143,040	
49. West Virginia	WV	YES	178,559	201,558		67,856	77,466	43,390	1,026
50. Wisconsin	WI	YES	3,933,615	3,648,435	385,209	1,748,163	2,309,512	4,526,641	3,015
51. Wyoming	WY	YES	104,663	101,670		79,606	119,882	32,835	196
52. American Samoa	AS	NO							
53. Guam	GU	YES							
54. Puerto Rico	PR	NO	30	17			(6)	14	
55. U.S. Virgin Islands	VI	YES	(9)	1			1	4	
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X	(4)	(443)	52	2,770	1,818		
59. Totals	(a) 53		582,407,538	525,207,711	454,782	260,961,740	316,948,414	272,804,706	2,329,169

DETAILS OF WRITE-INS									
5801. Other alien	X X X	(4)	(443)	52	2,770	1,818			
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	(4)	(443)	52	2,770	1,818			

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

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

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



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation  
ASSETS**

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

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

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

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

2304. Amounts receivable under high deductible policies	261,034	13,378	247,656	250,204
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)	261,034	13,378	247,656	250,204