

**ANNUAL STATEMENT**

**OF THE**

**AMERICAN STATES INSURANCE COMPANY**

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**of** **INDIANAPOLIS**

**in the state of** **INDIANA**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2009**

**PROPERTY AND CASUALTY**

**2009**

ANNUAL STATEMENT

For the Year Ended December 31, 2009  
OF THE CONDITION AND AFFAIRS OF THE

American States Insurance Company



19704200920100100

NAIC Group Code	0111 (Current Period)	0111 (Prior Period)	NAIC Company Code	19704	Employer's ID Number	35-0145400
Organized under the Laws of	Indiana			State of Domicile or Port of Entry		Indiana
Country of Domicile	United States of America					
Incorporated/Organized:	July 15, 1929			Commenced Business: July 15, 1929		
Statutory Home Office:	500 North Meridian Street (Street and Number)			Indianapolis, IN 46204 (City or Town, State and Zip Code)		
Main Administrative Office:	1001 Fourth Avenue, Safeco Plaza (Street and Number)			Seattle, WA 98154 (City or Town, State and Zip Code)		
				206-545-5000 (Area Code) (Telephone Number)		
Mail Address:	175 Berkeley Street (Street and Number or P.O. Box)			Boston, MA 02116 (City or Town, State and Zip Code)		
Primary Location of Books and Records:	175 Berkeley Street (Street and Number)			Boston, MA 02116 (City or Town, State and Zip Code)		
				617-357-9500 (Area Code) (Telephone Number)		
Internet Web Site Address:	WWW.SAFECO.COM					
Statutory Statement Contact:	Joanne Connolly (Name)			617-357-9500 x44393 (Area Code) (Telephone Number) (Extension)		
	Statutory.Compliance@LibertyMutual.com (E-Mail Address)			617-574-5955 (Fax Number)		

OFFICERS

Chairman of the Board

Gary Richard Gregg

	Name	Title
1.	Gary Richard Gregg #	President and Chief Executive Officer
2.	Dexter Robert Legg	Secretary
3.	Michael Joseph Fallon	Chief Financial Officer and Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Anthony Alexander Fontanes	Chief Investment Officer and EVP	Scott Rhodes Goodby	Chief Operating Officer and EVP
Joseph Anthony Gilles #	Executive Vice President		

DIRECTORS OR TRUSTEES

John Derek Doyle	Michael Joseph Fallon	Joseph Anthony Gilles	Scott Rhodes Goodby
Gary Richard Gregg	Kevin John Kirschner	Christopher Charles Mansfield	

State of Massachusetts

County of Suffolk ss

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

(Signature) Gary Richard Gregg #	(Signature) Dexter Robert Legg	(Signature) Michael Joseph Fallon
(Printed Name) 1. President and Chief Executive Officer	(Printed Name) 2. Secretary	(Printed Name) 3. Chief Financial Officer and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this  
1st day of February, 2010, by

a. Is this an original filing? [X] Yes [ ] 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)	1,588,970,978		1,588,970,978	1,428,378,014
2. Stocks (Schedule D):				
2.1 Preferred stocks	25,707,300		25,707,300	48,220,153
2.2 Common stocks	2,912,786		2,912,786	37,695
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 (\$ 6,875,721, Schedule E - Part 1), cash equivalents (\$ 2,644,020, Schedule E - Part 2), and short-term investments (\$ 92,112,845, Schedule DA)	101,632,586		101,632,586	186,777,106
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	2,564,163		2,564,163	4,764,219
8. Receivables for securities				247,299
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,721,787,813		1,721,787,813	1,668,424,486
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	17,988,140		17,988,140	19,632,694
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	34,889,431	4,778,753	30,110,678	94,554,501
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ (5,390,713) earned but unbilled premiums)	213,667,895	(132,672)	213,800,567	159,005,678
13.3 Accrued retrospective premiums	1,410,721	169,665	1,241,056	443,682
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	28,799,591		28,799,591	33,948,680
14.2 Funds held by or deposited with reinsured companies				504,383
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon	9,627,129		9,627,129	15,530,239
16.2 Net deferred tax asset	24,049,000		24,049,000	41,595,298
17. Guaranty funds receivable or on deposit	1,407,043		1,407,043	1,480,186
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	16,645,846		16,645,846	41,127,937
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	8,341,596	1,882,421	6,459,175	876,559
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	2,078,614,205	6,698,167	2,071,916,038	2,077,124,323
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	2,078,614,205	6,698,167	2,071,916,038	2,077,124,323

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Cash Surrender Value Life Insurance	4,306,810		4,306,810	
2302. Other assets	2,230,618	1,882,421	348,197	876,559
2303. Equities and deposits in pools and associations	1,804,168		1,804,168	
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	8,341,596	1,882,421	6,459,175	876,559

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	714,422,661	736,682,283
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	46,058,340	50,499,254
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	170,091,462	171,729,286
4. Commissions payable, contingent commissions and other similar charges	20,244,536	27,286,262
5. Other expenses (excluding taxes, licenses and fees)	24,033,099	48,418,988
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	7,285,399	14,986,886
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 238,602,721 and including warranty reserves of \$ 0)	349,686,193	383,835,113
10. Advance premium	2,489,094	6,030,370
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	645,238	1,246,506
12. Ceded reinsurance premiums payable (net of ceding commissions)	29,230,925	32,087,743
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		10,019
14. Amounts withheld or retained by company for account of others	(572,956)	3,358,487
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		18,788,857
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	24,973,040	
19. Payable to parent, subsidiaries and affiliates	2,188,595	48,311,879
20. Payable for securities	10,634,375	2,177
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	28,745,245	(7,398,372)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	1,430,155,246	1,535,875,738
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	1,430,155,246	1,535,875,738
27. Aggregate write-ins for special surplus funds	1,515,138	12,654,151
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	557,757,202	557,757,202
33. Unassigned funds (surplus)	77,488,452	(34,162,768)
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)	641,760,792	541,248,585
36. Totals (Page 2, Line 26, Col. 3)	2,071,916,038	2,077,124,323

DETAILS OF WRITE-IN LINES		
2301. Collateral held for securities loaned	9,586,430	
2302. Retroactive reinsurance reserves	6,845,203	(12,031,656)
2303. Other liabilities	5,736,324	4,633,284
2398. Summary of remaining write-ins for Line 23 from overflow page	6,577,288	
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	28,745,245	(7,398,372)
2701. Special surplus from retroactive reinsurance	1,515,138	12,654,151
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)	1,515,138	12,654,151
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	796,216,268	1,050,646,083
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	403,802,171	583,267,679
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	94,534,791	120,791,993
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	264,333,136	318,600,034
5. Aggregate write-ins for underwriting deductions	124,217	
6. Total underwriting deductions (Lines 2 through 5)	762,794,315	1,022,659,706
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	33,421,953	27,986,377
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	77,883,936	80,880,892
10. Net realized capital gains (losses) less capital gains tax of \$ (3,907,188) (Exhibit of Capital Gains (Losses))	(7,256,205)	(2,609,906)
11. Net investment gain (loss) (Lines 9 + 10)	70,627,731	78,270,986
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 35,661 amount charged off \$ 3,560,087)	(3,524,426)	(6,299,160)
13. Finance and service charges not included in premiums	6,788,326	4,919,613
14. Aggregate write-ins for miscellaneous income	(4,650,619)	3,086,645
15. Total other income (Lines 12 through 14)	(1,386,719)	1,707,098
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	102,662,965	107,964,461
17. Dividends to policyholders	3,406,699	1,262,647
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)	99,256,266	106,701,814
19. Federal and foreign income taxes incurred	11,065,288	10,781,041
20. Net income (Line 18 minus Line 19) (to Line 22)	88,190,978	95,920,773
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	541,248,584	512,064,269
22. Net income (from Line 20)	88,190,978	95,920,773
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 4,400,528	8,168,734	(48,105,267)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(13,145,770)	(17,702,733)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	4,456,838	(1,516,868)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	18,788,857	162,926
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		6,051,451
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	(5,947,429)	(5,625,967)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	100,512,208	29,184,315
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	641,760,792	541,248,584

DETAILS OF WRITE-IN LINES		
0501. Private Passenger Auto Escrow	124,217	
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	124,217	
1401. Retroactive reinsurance gain	(102,652)	3,086,645
1402. Other expenses	(4,547,967)	
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(4,650,619)	3,086,645
3701. Other changes in surplus	(5,947,429)	(5,625,967)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(5,947,429)	(5,625,967)

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	699,150,793	1,025,915,337
2. Net investment income	84,579,918	84,572,622
3. Miscellaneous income	(4,602,675)	1,250,017
4. Total (Lines 1 through 3)	779,128,036	1,111,737,976
5. Benefit and loss related payments	400,380,578	558,073,740
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	394,116,297	439,133,231
8. Dividends paid to policyholders	4,007,969	1,410,402
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	1,254,990	12,421,719
10. Total (Lines 5 through 9)	799,759,834	1,011,039,092
11. Net cash from operations (Line 4 minus Line 10)	(20,631,798)	100,698,884
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	508,622,462	148,531,190
12.2 Stocks	29,841,090	242,860,326
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets	889,288	641,489
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	(19,403)	12,291
12.7 Miscellaneous proceeds	(359)	2
12.8 Total investment proceeds (Lines 12.1 to 12.7)	539,333,078	392,045,298
13. Cost of investments acquired (long-term only):		
13.1 Bonds	677,546,413	166,868,013
13.2 Stocks	5,204,039	115,067,606
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	55,055	8,250
13.6 Miscellaneous applications	(10,632,199)	11,864,654
13.7 Total investments acquired (Lines 13.1 to 13.6)	672,173,308	293,808,523
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(132,840,230)	98,236,775
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	68,327,509	(28,739,824)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	68,327,509	(28,739,824)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(85,144,519)	170,195,835
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	186,777,105	16,581,270
19.2 End of year (Line 18 plus Line 19.1)	101,632,586	186,777,105

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

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	8,168,352	12,141,922	7,221,600	13,088,674
2. Allied lines	7,683,169	8,937,616	5,809,556	10,811,229
3. Farmowners multiple peril	5,469,642	2,824,456	2,818,145	5,475,953
4. Homeowners multiple peril	68,715,881	58,706,519	57,042,218	70,380,182
5. Commercial multiple peril	163,917,028	54,499,283	74,198,169	144,218,142
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	13,543,439	6,553,864	6,325,871	13,771,432
10. Financial guaranty				
11.1 Medical professional liability—occurrence	(4,966)	124,200	30,729	88,505
11.2 Medical professional liability—claims-made	3,031	7,533	2,985	7,579
12. Earthquake	955,558	3,212,548	1,365,797	2,802,309
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(742,990)	1,288,627	6,052	539,585
16. Workers' compensation	122,217,834	9,868,371	28,695,833	103,390,372
17.1 Other liability—occurrence	44,665,598	18,742,770	21,242,245	42,166,123
17.2 Other liability—claims-made	(574,221)	3,112,715	754,083	1,784,411
17.3 Excess Workers' Compensation	109,708		37,333	72,375
18.1 Products liability—occurrence	1,450,417	518,537	734,203	1,234,751
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	118,604,301	68,983,813	43,200,010	144,388,104
19.3,19.4 Commercial auto liability	71,258,823	30,933,560	32,681,008	69,511,375
21. Auto physical damage	100,550,615	53,054,130	38,097,228	115,507,517
22. Aircraft (all perils)				
23. Fidelity	848,828	73,959	416,601	506,186
24. Surety	42,205,488	47,026,984	32,825,863	56,406,609
26. Burglary and theft	38,655	20,109	14,536	44,228
27. Boiler and machinery	23,196		2,576	20,620
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability	8			8
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	769,107,394	380,631,516	353,522,641	796,216,269

DETAILS OF WRITE-IN LINES				
3401.				
3402.				
3403.				
3498. Sum of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 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	7,221,598	2			7,221,600
2. Allied lines	5,809,525	31			5,809,556
3. Farmowners multiple peril	2,818,145				2,818,145
4. Homeowners multiple peril	57,042,218				57,042,218
5. Commercial multiple peril	72,356,036		1,837,853	4,281	74,198,170
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	6,286,262	39,592	17		6,325,871
10. Financial guaranty					
11.1 Medical professional liability—occurrence	30,729				30,729
11.2 Medical professional liability—claims-made	2,985				2,985
12. Earthquake	1,365,797				1,365,797
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	6,052				6,052
16. Workers' compensation	27,168,649	8,390	1,463,134	55,660	28,695,833
17.1 Other liability—occurrence	20,777,649	105,682	350,613	8,302	21,242,246
17.2 Other liability—claims-made	751,741	1,451	891		754,083
17.3 Excess Workers' Compensation	37,333				37,333
18.1 Products liability—occurrence	615,894		118,309		734,203
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	43,200,003		8		43,200,011
19.3,19.4 Commercial auto liability	32,306,402	377,224	17	(2,634)	32,681,009
21. Auto physical damage	38,011,278	85,950			38,097,228
22. Aircraft (all perils)					
23. Fidelity	152,785	263,816			416,601
24. Surety	14,329,893	18,495,970			32,825,863
26. Burglary and theft	14,536				14,536
27. Boiler and machinery	2,576				2,576
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property					
32. Reinsurance-Nonproportional Assumed Liability					
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	330,308,086	19,378,108	3,770,842	65,609	353,522,645
36. Accrued retrospective premiums based on experience					(65,609)
37. Earned but unbilled premiums					(3,770,842)
38. Balance (Sum of Lines 35 through 37)					349,686,194

DETAILS OF WRITE-IN LINES					
3401.					
3402.					
3403.					
3498. Sum of remaining write-ins for Line 34 from overflow page					
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					

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





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	10,281,911	9,306,560	10,281,919	9,306,552	2,351,560	5,965,913	5,692,199	43.490
2. Allied lines	4,006,818	9,728,006	4,010,002	9,724,822	1,965,472	4,273,113	7,417,181	68.606
3. Farmowners multiple peril	10,886,464	3,323,737	10,886,464	3,323,737	1,854,639	1,336,247	3,842,129	70.164
4. Homeowners multiple peril	810,203	63,997,533	810,202	63,997,534	22,124,914	42,288,209	43,834,239	62.282
5. Commercial multiple peril	81,141,049	50,517,549	81,130,586	50,528,012	122,671,228	99,929,674	73,269,566	50.805
6. Mortgage guaranty								
8. Ocean marine		14,699		14,699	1,112	24,498	(8,687)	
9. Inland marine	6,210,761	4,468,589	6,211,092	4,468,258	2,012,624	1,271,023	5,209,859	37.831
10. Financial guaranty						51	(51)	
11.1 Medical professional liability—occurrence		193,104		193,104	165,333	315,684	42,753	48.306
11.2 Medical professional liability—claims-made		96,418		96,418	36,817	142,963	(9,728)	(128.355)
12. Earthquake		(352)		(352)	4,572	24,197	(19,977)	(0.713)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health	2,340,587	30,394,187	31,627,046	1,107,728	584,831	1,567,904	124,655	23.102
16. Workers' compensation	29,532,290	1,131,691	101,315,165	(70,651,184)	260,563,637	119,645,580	70,266,873	67.963
17.1 Other liability—occurrence	23,890,321	14,610,186	25,305,032	13,195,475	67,576,863	75,259,184	5,513,154	13.075
17.2 Other liability—claims-made	18,452	6,569,450	18,452	6,569,450	2,147,349	8,889,292	(172,493)	(9.667)
17.3 Excess Workers' Compensation		19,207		19,207	33,198		52,405	72.408
18.1 Products liability—occurrence	1,143,576	273,993	1,143,576	273,993	2,206,801	2,564,109	(83,315)	(6.748)
18.2 Products liability—claims-made		179		179	58	298	(61)	
19.1,19.2 Private passenger auto liability	4,286,293	200,951,269	4,285,006	200,952,556	111,702,463	236,116,251	76,538,768	53.009
19.3,19.4 Commercial auto liability	75,140,938	38,830,233	76,084,967	37,886,204	73,746,922	75,902,503	35,730,623	51.403
21. Auto physical damage	16,813,996	66,899,656	16,911,693	66,801,959	5,458,386	7,786,117	64,474,228	55.818
22. Aircraft (all perils)		122,840	31,427	91,413	(51,548)	152,695	(112,830)	
23. Fidelity	36,983	(29,056)	36,983	(29,056)	171,164	30,389	111,719	22.071
24. Surety	28,768,915	4,717,427	28,768,915	4,717,427	22,819,150	15,476,679	12,059,898	21.380
26. Burglary and theft	6,098	4,816	6,098	4,816	12,300	5,986	11,130	25.165
27. Boiler and machinery	56,330	(9,821)	56,330	(9,821)	3,948	9,292	(15,165)	(73.545)
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X	21,263,252	(2,215,412)	23,478,664	14,258,867	37,704,432	33,099	413737.500
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	202,904,379	202,904,379					
34. Aggregate write-ins for other lines of business								
35. TOTALS	295,371,985	730,299,731	599,609,922	426,061,794	714,422,660	736,682,283	403,802,171	50.715

DETAILS OF WRITE-IN LINES								
3401.								
3402.								
3403.								
3498. Sum. of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)								

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

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	4,009,635	1,681,300	4,009,635	1,681,300	270,037	670,260	270,037	2,351,560	291,063
2. Allied lines	591,304	1,735,630	591,304	1,735,630	320,933	229,842	320,933	1,965,472	196,701
3. Farmowners multiple peril	3,548,353	1,570,243	3,548,353	1,570,243	848,475	284,396	848,475	1,854,639	424,225
4. Homeowners multiple peril	39,894	16,733,581	39,894	16,733,581	8,414	5,391,333	8,414	22,124,914	4,669,819
5. Commercial multiple peril	106,259,877	74,605,395	106,259,877	74,605,395	75,677,092	48,065,834	75,677,092	122,671,229	61,179,689
6. Mortgage guaranty									
8. Ocean marine		1,112		1,112				1,112	
9. Inland marine	665,478	848,883	665,478	848,883	4,010,594	1,163,741	4,010,594	2,012,624	267,234
10. Financial guaranty									
11.1 Medical professional liability—occurrence		67,762		67,762		97,571		165,333	73,542
11.2 Medical professional liability—claims-made		31,540		31,540		5,277		36,817	8,924
12. Earthquake		4,572		4,572				4,572	(556)
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health	3,069,036	584,831	3,069,036	584,831				(a) 584,831	(5)
16. Workers' compensation	173,230,549	143,759,324	173,230,549	143,759,324	44,019,281	116,804,313	44,019,281	260,563,637	35,849,540
17.1 Other liability—occurrence	65,023,357	24,947,368	65,023,357	24,947,368	118,340,957	42,629,495	118,340,957	67,576,863	22,946,559
17.2 Other liability—claims-made	177,475	1,134,109	177,475	1,134,109	147,395	1,013,240	147,395	2,147,349	1,371,572
17.3 Excess Workers' Compensation		45,390		45,390		(12,191)		33,199	(9,028)
18.1 Products liability—occurrence	2,743,029	1,412,957	2,743,029	1,412,957	1,185,532	793,844	1,185,532	2,206,801	1,086,109
18.2 Products liability—claims-made						58		58	
19.1,19.2 Private passenger auto liability	32,953,615	91,529,771	32,953,615	91,529,771	1,499,446	20,172,692	1,499,446	111,702,463	22,430,607
19.3,19.4 Commercial auto liability	100,544,970	43,829,088	100,544,970	43,829,088	59,560,670	29,917,834	59,560,670	73,746,922	11,342,098
21. Auto physical damage	1,604,388	3,109,244	1,604,388	3,109,244	580,406	2,349,143	580,406	5,458,387	1,610,204
22. Aircraft (all perils)		8,140		8,140		(59,687)		(51,547)	
23. Fidelity	194,103	40,226	194,103	40,226	11,361	130,938	11,361	171,164	35,020
24. Surety	(29,625,396)	(3,968,432)	(29,625,396)	(3,968,432)	1,118,118	26,787,582	1,118,118	22,819,150	6,298,141
26. Burglary and theft		11,751		11,751	937	549	937	12,300	4,809
27. Boiler and machinery					10,416	3,948	10,416	3,948	7,045
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability	X X X	7,746,701		7,746,701	X X X	6,512,166		14,258,867	8,151
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	465,029,667	411,470,486	465,029,667	411,470,486	307,610,064	302,952,178	307,610,064	714,422,664	170,091,463
DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum. of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	28,959,434			28,959,434
1.2 Reinsurance assumed	26,959,692			26,959,692
1.3 Reinsurance ceded	28,959,434			28,959,434
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	26,959,692			26,959,692
2. Commission and brokerage:				
2.1 Direct, excluding contingent		73,936,188		73,936,188
2.2 Reinsurance assumed, excluding contingent		114,575,424		114,575,424
2.3 Reinsurance ceded, excluding contingent		73,936,188		73,936,188
2.4 Contingent—direct		883,770		883,770
2.5 Contingent—reinsurance assumed		12,468,282		12,468,282
2.6 Contingent—reinsurance ceded		883,770		883,770
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)		127,043,706		127,043,706
3. Allowances to manager and agents		63,479	2	63,481
4. Advertising	917,976	4,285,503	2,112	5,205,591
5. Boards, bureaus and associations	78,929	1,925,253	63	2,004,245
6. Surveys and underwriting reports	14,438	4,205,264	2,186	4,221,888
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	32,216,758	51,135,489	394,652	83,746,899
8.2 Payroll taxes	1,933,449	4,525,827	22,636	6,481,912
9. Employee relations and welfare	6,495,945	16,031,765	21,953	22,549,663
10. Insurance	3,825,139	517,060	4,581	4,346,780
11. Directors' fees		2,026		2,026
12. Travel and travel items	1,715,478	3,296,148	7,219	5,018,845
13. Rent and rent items	3,785,884	6,229,283	7,170	10,022,337
14. Equipment	2,249,903	4,243,942	6,343	6,500,188
15. Cost or depreciation of EDP equipment and software	1,322,714	2,224,681	3,252	3,550,647
16. Printing and stationery	307,172	1,049,123	1,041	1,357,336
17. Postage, telephone and telegraph, exchange and express	1,321,988	4,257,247	13,024	5,592,259
18. Legal and auditing	247,054	1,014,360	13,060	1,274,474
19. Totals (Lines 3 to 18)	56,432,827	105,006,450	499,294	161,938,571
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 280,116		19,204,097		19,204,097
20.2 Insurance department licenses and fees		1,656,910		1,656,910
20.3 Gross guaranty association assessments		(108,603)		(108,603)
20.4 All other (excluding federal and foreign income and real estate)		665,677		665,677
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		21,418,081		21,418,081
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	11,142,273	10,864,901	70,972	22,078,146
25. Total expenses incurred	94,534,792	264,333,138	570,266	(a) 359,438,196
26. Less unpaid expenses—current year	170,091,462	51,563,034		221,654,496
27. Add unpaid expenses—prior year	171,729,284	89,879,956	812,180	262,421,420
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)	96,172,614	302,650,060	1,382,446	400,205,120

DETAILS OF WRITE-IN LINES				
2401. Other expenses	4,195,428	10,864,901	70,972	15,131,301
2402. Change in unallocated expense reserves	6,946,845			6,946,845
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	11,142,273	10,864,901	70,972	22,078,146

(a) Includes management fees of \$ 571,313 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 10,667,365	11,210,899
1.1 Bonds exempt from U.S. tax	(a) 41,548,546	40,731,952
1.2 Other bonds (unaffiliated)	(a) 24,344,314	23,738,166
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 2,536,745	1,598,248
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	5,719	5,719
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) 1,225,320	1,177,754
7. Derivative instruments	(f)	
8. Other invested assets	521,837	521,837
9. Aggregate write-ins for investment income	(530,372)	(530,372)
10. Total gross investment income	80,319,474	78,454,203
11. Investment expenses		(g) 570,266
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)		570,266
17. Net investment income (Line 10 minus Line 16)		77,883,937

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense)		6,787	6,787
0902. Miscellaneous Income/(Expense) - Pooling Restatement		(537,159)	(537,159)
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)		(530,372)	(530,372)
1501.	NONE		
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 \$ 1,476,351 accrual of discount less \$ 6,308,108 amortization of premium and less \$ 1,108,359 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 \$ 181,900 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	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(21,239)		(21,239)		
1.1 Bonds exempt from U.S. tax	681,470	(2,214,662)	(1,533,192)	(784,344)	
1.2 Other bonds (unaffiliated)	(436,525)	(3,195,721)	(3,632,246)	3,338,352	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	3,730,421	(9,931,600)	(6,201,179)	9,390,100	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	243,866		243,866	699,943	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	52,545	(71,948)	(19,403)		
7. Derivative instruments					
8. Other invested assets				(74,789)	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	4,250,538	(15,413,931)	(11,163,393)	12,569,262	

DETAILS OF WRITE-IN LINES					
0901.	NONE				
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)					

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		220,718	220,718
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	4,778,753	5,633,299	854,546
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	(132,672)	308,751	441,423
13.3 Accrued retrospective premiums	169,665	49,298	(120,367)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset			
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	1,882,421	4,942,938	3,060,517
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	6,698,167	11,155,004	4,456,837
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	6,698,167	11,155,004	4,456,837

DETAILS OF WRITE-IN LINES			
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	1,882,421	4,942,938	3,060,517
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,882,421	4,942,938	3,060,517

## NOTES TO FINANCIAL STATEMENTS

### **Note 1- Summary of Significant Accounting Policies**

#### A. Accounting Practices

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

There are no differences between Washington prescribed or permitted practices and NAIC statutory accounting practices that resulted in a difference for the Company.

#### 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 fair value 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 fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value.
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in SCA companies in accordance with SSAP No. 97, Investment in Subsidiaries, Controlled Entities and Affiliates, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA com
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2009.
13. The Company has no pharmaceutical rebate receivables.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 3- Business Combinations and Goodwill

- A. Statutory Purchase Method:

The Company did not enter into any statutory purchases during the year.
- B. Statutory Mergers

The Company did not enter into any statutory mergers during the year.
- C. Impairment Loss

Not applicable

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 does not invest in Mortgage Loans.
- B. Troubled Debt Restructuring for Creditors

Not applicable
- C. Reverse Mortgages

The Company has no reverse mortgages.
- D. Loaned Backed Securities
  - Not used.
  - Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
  - Not used.
  - All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009:

	1 Amortized Cost Basis Before Other-than-Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss	3 Fair Value (C1-C2)
Aggregate Intent to Sell			
Aggregate Intent & Ability	5,706,597	559,067	4,154,322

5. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2009:

1 CUSIP	2 Book/Adj Carrying Value Amortized cost before current period OTTI	3 Projected Cash Flows	4 Recognized other-than-tempor ary impairment	5 Amortized cost after other-than-tempor ary impairment	6 Fair Value
59023XAB2	2,108,279	1,844,135	264,144	1,844,135	1,846,863
59023XAB2	1,398,053	1,213,436	184,617	1,213,436	965,957
61749BAB9	2,200,265	2,089,959	110,306	2,089,959	1,341,502

6. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2009:

	1 Less Than 12 Months	2 Greater Than 12 Months
Gross Unrealized Loss	(1,709,777)	(4,021,175)



NOTES TO FINANCIAL STATEMENTS

7. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.
8. Not used.
- E. Repurchase Agreements
1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.

a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.

b) The Company has not pledged any of its assets as collateral.

3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	2,871,710	3,036,683	2,493,240	1,184,796	9,586,430

4. Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short-term securities. The Company does not reinvest securities received as collateral.

F. Real Estate

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

G. Investments in Low-Income Housing Tax Credits

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

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

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.
- B. The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company did not realize any impairment losses during the year.

**Note 7- Investment Income**

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due (180 days for mortgage loans).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2009.

**Note 8- Derivative Instruments**

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

NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Taxes

A. The components of the net deferred tax assets (DTAs) and liabilities (DTLs) recognized in the Company’s Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross DTAs	111,882,658	3,482,342	115,365,000	131,487,450	(16,122,450)
Total gross DTLs	(90,962,542)	(353,458)	(91,316,000)	(89,892,152)	(1,423,848)
Net DTA (DTL)	20,920,116	3,128,884	24,049,000	41,595,298	(17,546,298)
Net DTA non-admitted			0	0	0
Net Admitted DTA (DTL)			24,049,000	41,595,298	(17,546,298)

The Company has not elected to admit DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election does not differ from the prior reporting period. A statutory valuation allowance adjustment, as described in SSAP No. 10R, paragraph 6e, is not required. Accordingly, total adjusted gross DTAs equal total gross DTAs.

The amount of each result or component of the calculation, by tax character, of paragraphs 10a., 10bi., 10bii., 10c.:

	December 31, 2009			December 31, 2008
	Ordinary	Capital	Total	Total
Recoverable through loss carrybacks (10a.)	9,458,000	2,743,000	12,201,000	48,645,936
Lesser of:				
Expected to be recognized within one year (10bi.)	39,346,267	386,000	39,732,267	6,708,807
10% of adjusted capital and surplus (10bii.)			58,856,520	48,255,970
Adj. gross DTAs offset against existing DTLs (10c.)	63,078,391	353,343	63,431,733	76,132,707
Risk-based capital level used in paragraph 10d.:				
Total adjusted capital			641,760,792	541,248,585
Authorized control level			72,082,419	89,719,169

The following amounts resulting from the calculation in paragraph 10a. 10b, and 10c.:

	December 31, 2009
Admitted DTAs	24,049,000
Admitted assets	2,071,916,038
Statutory surplus	641,760,792
Total adjust capital	641,760,792

B. The Company does not have any DTLs described in SSAP No. 10R, Income Taxes, paragraph 6d.

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

	2009	2008
Federal	11,065,288	10,781,041
Foreign	0	0
Realized capital gains	(3,907,188)	(1,350,308)
Federal and foreign income taxes incurred	7,158,100	9,430,733

The Company’s DTAs and DTLs result primarily from capital loss limitation, goodwill/intangibles, unearned premiums, loss reserve discounting, market discount on owned securities, deferred intercompany transactions and statutory non-admitted assets.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(13,145,770)
Change in tax effect of unrealized (gains) losses	(4,400,528)
Total change in net deferred income tax	(17,546,298)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill, dividends received deduction, tax exempt interest, capital loss limitation and deferred intercompany transactions.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$8,563,100 from the current year and \$9,946,622 from the preceding year.

At December 31, 2009, the Company did not have any unused net operating loss carry forwards available to offset against future net income.

The Company does not have deposits admitted under Section 6603 of the Internal Revenue Services Code.

NOTES TO FINANCIAL STATEMENTS

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

Access Insurance Services, Co.	Liberty Insurance Holdings, Inc.
AMBCO Capital Corporation	Liberty Insurance Underwriters, Inc.
America First Insurance Company	Liberty International Europe Inc.*
America First Lloyds Insurance Company	Liberty International Holdings Inc.
American Ambassador Casualty Company (merged 10/21/2009)	Liberty Life Assurance Company of Boston
American Economy Insurance Company	Liberty Life Holdings, Inc.
American Fire & Casualty Company	Liberty Lloyds of Texas Insurance Company
American States Insurance Company	Liberty Management Services, Inc.
American States Insurance Company of Texas	Liberty Mexico Holdings, Inc.
American States Lloyds Insurance Company	Liberty Mutual Fire Insurance Company
American States Preferred Insurance Company	Liberty Mutual Group Inc.
Avomark Insurance Company	Liberty Mutual Holding Company Inc.
Barrier Ridge LLC	Liberty Mutual Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty Mutual Personal Insurance Company
Berkeley Management Corporation	Liberty Northwest Insurance Corporation
Bridgefield Casualty Insurance Company	Liberty Personal Insurance Company
Bridgefield Employers Insurance Company	Liberty RE (Bermuda) Limited
Capitol Court Corporation	Liberty Sponsored Insurance (Vermont) Inc.
Capitol Agency, Inc., The (Arizona corporation)	Liberty Surplus Insurance Corporation
Capitol Agency, Inc., The (Ohio corporation)	LIH U.S. P&C Corporation
Capitol Agency, Inc., The (Tennessee corporation)	LIH-RE of America Corporation
Cascade Disability Management, Inc.	LIU Specialty Insurance Agency Inc.
Colorado Casualty Insurance Company	LM General Insurance Company
Commercial Aviation Insurance, Inc.	LM Insurance Corporation
Companies Agency of New York, Inc.	LM Personal Insurance Company
Companies Agency of Pennsylvania, Inc.	LM Property & Casualty Insurance Company
Consolidated Insurance Company	LMHC Massachusetts Holdings Inc.
Copley Venture Capital, Inc.	LRE Properties, Inc.
Diversified Settlements, Inc.	Mid-American Agency, Inc.
Emerald City Insurance Agency, Inc.	Mid-American Fire & Casualty Company
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	OCASCO Budget, Inc.
F.B. Beattie & Company, Inc.	OCI Printing, Inc.
First National Insurance Company of America	Ohio Casualty Corporation
First State Agency Inc.	Ohio Casualty of New Jersey, Inc. (merged 9/30/2009)
Florida State Agency, Inc.	Ohio Security Insurance Company
General America Corporation	Open Seas Solutions, Inc.
General America Corporation of Texas	Oregon Automobile Insurance Company
General Insurance Company of America	Peerless Indemnity Insurance Company
Globe American Casualty Company (merged 12/30/2009)	Peerless Insurance Company
Golden Eagle Insurance Corporation	Pilot Insurance Services, Inc.
Gulf States AIF, Inc.	Rianoc Research Corporation
Hawkeye-Security Insurance Company	S.C. Bellevue, Inc.
Heritage-Summit HealthCare, Inc.	Safecare Company, Inc.
Indiana Insurance Company	Safeco Corporation
Insurance Company of Illinois	Safeco General Agency, Inc.
LEXCO Limited	Safeco Insurance Company of America
Liberty - USA Corporation	Safeco Insurance Company of Illinois
Liberty Assignment Corporation	Safeco Insurance Company of Indiana
Liberty Energy Canada, Inc.	Safeco Insurance Company of Oregon
Liberty Financial Services, Inc.	Safeco Lloyds Insurance Company
Liberty Hospitality Group, Inc.	Safeco National Insurance Company
Liberty Insurance Company of America (merged 9/17/2009)	Safeco Properties, Inc.
Liberty Insurance Corporation	Safeco Surplus Lines Insurance Company
SCIT, Inc.	San Diego Insurance Company
St. James Insurance Company Ltd.	The Ohio Casualty Insurance Company
State Agency, Inc. (Indiana corporation)	The Ohio Life Brokerage Services, Inc.
State Agency, Inc. (Wisconsin corporation)	Wausau Business Insurance Company
Summit Consulting, Inc.	Wausau General Insurance Company
Summit Consulting, Inc. of Louisiana	Wausau Service Corporation (dissolved 10/21/2009)
Summit Holding Southeast, Inc.	Wausau Underwriters Insurance Company
The First Liberty Insurance Corporation	West American Insurance Company
The Midwestern Indemnity Company	Winmar Company, Inc.
The National Corporation	Winmar of the Desert, Inc.
The Netherlands Insurance Company	Winmar Oregon, Inc.
	Winmar-Metro, Inc

\* This company joined the consolidated group in 2009 and its activity from the date it joined the group is included in the consolidated return.

## NOTES TO FINANCIAL STATEMENTS

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 Safeco Corporation (“Safeco”), a company incorporated in Washington. Safeco is wholly owned by LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is owned by Liberty Mutual Insurance Company (“LMIC” 93%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company (“LMFIC” 4%), a Wisconsin insurance company; and Employers Insurance Company of Wausau (“EICOW” 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- C. Refer to Notes 10F, 22 and 25.
- D. At December 31, 2009, the Company reported \$14,457,252 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 an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company is a party to a services agreement (the “Agreement”) with Peerless Insurance Company (“PIC”) and other affiliates. The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company is a party to an investment management agreement with LMIC, an investment management agreement with Liberty Mutual Investment Advisors (“LMIA”) and a cash management agreement with LMIA. Under these agreements, LMIA and LMIC provide services to the Company.

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

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

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company has no investments in SCA companies greater than 10% of its admitted assets.
- J. The Company did not recognize any impairment write down for its SCA companies during the statement period.
- K. The Company does not hold investments in foreign subsidiaries.
- L. Investments in downstream non-insurance holding companies

Refer to 10 I

### **Note 11- Debt**

- A. Not applicable
- B. The Company has not entered into Federal Home Loan Bank Agreements.

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

As a result of the acquisition of the Company’s parent, Safeco Corporation, by Liberty Mutual on September 22, 2008,, the Company’s eligible U.S. employees became employees of Liberty Mutual and began participating in non contributory defined benefit pension plans and contributory defined contribution pension plans sponsored by LMGI, effective January 1, 2009. The Safeco 401(k) plan assets merged into the Liberty Mutual Employees’ Thrift-Incentive plan in May of 2009.

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

# NOTES TO FINANCIAL STATEMENTS

The Safeco Corporation continues to sponsor a cash balance defined benefit pension plan (CBP) covering a wide range of former Company employees. Safeco Corporation terminated the CBP effective December 31, 2008 and will distribute plan assets to eligible participants as soon as administratively practicable. The distribution of assets is expected to occur within 2 to 3 years after the November 2008 filing of a request for approval of the plan termination with applicable regulators. The CBP pension costs are subject to the inter-company pooling agreement described in Note 25. These costs amounted to \$108,376 and \$45,904 in 2009 and 2008, respectively. Also, a CBP additional minimum liability of \$377,265 and \$742,628, also subject to the inter-company pooling agreement, was recognized in 2009 and 2008 respectively in accordance with SSAP 89 and is reported as a component of unassigned funds (surplus). The Company has no legal obligation for benefits under this plan.

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

- 1. Common Stock  
  
The Company has 1,000,000 common shares authorized, and 1,000,000 shares issued and outstanding as of December 31, 2009. All shares have a stated par value of \$5.  
  
The Company has 164,200 preferred shares authorized, but no shares issued and outstanding as of December 31, 2009. All shares have a stated par value of \$10.
- 2. Preferred Stock  
  
Not applicable
- 3. Dividend Restrictions  
  
Not applicable
- 4. The Company did not pay a dividend to its parent during 2009.
- 5. The maximum amount of dividends which can be paid by Indiana-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2010 is \$77,488,452.
- 6. As of December 31, 2009, the Company has pre-tax restricted surplus of \$1,515,138 resulting from retroactive reinsurance contracts.
- 7. The Company had no advances to surplus.
- 8. The Company did not hold stock for special purposes.
- 9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2009 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.
- 10. The portion of unassigned funds (surplus) represented by cumulative unrealized gain is \$656,422 after applicable deferred taxes of (\$353,458).
- 11. Surplus Notes  
  
Not applicable
- 12. Quasi re-organization (dollar impact)  
  
Not applicable
- 13. Quasi re-organization (effective date)  
  
Not applicable

**Note 14- Contingencies**

- A. Contingent Commitments  
  
The Company has made no commitments or contingent commitments to affiliates except as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.
- B. Assessments  
  
The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty funds assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.  
  
The Company has accrued a liability for guaranty funds and other assessments of \$6,060,002 that is offset by future premium tax credits of \$1,012,219. This represents management's best estimate based on information received from the

NOTES TO FINANCIAL STATEMENTS

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 2009.

During 2009 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

D. Claims related extra contractual obligations and bad faith losses stemming from lawsuits

The company paid the following amounts in the reporting period to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits.

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$242,500

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

( a ) 0-25 Claims	( b ) 26-50 Claims	( c ) 51-100 Claims	( d ) 101-500 Claims	( e ) More than 500 Claims
X				

Indicate whether claim count information is disclosed per claim or per claimant.

( f ) Per Claim [ x ]                      ( g ) Per Claimant [ ]

E. 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:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2010	\$431,114	\$3,764,857
2011	431,114	3,742,739
2012	431,114	3,296,903
2013	431,114	1,216,004
2014	35,926	1,032,656
2015 & thereafter	0	2,443,428
Total	\$1,760,382	\$15,496,587

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.

## NOTES TO FINANCIAL STATEMENTS

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

- A. The Company did not sell premium receivables.
- B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2009 the total fair value of securities on loan was \$11,119,965 with corresponding collateral value of \$11,537,233 of which \$9,586,430 represents cash collateral.

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Not applicable

- B. Administrative Services Contract (ASC) Plans

In 2008, the Company's affiliate, Safeco Insurance Company of America and other members of the Peerless Amended and Restated Reinsurance Pooling Agreement (refer to note 25) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2009, the Company recorded CEA administrative fees of \$79,040.

- 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- Other Items**

- A. The Company has no extraordinary items to report.
- B. Troubled Debt Restructuring for Debtors

Not applicable

- C. Other Disclosures

1) Assets in the amount of \$63,746,133 and \$64,221,088 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.

2) During the current year, certain members of the Peerless Pool, of which the Company is a member, changed the nature of their cash disbursement accounts, so that disbursement transactions reflect the characteristics of drafts. In prior years, cash disbursement transactions were accounted for as checks. The Company's cash accounts were not changed. The Company's year end drafts outstanding balance increased by \$22,630,145, which represents the Company's pool share of the Peerless Pool's increase in drafts outstanding. (Refer to Note 25)

- D. The Company routinely assesses the collectability 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.

NOTES TO FINANCIAL STATEMENTS

F. State Transferable Tax Credits

- (1) Carrying value of transferable state tax credits gross of any related tax liabilities and total unused transferable state tax credits by state and in total

<u>Description of State Transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Historical Rehabilitation Credit	CT	48,000	48,000
Total		48,000	48,000

- (2) Method of Estimating Utilization of Remaining Transferable State Tax Credits

The Company estimated the utilization of the remaining Transferable State Tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining Transferable State Tax Credits

- (3) Impairment Loss

The Company has not recognized any impairment losses associate with its Transferable State Tax Credits

G. Sub-Prime Lending

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company’s only exposure to subprime was inherited through past acquisitions of insurance companies.
2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.
3. The Company has direct exposure through their investment in residential mortgage-backed securities.

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other Then Temporary Impairments Recognized</u>
\$4,867,018	\$4,867,018	\$4,039,174	\$559,067

4. The Company does not have underwriting exposure to sub-prime mortgage risk.

**Note 21- Events Subsequent**

- A. The Company evaluated subsequent events through February 24, 2010, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2009 that would require disclosure.

**Note 22- Reinsurance**

- A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, 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 exceed 5% of the Company’s surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company’s surplus.
- C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company’s assumed and ceded reinsurance were canceled as of December 31, 2009.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>
Affiliates	349,686,193	48,956,067	238,602,721	33,404,381	111,083,472	15,551,686
All Other	-	-	-	-	-	-
Total	349,686,193	48,956,067	238,602,721	33,404,381	111,083,472	15,551,686

Direct Unearned Premium Reserve of 238,602,721

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



NOTES TO FINANCIAL STATEMENTS

Direct	\$0
Assumed	19,530,218
Ceded	0
Net	<u>19,530,218</u>

3. The Company does not use protected cells as an alternative to traditional reinsurance.
- D. The Company did not write off any uncollectible balances in 2009.
- E. The Company does not have any ceded commutations.
- F. The Company has one assumed retroactive contract that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	36,086,063	
	2. Adjustment – Prior Year(s)	(28,109,947)	
	3. Adjustment – Current Year	(1,130,912)	
	4. Total	6,845,203	
b.	Consideration Paid or Received:		
	1. Initial Reserves	39,194,901	
	2. Adjustment – Prior Year(s)	1,131,863	
	3. Adjustment – Current Year	-	
	4. Total	40,326,764	
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	-	
	2. Adjustment – Prior Year(s)	34,606,560	
	3. Adjustment – Current Year	2,033,231	
	4. Total	36,639,792	
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	1,996,302	
	2. Adjustment – Prior Year(s)	(6,207,993)	
	3. Adjustment – Current Year	(158,518)	
	4. Total	1,515,138	
	5. Cumulative Total Transferred to Unassigned Funds	(2,855,071)	
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company	6,845,203	

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. The Company has not entered into any deposit type agreements as of December 31, 2009.

**Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

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

a. Total accrued retro premium	\$1,410,721
b. Less: Non-admitted amount	169,665
c. Admitted amount	<u>\$1,241,056</u>

**Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses**

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased \$58,617,255 during 2009. This decrease was primarily the result of improving loss trends in the Other Liability \$21,727,351 Private Passenger Auto Liability \$11,852,364, Commercial Multit-Peril \$9,030,600, Workers' Compensation \$6,809,197, Fidelity/Surety \$4,399,013 and Commercial Auto Liability \$3,131,501 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

NOTES TO FINANCIAL STATEMENTS

Note 25- Intercompany Pooling Arrangements

The Company is a member of the PIC Amended and Restated Reinsurance Pooling Agreement consisting of the following affiliated companies:

		NAIC Company Number	2009 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%
	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Insurance Company of Illinois ("ICIL")	26700	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota Share	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%
Affiliated Companies	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%
	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

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

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

NOTES TO FINANCIAL STATEMENTS

- (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) Amounts due from affiliated entity participating in the Peerless inter-company pool as at December 31, 2009:

Affiliate:	Amount:
Peerless Insurance Company	19,542,035

During 2009, American Ambassador Insurance Company, Globe American Insurance Company and Ohio Casualty of New Jersey merged with Peerless Indemnity Insurance Company, The Midwestern Indemnity Company, and Ohio Casualty Insurance Company, respectively. Peerless Indemnity Insurance Company, The Midwestern Indemnity Company and Ohio Casualty Insurance Company were the surviving entities.

During 2009, ICIL merged with an affiliate, Liberty Insurance Company of America (LICA). ICIL became the surviving entity. Concurrent with the merger, ICIL entered into a Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company (LMIC), covering the business written by LICA. ICIL continued as a participant in the Peerless Amended and Restated Reinsurance Agreement. Effective January 1, 2010, ICIL terminated the Quota Share Reinsurance Agreement with LMIC and became a participant in the Liberty Mutual inter-company Pool, with a 0.00% participation in the Pool. As a participant in the Liberty Mutual inter-company Reinsurance Agreement, ICIL cedes the business of LICA to the Pool. Concurrent with entering into the Liberty Mutual inter-company Reinsurance Agreement, ICIL terminated its participation in the Peerless Amended and Restated Reinsurance Agreement and entered into a Quota Share Reinsurance Agreement with PIC, covering the business written by ICIL.

Effective January 1, 2010, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company canceled their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Reinsurance Agreements with Liberty Mutual Insurance Company.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2010, the Peerless Insurance Company Pool structure was revised as follows:

		NAIC Company Number	2010 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%
	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%

NOTES TO FINANCIAL STATEMENTS

100% Quota	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
Share	North Pacific Insurance Company ("NPIC")	23892	0.00%
Affiliated Companies	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

Note 26- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$8,896,387 after applying 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 \$8,896,387 as of December 31, 2009.
- B. Not applicable

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

As of December 31, 2009, the Company had no liabilities related to premium deficiency reserves.

Note 30- High Dollar Deductible Policies

The Company does not have any high deductible policies.

Note 31- 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 the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2009 liabilities subject to discount were carried at a value representing a discount of \$11,436,232, net of all reinsurance.

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

Note 32 - Asbestos/Environmental Reserves

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

In the last few years the Company, as well as the industry generally, has seen decreases in the number of asbestos claims being filed. This turn to a more favorable trend is due to a number of factors. Screening activity used by some lawyers to find new plaintiffs has been as a result of questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states have been favorable to defendants. More importantly, several states have enacted legislation in the past few years that contain medical criteria provisions aimed at reducing the number of lawsuits filed by unimpaired plaintiffs and providing prompt and fair compensation to those who meet the criteria.

NOTES TO FINANCIAL STATEMENTS

Uncertainty Regarding Reserving Methodologies

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

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

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

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 the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company’s Inter-company Reinsurance Agreement, as discussed in Note 25.

<b><u>Asbestos:</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>Direct Basis</b>					
Beginning Reserves	9,078,954	11,272,007	13,032,541	12,294,788	12,721,058
Incurred losses and LAE	3,103,052	2,681,680	711,828	1,874,564	162,463
Calendar year payments	909,999	921,146	1,297,578	1,448,294	981,912
Ending Reserves	11,272,007	13,032,541	12,446,791	12,721,058	11,901,609
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	8,215,513	8,297,229	8,184,666	10,108,424	8,652,739
Incurred losses and LAE	559,439	358,504	2,329,047	(343,472)	4,277,235
Calendar year payments	477,723	471,067	784,140	1,112,213	875,755
Ending Reserves	8,297,229	8,184,666	9,729,573	8,652,739	12,054,219
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	14,111,514	16,114,871	17,139,759	18,153,119	17,414,431
Incurred losses and LAE	3,325,423	2,289,416	2,514,609	915,209	4,829,268
Calendar year payments	1,322,066	1,264,528	1,733,207	1,653,897	1,738,413
Ending Reserves	16,114,871	17,139,759	17,921,161	17,414,431	20,505,286
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					6,746,580
Assumed Reinsurance Basis					6,784,498
Net of Ceded Reinsurance Basis					12,481,473
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					4,065,130
Assumed Reinsurance Basis					22,104
Net of Ceded Reinsurance Basis					3,427,926
<b><u>Environmental:</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>Direct Basis</b>					
Beginning Reserves	13,659,801	15,254,960	14,862,474	14,130,950	12,072,361
Incurred losses and LAE	3,340,223	1,403,398	3,910,269	311,135	(524,032)

NOTES TO FINANCIAL STATEMENTS

Calendar year payments	1,745,064	1,795,884	2,825,745	2,369,724	1,264,681
Ending Reserves	15,254,960	14,862,474	15,946,998	12,072,361	10,283,648
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	4,233,580	3,092,296	2,791,461	2,713,157	2,608,892
Incurred losses and LAE	(944,482)	61,513	40,773	153	(664,904)
Calendar year payments	196,802	362,348	71,182	104,418	66,045
Ending Reserves	3,092,296	2,791,461	2,761,052	2,608,892	1,877,943
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	16,899,585	16,696,617	15,546,703	15,545,914	13,258,521
Incurred losses and LAE	1,443,572	833,053	4,314,365	(273,737)	(1,401,074)
Calendar year payments	1,646,540	1,982,967	2,397,770	2,013,656	1,250,907
Ending Reserves	16,696,617	15,546,703	17,463,298	13,258,521	10,606,540
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					6,839,240
Assumed Reinsurance Basis					1,182,813
Net of Ceded Reinsurance Basis					6,999,595
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					3,493,334
Assumed Reinsurance Basis					8,458
Net of Ceded Reinsurance Basis					3,403,809

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 25), the Ohio Casualty Companies’ asbestos and environmental claims coding was revised to reflect the definition employed by the Peerless “Pool”, which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool’s amounts and the Ohio Casualty Companies’ Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop Insurance**

Not applicable

**Note 35 – Financial Guarantee Insurance Contracts**

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3 State Regulating?

Indiana

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐

2.2 If yes, date of change:

01/01/2009

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

12/31/2005

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.

12/31/2005

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).

06/18/2007

3.4 By what department or departments?  
Indiana Department of Insurance

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes ☒ No ☐ N/A ☐

3.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

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

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒

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

Yes ☐ No ☒

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
	00000	
	00000	
	00000	

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 ☒

GENERAL INTERROGATORIES

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. \_\_\_\_\_

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1	2
Nationality	Type of Entity
.....	.....
.....	.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

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

.....

.....

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

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

Ernst & Young, LLP

200 Clarendon Street

Boston, MA 02116

.....

.....

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

William M Finn, FCAS, MAAA

62 Maple Avenue Keene, NH 03431

Vice President & Chief Actuary of Liberty Mutual Agency Markets

.....

.....

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

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

11.2 If yes, provide explanation:

.....

.....

.....



GENERAL INTERROGATORIES

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

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

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes ☐ No ☒

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

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes ☐ No ☐ N/A ☒

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes ☒ No ☐

13.11 If the response to 13.1 is no, please explain:

13.2 Has the code of ethics for senior managers been amended? Yes ☒ No ☐

13.21 If the response to 13.2 is yes, provide information related to amendment(s).  
Safeco companies changed from Safeco Code of Conduct to Liberty Mutual Group Code of Conduct as of 1/1/2009

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes ☐ No ☒

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. 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 ☐

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes ☒ No ☐

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes ☒ No ☐

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ☐ No ☒

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):		
18.11 To directors or other officers	\$	0
18.12 To stockholders not officers	\$	0
18.13 Trustees, supreme or grand (Fraternal only)	\$	0

GENERAL INTERROGATORIES

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

18.21 To directors or other officers

18.22 To stockholders not officers

18.23 Trustees, supreme or grand (Fraternal only)

\$

0

\$

0

\$

0

19.1 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 ☒

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

19.21 Rented from others

19.22 Borrowed from others

19.23 Leased from others

19.24 Other

\$

0

\$

0

\$

0

\$

0

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

Yes ☐ No ☒

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

20.22 Amount paid as expenses

20.23 Other amounts paid

\$

0

\$

0

\$

0

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

Yes ☒ No ☐

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

\$

0

INVESTMENT

22.1 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? (other than securities lending programs addressed in 22.3)

Yes ☒ No ☐

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)  
Please reference note 17B.

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes ☒ No ☐ N/A ☐

22.5 If answer to 22.4 is yes, report amount of collateral.

\$

11,537,233

22.6 If answer to 22.4 is no, report amount of collateral.

\$

0

23.1 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 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 19.1 and 22.3.)

Yes ☒ No ☐

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

23.21 Subject to repurchase agreements

23.22 Subject to reverse repurchase agreements

23.23 Subject to dollar repurchase agreements

23.24 Subject to reverse dollar repurchase agreements

23.25 Pledged as collateral

23.26 Placed under option agreements

23.27 Letter stock or securities restricted as to sale

23.28 On deposit with state or other regulatory body

23.29 Other

\$

0

\$

0

\$

0

\$

0

\$

0

\$

0

\$

63,746,133

\$

0

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

24.2 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.

25.1 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]

25.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

26. Excluding items in Schedule E-Part 3-Special Deposits, 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 Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

26.01 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

26.02 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)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [X] No [ ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
The Bank of New York Mellon	JP Morgan Chase	01/02/2009	Transfer to Liberty Mutual Custodian

26.05 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/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(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Insurance Company	175 Berkeley Street, Boston, MA 02116

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

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
		0
		0
		0
27.2999 TOTAL		0

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
		0	
		0	
		0	

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

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	1,683,727,844	1,706,824,440	23,096,596
28.2 Preferred stocks	25,707,300	25,707,300	0
28.3 Totals	1,709,435,144	1,732,531,740	23,096,596

28.4 Describe the sources or methods utilized in determining the fair values:  
The primary source is published unit prices from the NAIC Securities Valuation Office. The secondary source is the pricing vendor, Interactive Data Corporation, followed by backfill from Bloomberg. Lastly, management determines fair value based on quoted market prices of similar financial instruments or by using industry recognized valuation techniques.

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ ] No [X]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [X]

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

The Company reviews the pricing methodology of its vendors on an annual basis. The Company has also established acceptable price change and tolerance guidelines. Vendor prices falling outside the guidelines are furthered reviewed by management on a monthly basis. All prices determined internally by the insurer are reviewed and signed off by the Chief Investment Officer.

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

30.2 If no, list exceptions:

OTHER

31.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 0

GENERAL INTERROGATORIES

31.2 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

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

32.2 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

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

33.2 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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

\$ 0

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

\$ 0

1.31 Reason for excluding

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

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

0

2. Health Test:

1

2

Current Year

Prior Year

2.1 Premium Numerator

\$ 539,585

\$ 0

2.2 Premium Denominator

\$ 796,216,268

\$ 1,050,646,083

2.3 Premium Ratio (2.1/2.2)

0.00

0.00

2.4 Reserve Numerator

\$ 590,883

\$ 2,856,531

2.5 Reserve Denominator

\$ 1,280,258,656

\$ 958,910,823

2.6 Reserve Ratio (2.4/2.5)

0.00

0.00

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

Yes [ ] No [X]

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

3.21 Participating policies

\$ 0

3.22 Non-participating policies

\$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies?

Yes [ ] No [X]

4.2 Does the reporting entity issue non-assessable policies?

Yes [ ] No [X]

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

0

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

\$ 0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents?

Yes [ ] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation

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

5.22 As a direct expense of the exchange

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

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

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

Yes [ ] No [X]

5.5 If yes, give full information

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 loss:

See Note 20C

16

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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 Probable Maximum Loss. For property exposures, we employ RiskLink v9.0 from RMS and AIR Clasic/2 v11.0. For WC, Liberty Mutual utilizes RiskLink v9.0 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?  
See Note 20C

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 unreinsured 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 5% 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 5% 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) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, 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), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% 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 5% of prior year-end surplus as regards policyholders; 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 in a separate reinsurance contract.

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 32 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.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or  
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or  
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

Yes ☐ No ☒

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

\$ 3,827,465

12.12 Unpaid underwriting expenses (including loss adjustment expenses)

\$ 425,244

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

\$ 1,181,331

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

Yes ☒ No ☐ N/A ☐

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

12.41 From

0.00

12.42 To

9.00

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 or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?

Yes ☒ No ☐

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

12.61 Letters of Credit

\$ 2,876,321

12.62 Collateral and other funds

\$ 27,352,054

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

\$ 32,686,684

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes ☐ No ☒

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

1

14.1 Is the company a cedant in a multiple cedant reinsurance contract?

Yes ☐ No ☒

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?

Yes ☐ No ☒

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

Yes ☒ No ☐

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

15.1 Has the reporting entity guaranteed any financed premium accounts?

Yes ☐ No ☒

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business?

Yes ☐ No ☒

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

	1	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.12 Products	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.13 Automobile	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.14 Other*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

\* Disclose type of coverage:



GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1

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

Yes [ ☐ ] No [ ☒ ]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not 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

\$ 0

17.12

Unfunded portion of Interrogatory 17.11

\$ 0

17.13

Paid losses and loss adjustment expenses portion of Interrogatory 17.11

\$ 0

17.14

Case reserves portion of Interrogatory 17.11

\$ 0

17.15

Incurred but not reported portion of Interrogatory 17.11

\$ 0

17.16

Unearned premium portion of Interrogatory 17.11

\$ 0

17.17

Contingent commission portion of Interrogatory 17.11

\$ 0

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

\$ 0

17.19

Unfunded portion of Interrogatory 17.18

\$ 0

17.20

Paid losses and loss adjustment expenses portion of Interrogatory 17.18

\$ 0

17.21

Case reserves portion of Interrogatory 17.18

\$ 0

17.22

Incurred but not reported portion of Interrogatory 17.18

\$ 0

17.23

Unearned premium portion of Interrogatory 17.18

\$ 0

17.24

Contingent commission portion of Interrogatory 17.18

\$ 0

18.1

Do you act as a custodian for health savings accounts?

Yes [ ☐ ] No [ ☒ ]

18.2

If yes, please provide the amount of custodial funds held as of the reporting date.

\$ 0

18.3

Do you act as an administrator for health savings accounts?

Yes [ ☐ ] No [ ☒ ]

18.4

If yes, please provide the balance of the funds adminstered as of the reporting date.

\$ 0

16.3

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2009	2008	2007	2006	2005
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	604,643,668	756,676,815	832,259,627	815,185,171	827,945,450
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	193,603,867	330,958,933	349,341,464	359,814,525	388,947,776
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	408,633,627	424,824,951	466,939,978	474,352,487	510,924,888
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	51,221,782	95,486,611	84,142,839	70,999,275	63,188,639
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	8	23,864	1,785	1,039	25,792
6. Total (Line 35)	1,258,102,952	1,607,971,174	1,732,685,693	1,720,352,497	1,791,032,545
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	357,730,525	422,887,814	459,247,735	461,534,722	474,929,504
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	130,939,788	256,569,758	266,762,327	274,896,165	300,756,865
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	238,125,747	249,642,578	274,547,409	267,905,878	275,776,156
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	42,311,326	85,678,821	74,109,816	62,284,280	53,190,026
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	8	2,028	210	266	2,720
12. Total (Line 35)	769,107,394	1,014,780,999	1,074,667,497	1,066,621,311	1,104,655,271
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	33,421,953	27,986,377	69,007,394	123,535,997	100,808,121
14. Net investment gain (loss) (Line 11)	70,627,731	78,270,986	98,315,996	82,520,014	85,152,624
15. Total other income (Line 15)	(1,386,719)	1,707,098	3,373,301	(47,220)	1,638,507
16. Dividends to policyholders (Line 17)	3,406,699	1,262,647	901,469	1,261,600	541,424
17. Federal and foreign income taxes incurred (Line 19)	11,065,288	10,781,041	24,917,593	39,896,913	23,371,152
18. Net income (Line 20)	88,190,978	95,920,773	144,877,629	164,850,278	163,686,676
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	2,071,916,038	2,077,124,323	2,069,992,619	2,337,821,031	2,339,955,871
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	30,110,678	94,554,501	129,452,322	116,919,338	99,566,693
20.2 Deferred and not yet due (Line 13.2)	213,800,567	159,005,678	140,444,602	156,186,861	181,902,683
20.3 Accrued retrospective premiums (Line 13.3)	1,241,056	443,682	387,092	458,512	455,701
21. Total liabilities excluding protected cell business (Page 3, Line 24)	1,430,155,246	1,535,875,738	1,557,928,351	1,567,111,446	1,567,181,129
22. Losses (Page 3, Line 1 )	714,422,661	736,682,283	725,883,465	716,986,015	748,744,702
23. Loss adjustment expenses (Page 3, Line 3)	170,091,462	171,729,286	172,824,567	183,061,555	184,136,732
24. Unearned premiums (Page 3, Line 9)	349,686,193	383,835,113	419,458,971	406,994,912	409,426,865
25. Capital paid up (Page 3, Lines 28 & 29)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	641,760,792	541,248,585	512,064,268	770,709,585	772,774,742
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	(20,631,798)	100,698,885	135,153,701	207,178,441	122,627,686
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	641,760,792	541,248,585	512,064,268	770,709,585	772,774,742
29. Authorized control level risk-based capital	72,082,419	89,719,169	96,629,983	94,713,491	93,804,492
<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					
30. Bonds (Line 1)	92.3	85.6	84.7	85.0	87.9
31. Stocks (Lines 2.1 & 2.2)	1.7	2.9	14.0	14.8	11.4
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					0.4
34. Cash, cash equivalents and short-term investments (Line 5)	5.9	11.2	1.0	(0.1)	0.0
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	0.1	0.3	0.3	0.3	0.3
37. Receivables for securities (Line 8)		0.0	0.0	0.0	0.0
38. Aggregate write-ins for invested assets (Line 9)					
39. 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>					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated	1,008,000	3,091,034	2,970,000	2,856,000	2,740,000
46. Total of above Lines 40 to 45	1,008,000	3,091,034	2,970,000	2,856,000	2,740,000
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	0.2	0.6	0.6	0.4	0.4

FIVE – YEAR HISTORICAL DATA  
(Continued)

	1	2	3	4	5
	2009	2008	2007	2006	2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	8,168,734	(48,105,267)	(8,672,228)	20,724,062	(6,171,817)
49. Dividends to stockholders (Line 35)			(370,000,000)	(160,000,000)	(180,000,000)
50. Change in surplus as regards policyholders for the year (Line 38)	100,512,208	29,184,316	(258,645,317)	(2,065,157)	(28,724,067)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	396,687,600	411,035,813	451,582,349	408,403,953	412,584,998
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	127,726,859	185,375,561	186,054,011	188,544,292	196,822,069
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	210,860,583	257,160,840	219,661,566	221,353,038	218,049,052
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	66,229,043	6,870,858	3,405,316	8,045,576	16,702,107
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	224,167,631	26,188,468	16,898,793	8,103,817	12,774,534
56. Total (Line 35)	1,025,671,716	886,631,540	877,602,035	834,450,676	856,932,760
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	188,535,402	242,649,930	277,946,310	253,214,547	250,319,622
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	90,306,055	145,919,324	147,952,017	154,884,554	158,021,921
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	117,945,574	166,239,669	127,590,540	121,686,892	119,615,674
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	5,796,099	4,335,790	(595,158)	4,948,196	13,020,210
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	23,478,664	4,014,223	2,637,538	(95,786)	2,012,228
62. Total (Line 35)	426,061,794	563,158,936	555,531,247	534,638,403	542,989,655
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	50.7	55.5	53.1	47.1	49.7
65. Loss expenses incurred (Line 3)	11.9	11.5	9.7	11.4	12.7
66. Other underwriting expenses incurred (Line 4)	33.2	30.3	30.7	30.0	28.6
67. Net underwriting gain (loss) (Line 8)	4.2	2.7	6.5	11.6	9.1
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	34.6	31.2	30.0	30.0	28.4
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	62.6	67.0	62.9	58.5	62.3
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	119.8	187.5	209.9	138.4	142.9
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(58,619)	(29,593)	(27,915)	(26,502)	(19,415)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(10.8)	(5.8)	(3.6)	(3.4)	(2.4)
Two Year Loss Development (000 omitted)					
73. 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)	(84,470)	(42,464)	(58,544)	(24,282)	(24,684)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(16.5)	(5.5)	(7.6)	(3.0)	(3.9)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ X ]

If no, please explain:  
Not applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1  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)	Number of Claims Reported - Direct and Assumed
				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	8,830	3,338	2,761	230	808	42	318	8,789	X X X
2. 2000	651,758	39,823	611,935	447,332	28,203	30,481	2,013	48,965	1,435	23,683	495,127	X X X
3. 2001	655,209	39,562	615,647	417,334	28,234	30,215	1,569	50,455	1,555	22,503	466,646	X X X
4. 2002	718,313	68,116	650,197	392,050	37,542	28,529	2,609	49,629	2,389	22,394	427,668	X X X
5. 2003	787,339	63,178	724,161	382,108	31,735	26,076	1,865	55,826	2,535	22,472	427,875	X X X
6. 2004	855,771	44,914	810,857	391,338	15,115	23,712	840	55,695	1,131	28,282	453,659	X X X
7. 2005	901,777	34,349	867,428	395,766	15,051	24,272	871	57,873	822	26,028	461,167	X X X
8. 2006	909,148	37,825	871,323	382,583	8,138	20,778	1,030	57,362	1,212	22,132	450,343	X X X
9. 2007	918,342	42,218	876,124	365,569	7,590	16,239	886	55,910	731	21,255	428,511	X X X
10. 2008	906,910	32,075	874,835	370,781	10,289	11,092	446	60,520	524	18,271	431,134	X X X
11. 2009	846,839	50,622	796,217	219,825	15,276	3,677	693	43,142	247	9,680	250,428	X X X
12. Totals	X X X	X X X	X X X	3,773,516	200,511	217,832	13,052	536,185	12,623	217,018	4,301,347	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	79,985	23,029	45,615	5,459	3,533	335	11,565	1,151	7,414	217	1,550	117,921	X X X
2. 2000	10,518	3,041	4,395	1,063	105	55	1,564	177	928	71	157	13,103	X X X
3. 2001	10,952	2,988	5,074	1,046	216	46	1,815	131	1,194	61	396	14,979	X X X
4. 2002	11,481	2,079	5,621	1,014	236	9	2,155	137	1,042	22	289	17,274	X X X
5. 2003	9,276	1,259	7,395	1,087	286	3	2,707	131	1,168	6	662	18,346	X X X
6. 2004	12,658	2,243	9,268	1,273	365	2	3,369	162	1,497	2	1,608	23,475	X X X
7. 2005	20,313	1,681	13,232	1,777	676	2	5,000	261	2,509	2	1,047	38,007	X X X
8. 2006	35,275	2,604	19,394	2,583	1,163	3	8,196	384	3,917	3	2,837	62,368	X X X
9. 2007	60,479	2,529	30,582	3,612	1,872	5	14,111	572	6,369	4	2,732	106,691	X X X
10. 2008	85,660	2,100	64,050	8,316	2,254	9	22,396	1,098	10,884	8	6,454	173,713	X X X
11. 2009	123,494	5,067	128,577	3,022	1,562	19	27,617	337	25,831	2	18,877	298,634	X X X
12. Totals	460,091	48,620	333,203	30,252	12,268	488	100,495	4,541	62,753	398	36,609	884,511	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	97,112	20,809
2. 2000	544,288	36,058	508,230	83.511	90.546	83.053			7.600	10,809	2,294
3. 2001	517,255	35,630	481,625	78.945	90.061	78.231			7.600	11,992	2,987
4. 2002	490,743	45,801	444,942	68.319	67.240	68.432			7.600	14,009	3,265
5. 2003	484,842	38,621	446,221	61.580	61.130	61.619			7.600	14,325	4,021
6. 2004	497,902	20,768	477,134	58.182	46.239	58.843			7.600	18,410	5,065
7. 2005	519,641	20,467	499,174	57.624	59.585	57.546			7.600	30,087	7,920
8. 2006	528,668	15,957	512,711	58.150	42.186	58.843			7.600	49,482	12,886
9. 2007	551,131	15,929	535,202	60.014	37.730	61.087			7.600	84,920	21,771
10. 2008	627,637	22,790	604,847	69.206	71.052	69.138			7.600	139,294	34,419
11. 2009	573,725	24,663	549,062	67.749	48.720	68.959			7.600	243,982	54,652
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	714,422	170,089

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
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	One Year	Two Year
1. Prior	360,351	375,383	387,369	404,299	408,404	420,976	427,682	432,214	432,499	446,781	14,282	14,567
2. 2000	432,002	447,878	452,570	460,340	459,807	460,864	460,364	460,751	458,596	460,579	1,983	(172)
3. 2001	X X X	429,036	426,930	429,813	431,594	432,411	430,045	432,111	429,251	432,274	3,023	163
4. 2002	X X X	X X X	415,712	412,875	409,029	400,456	399,789	396,852	395,150	397,293	2,143	441
5. 2003	X X X	X X X	X X X	414,648	406,124	396,060	394,331	396,496	393,442	392,326	(1,116)	(4,170)
6. 2004	X X X	X X X	X X X	X X X	471,598	456,974	450,146	430,776	426,646	421,735	(4,911)	(9,041)
7. 2005	X X X	X X X	X X X	X X X	X X X	494,449	476,201	450,799	445,542	440,205	(5,337)	(10,594)
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	492,877	478,428	463,430	453,365	(10,065)	(25,063)
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	524,928	506,501	474,327	(32,174)	(50,601)
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	561,106	534,659	(26,447)	X X X
11. 2009	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	480,763	X X X	X X X
12. Totals											(58,619)	(84,470)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
1. Prior	000	108,048	181,110	226,524	255,498	277,130	295,243	309,231	322,927	330,950	X X X	X X X
2. 2000	221,954	324,020	372,340	404,317	422,622	433,895	439,434	443,218	445,549	447,596	X X X	X X X
3. 2001	X X X	212,700	307,173	351,012	379,342	395,236	404,705	410,330	415,008	417,747	X X X	X X X
4. 2002	X X X	X X X	185,935	274,740	317,595	347,438	362,739	371,802	377,363	380,429	X X X	X X X
5. 2003	X X X	X X X	X X X	189,244	274,348	316,358	343,338	361,535	369,635	374,585	X X X	X X X
6. 2004	X X X	X X X	X X X	X X X	197,370	298,005	345,879	374,266	390,835	399,094	X X X	X X X
7. 2005	X X X	X X X	X X X	X X X	X X X	204,069	304,331	353,100	384,373	404,116	X X X	X X X
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	207,946	312,047	357,839	394,193	X X X	X X X
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	215,107	323,154	373,333	X X X	X X X
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	247,735	371,137	X X X	X X X
11. 2009	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	207,533	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
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Prior	141,361	103,771	84,785	80,202	63,248	57,858	52,531	46,965	51,072	55,677
2. 2000	89,009	43,326	26,339	19,320	13,919	10,959	10,107	7,724	5,206	5,455
3. 2001	X X X	101,659	48,607	27,668	20,412	14,230	12,439	8,206	7,300	6,394
4. 2002	X X X	X X X	129,957	66,270	38,389	22,667	16,291	10,666	8,055	7,235
5. 2003	X X X	X X X	X X X	120,620	60,199	34,865	24,436	17,884	13,533	9,440
6. 2004	X X X	X X X	X X X	X X X	153,687	76,796	51,097	28,997	20,828	11,864
7. 2005	X X X	X X X	X X X	X X X	X X X	170,394	85,829	46,153	28,463	16,783
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	153,738	81,530	49,525	25,341
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	165,015	85,359	41,177
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	174,373	77,717
11. 2009	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	153,260

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

			1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
			Active Status			Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
				2	3						
States, Etc.				Direct Premiums Written	Direct Premiums Earned						
1.	Alabama	AL	L	6,700,422	7,276,123		4,658,938	333,118	10,476,893	84,917	
2.	Alaska	AK	L	483,423	655,472		142,949	192,516	251,232	6,127	
3.	Arizona	AZ	L	3,443,062	4,220,504		1,837,483	1,500,764	5,875,310	43,635	
4.	Arkansas	AR	L	2,294,627	2,823,973		1,392,071	(583,929)	3,461,029	29,081	
5.	California	CA	L	68,546,575	78,805,427		33,495,551	12,927,882	93,752,933	868,716	
6.	Colorado	CO	L	8,731,613	10,200,144		4,295,244	2,372,219	11,852,575	110,659	
7.	Connecticut	CT	L	7,790,384	9,050,960		3,359,826	(833,017)	14,548,815	98,730	
8.	Delaware	DE	L	7,673	57,797		40,487	12,158	12,182	97	
9.	District of Columbia	DC	L	372,824	397,279		94,128	(117,809)	346,505	4,725	
10.	Florida	FL	L	46,497,327	54,717,864		19,246,317	10,771,985	38,337,049	589,278	
11.	Georgia	GA	L	8,665,971	11,333,095		6,678,925	3,506,215	13,129,661	109,827	
12.	Hawaii	HI	L	31,890	8,668			633	697	404	
13.	Idaho	ID	L	9,563,734	9,758,468		11,290,160	1,961,570	11,428,624	121,205	
14.	Illinois	IL	L	18,114,779	19,581,805		12,377,857	(11,285,471)	32,777,479	229,575	
15.	Indiana	IN	L	5,070,460	14,756,522		4,799,639	(8,305,372)	15,961,546	64,260	
16.	Iowa	IA	L	1,184,004	1,261,167		340,525	(686,778)	1,991,885	15,005	
17.	Kansas	KS	L	3,415,276	3,715,564		2,075,177	(1,715,355)	8,940,546	43,283	
18.	Kentucky	KY	L	3,134,032	3,275,093		2,512,273	(648,282)	8,823,636	39,719	
19.	Louisiana	LA	L	8,824,053	9,771,689		3,505,019	5,463,158	11,455,933	111,831	
20.	Maine	ME	L	83,378	88,321		87,014	31,135	22,539	1,057	
21.	Maryland	MD	L	2,557,344	3,232,412		1,667,526	642,191	3,522,658	32,410	
22.	Massachusetts	MA	L	2,006,050	2,318,812		667,907	589,044	3,168,227	25,423	
23.	Michigan	MI	L	7,363,159	9,423,482		10,492,023	(3,282,550)	41,654,259	93,316	
24.	Minnesota	MN	L	5,687,722	5,831,014		2,263,130	1,079,282	28,637,028	72,083	
25.	Mississippi	MS	L	4,922,399	4,732,621		1,762,765	1,665,954	13,743,325	62,383	
26.	Missouri	MO	L	9,411,320	10,730,707		10,744,097	(5,167,657)	17,002,079	119,273	
27.	Montana	MT	L	13,407,706	13,903,664		5,220,061	5,151,615	10,356,276	169,921	
28.	Nebraska	NE	L	1,020,295	1,067,691		464,081	(358,878)	772,143	12,931	
29.	Nevada	NV	L	3,503,396	3,970,902		989,506	301,362	3,995,781	44,400	
30.	New Hampshire	NH	L	965,619	1,089,381		699,724	4,712,096	8,331,529	12,238	
31.	New Jersey	NJ	L	9,427,931	11,928,972		5,686,797	7,074,516	17,597,863	119,484	
32.	New Mexico	NM	L	2,946,782	3,512,314		1,459,587	654,429	4,489,233	37,346	
33.	New York	NY	L	27,819,002	32,031,298		15,379,576	23,024,683	65,583,774	352,561	
34.	North Carolina	NC	L	1,966,830	2,564,962		2,759,450	1,010,985	3,343,416	24,926	
35.	North Dakota	ND	L	1,020,311	1,058,681		535,200	383,766	441,724	12,931	
36.	Ohio	OH	L	3,899,279	4,607,766		2,587,960	(1,897,247)	12,568,636	49,417	
37.	Oklahoma	OK	L	4,727,406	5,209,174		2,237,810	2,284,523	9,302,352	59,912	
38.	Oregon	OR	L	31,759,619	33,083,720		15,428,249	677,340	37,689,436	402,502	
39.	Pennsylvania	PA	L	7,522,349	7,703,369		5,077,048	2,363,890	17,855,057	95,334	
40.	Rhode Island	RI	L	205,867	287,509		180,271	252,327	1,042,022	2,609	
41.	South Carolina	SC	L	3,610,852	4,019,921		1,274,430	(443,487)	4,918,690	45,762	
42.	South Dakota	SD	L	1,709,615	1,799,982		1,006,102	694,633	9,154,839	21,667	
43.	Tennessee	TN	L	5,088,181	5,413,439		2,520,542	(638,082)	10,425,007	64,484	
44.	Texas	TX	L	51,339,892	53,138,482		54,893,605	21,580,480	15,019,723	650,650	
45.	Utah	UT	L	5,335,581	6,195,627		2,600,126	1,633,990	5,670,774	67,620	
46.	Vermont	VT	L	309,577	345,294		70,496	(122,174)	288,708	3,923	
47.	Virginia	VA	L	2,748,336	3,589,726		1,318,063	732,607	4,762,331	34,831	
48.	Washington	WA	L	66,398,598	68,678,965		27,191,589	49,534,973	126,992,785	841,494	
49.	West Virginia	WV	L	1,727,254	1,941,146		1,827,630	2,466,790	3,352,977	21,890	
50.	Wisconsin	WI	L	1,048,675	1,159,536		546,772	(663,492)	3,203,172	13,290	
51.	Wyoming	WY	L	6,128,285	6,059,980		3,581,393	2,645,822	4,306,834	77,666	
52.	American Samoa	AS	N								
53.	Guam	GU	N								
54.	Puerto Rico	PR	N								
55.	U.S. Virgin Islands	VI	N	1,101	1,101		8,885	8,885		14	
56.	Northern Mariana Islands	MP	N								
57.	Canada	CN	N		75,657						
58.	Aggregate Other Alien	OT	X X X								
59.	Totals	(a) 51		490,541,840	552,463,242		295,371,984	133,489,956	772,639,727	6,216,822	

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

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

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

\*State of employee's main work place - 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, Warranty

\*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

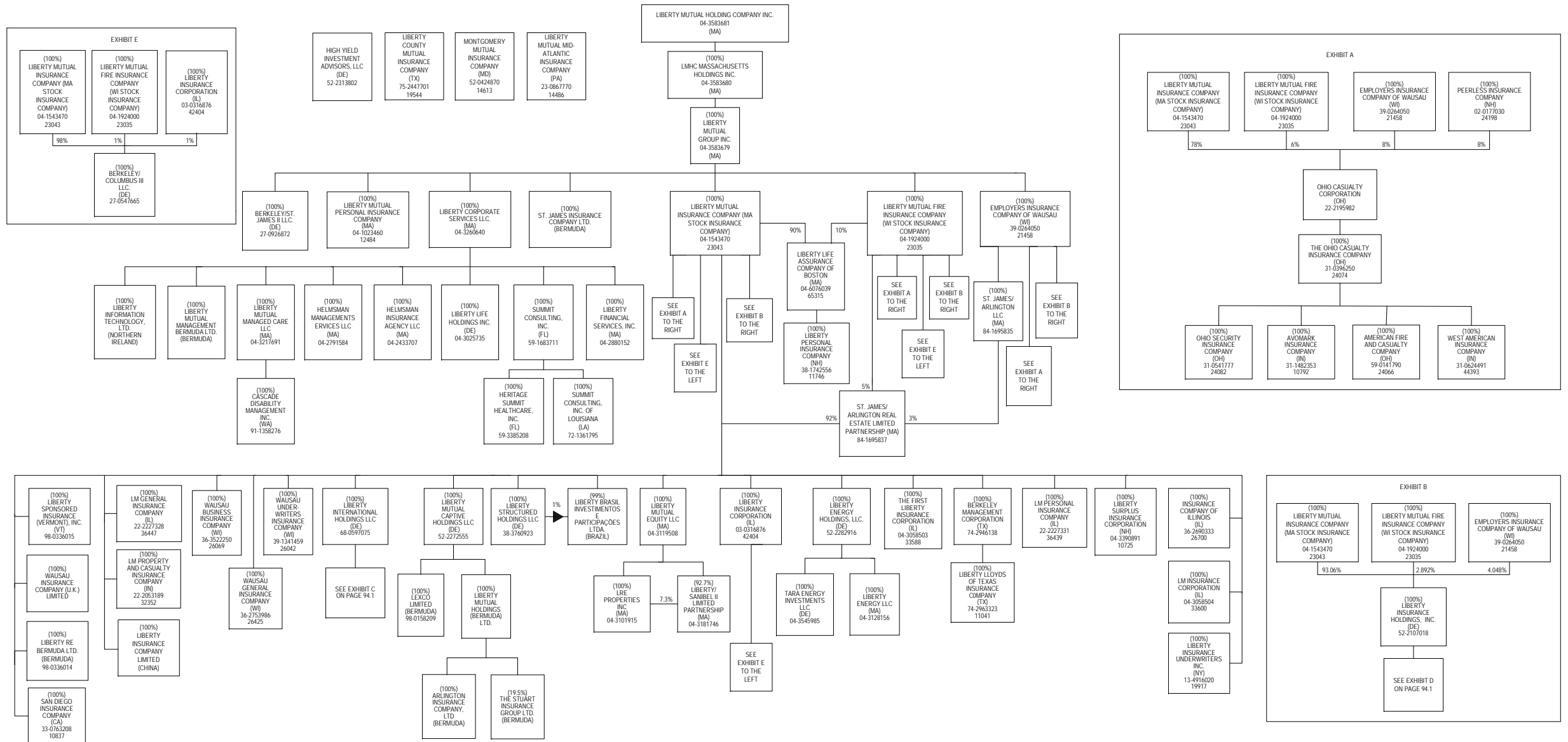
\*Location of Properties covered - Burglary and Theft

\*Principal Location of Assured - Ocean Marine, Credit

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

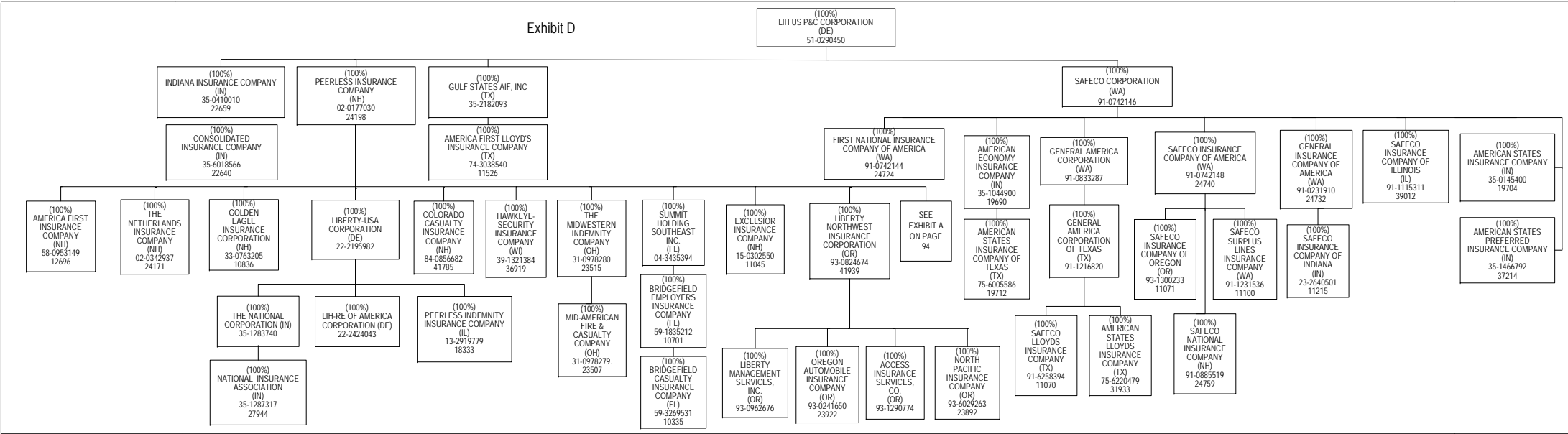
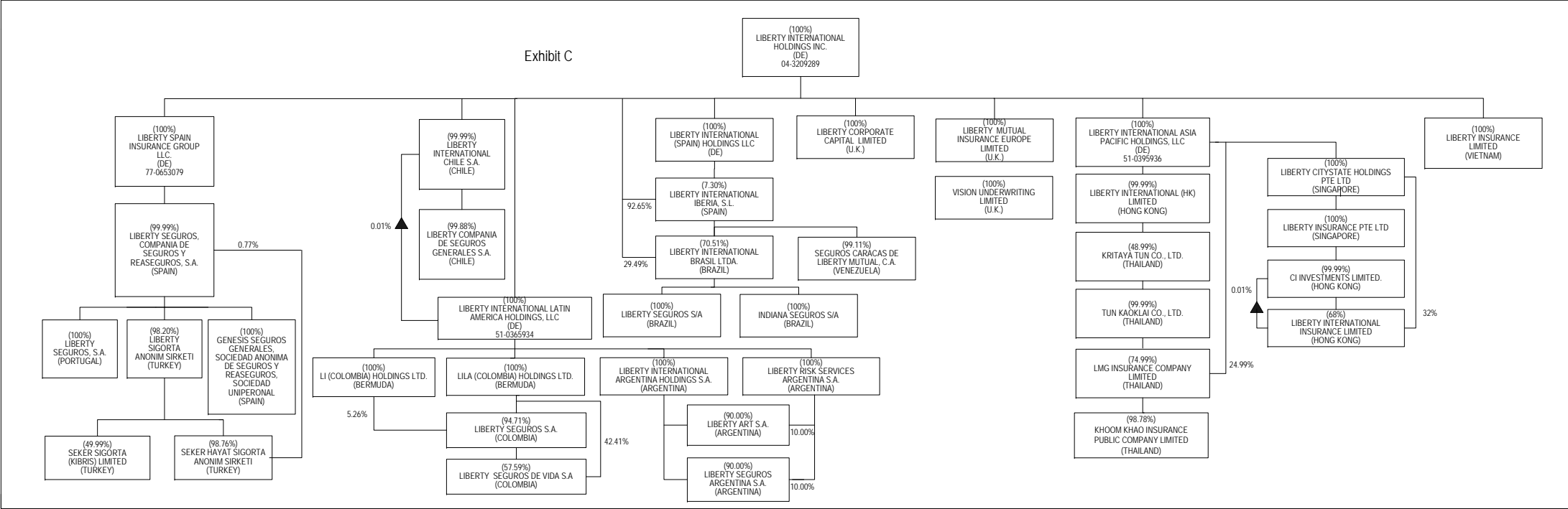
**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

## PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART





OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES	Current Year	Prior Year
2304. Amounts held under uninsured plans	5,510,223	
2305. Accrued return retrospective premiums	942,848	
2306. Private Passenger Auto Escrow	124,217	
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	6,577,288	

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