ANNUAL STATEMENT

OF THE

AMERICAN STATES PREFERRED INSURANCE COMPANY

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

37214200920100100

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

American States Preferred Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 37214 **Employer's ID Number** 35-1466792

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

Country of Domicile United States of America

Incorporated/Organized: July 26, 1979 **Commenced Business:** September 26, 1979

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)	(Signature)	(Signature)
Gary Richard Gregg #	Dexter Robert Legg	Michael Joseph Fallon
(Printed Name) 1.	(Printed Name) 2.	(Printed Name) 3.
President and Chief Executive Officer	Secretary	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 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	163,386,530		163,386,530	156,415,278
2. Stocks (Schedule D):				
2.1 Preferred stocks				2,430,000
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)				
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 1,189,446, Schedule E - Part 1), cash equivalents ($ 290,129, Schedule E - Part 2), and short-term investments ($ 5,274,644, Schedule DA)	6,754,219		6,754,219	7,398,757
6. Contract loans (including $ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				11,572
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	170,140,749		170,140,749	166,255,607
11. Title plants less $ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	2,044,528		2,044,528	2,358,968
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	3,672,572	503,027	3,169,545	9,953,105
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (567,444) earned but unbilled premiums)	22,491,357	(13,965)	22,505,322	16,737,440
13.3 Accrued retrospective premiums	148,497	17,859	130,638	46,704
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	4,158,187		4,158,187	3,908,103
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				685,709
16.2 Net deferred tax asset	9,920,400	2,457,600	7,462,800	5,343,274
17. Guaranty funds receivable or on deposit	148,110		148,110	155,809
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	2,313,804		2,313,804	5,812,833
22. Health care ($ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	871,368	198,150	673,218	88,725
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	215,909,572	3,162,671	212,746,901	211,346,277
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	215,909,572	3,162,671	212,746,901	211,346,277

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	453,348		453,348	
2302. Other assets	228,108	198,150	29,958	88,725
2303. Equities and deposits in pools and associations	189,912		189,912	
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	871,368	198,150	673,218	88,725

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	75,202,385	77,545,503
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	4,848,246	5,331,056
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	17,904,365	18,076,766
4.	Commissions payable, contingent commissions and other similar charges	2,131,004	2,872,238
5.	Other expenses (excluding taxes, licenses and fees)	2,529,800	5,096,966
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	766,884	1,460,394
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	297,331	
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 $ 26,339,367 and including warranty reserves of $ 0)	36,809,073	40,403,696
10.	Advance premium	262,010	634,776
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	67,920	131,211
12.	Ceded reinsurance premiums payable (net of ceding commissions)	4,743,103	5,627,209
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14.	Amounts withheld or retained by company for account of others	(24,259)	358,761
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	2,628,741	
19.	Payable to parent, subsidiaries and affiliates	389,867	4,362,980
20.	Payable for securities		154
21.	Liability for amounts held under uninsured plans		
22.	Capital notes $ 0 and interest thereon $ 0		
23.	Aggregate write-ins for liabilities	3,065,604	435,050
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)	151,622,074	162,336,760
25.	Protected cell liabilities		
26.	Total liabilities (Lines 24 and 25)	151,622,074	162,336,760
27.	Aggregate write-ins for special surplus funds	2,470,380	
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	42,192,623	42,192,623
33.	Unassigned funds (surplus)	11,461,824	1,816,894
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)	61,124,827	49,009,517
36.	Totals (Page 2, Line 26, Col. 3)	212,746,901	211,346,277

	DETAILS OF WRITE-IN LINES		
2301.	Collateral held for securities loaned	1,051,921	
2302.	Retroactive reinsurance reserves	720,548	
2303.	Other liabilities	600,790	395,377
2398.	Summary of remaining write-ins for Line 23 from overflow page	692,345	39,673
2399.	Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,065,604	435,050
2701.	SSAP 10R incremental change	2,310,892	
2702.	Special surplus from retroactive reinsurance	159,488	
2703.			
2798.	Summary of remaining write-ins for Line 27 from overflow page		
2799.	Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	2,470,380	
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 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	83,812,239	110,594,324
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	42,505,492	61,396,594
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	9,951,031	12,714,946
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	27,822,642	33,536,846
5. Aggregate write-ins for underwriting deductions	13,075	
6. Total underwriting deductions (Lines 2 through 5)	80,292,240	107,648,386
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	3,519,999	2,945,938
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	8,034,621	10,481,660
10. Net realized capital gains (losses) less capital gains tax of $ (554,202) (Exhibit of Capital Gains (Losses))	(1,029,233)	(1,040,963)
11. Net investment gain (loss) (Lines 9 + 10)	7,005,388	9,440,697
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 3,754 amount charged off $ 374,746)	(370,992)	(663,069)
13. Finance and service charges not included in premiums	714,561	517,854
14. Aggregate write-ins for miscellaneous income	(485,015)	324,906
15. Total other income (Lines 12 through 14)	(141,446)	179,691
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	10,383,941	12,566,326
17. Dividends to policyholders	358,600	132,911
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)	10,025,341	12,433,415
19. Federal and foreign income taxes incurred	1,994,452	2,215,638
20. Net income (Line 18 minus Line 19) (to Line 22)	8,030,889	10,217,777
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	49,009,517	78,545,603
22. Net income (from Line 20)	8,030,889	10,217,777
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 690,201	1,281,801	(1,274,835)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(659,415)	(1,154,043)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	1,093,168	630,227
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		636,995
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		(38,000,000)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	2,368,867	(592,207)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	12,115,310	(29,536,086)
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	61,124,827	49,009,517

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	13,075	
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)	13,075	
1401. Retroactive reinsurance gain/(loss)	(10,805)	324,906
1402. Other Income/(expense)	(474,210)	
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(485,015)	324,906
3701. SSAP 10R incremental change	2,310,892	
3702. Other change in surplus	57,975	(592,207)
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	2,368,867	(592,207)

CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	73,270,174	108,829,565
2. Net investment income	8,434,578	11,077,667
3. Miscellaneous income	(496,016)	179,691
4. Total (Lines 1 through 3)	81,208,736	120,086,923
5. Benefit and loss related payments	42,952,763	58,324,317
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	41,367,084	46,320,188
8. Dividends paid to policyholders	421,891	148,464
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	457,210	1,726,821
10. Total (Lines 5 through 9)	85,198,948	106,519,790
11. Net cash from operations (Line 4 minus Line 10)	(3,990,212)	13,567,133
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	46,303,077	54,603,920
12.2 Stocks	3,000,000	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		148,000
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	(1,343)	8,476
12.7 Miscellaneous proceeds	3	12,211
12.8 Total investment proceeds (Lines 12.1 to 12.7)	49,301,737	54,772,607
13. Cost of investments acquired (long-term only):		
13.1 Bonds	53,540,048	18,847,880
13.2 Stocks		3,000,000
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		37,950
13.6 Miscellaneous applications	154	815,424
13.7 Total investments acquired (Lines 13.1 to 13.6)	53,540,202	22,701,254
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)	(4,238,465)	32,071,353
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		38,000,000
16.6 Other cash provided (applied)	7,584,140	(2,407,147)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	7,584,140	(40,407,147)
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)	(644,537)	5,231,339
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	7,398,756	2,167,417
19.2 End of year (Line 18 plus Line 19.1)	6,754,219	7,398,756

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

20.0001		
20.0002		
20.0003		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	859,827	1,278,097	760,168	1,377,756
2. Allied lines	808,755	940,802	611,532	1,138,025
3. Farmowners multiple peril	575,752	297,311	296,647	576,416
4. Homeowners multiple peril	7,233,250	6,179,634	6,004,444	7,408,440
5. Commercial multiple peril	17,254,424	5,736,767	7,810,334	15,180,857
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	1,425,625	689,880	665,881	1,449,624
10. Financial guaranty				
11.1 Medical professional liability—occurrence	(523)	13,074	3,235	9,316
11.2 Medical professional liability—claims-made	319	793	314	798
12. Earthquake	100,586	338,163	143,768	294,981
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(78,209)	135,645	637	56,799
16. Workers' compensation	12,865,035	1,038,776	3,020,614	10,883,197
17.1 Other liability—occurrence	4,701,642	1,972,924	2,236,026	4,438,540
17.2 Other liability—claims-made	(60,444)	327,654	79,377	187,833
17.3 Excess Workers' Compensation	11,548		3,930	7,618
18.1 Products liability—occurrence	152,675	54,583	77,285	129,973
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	12,484,663	7,261,454	4,547,369	15,198,748
19.3,19.4 Commercial auto liability	7,500,929	3,256,164	3,440,106	7,316,987
21. Auto physical damage	10,584,275	5,584,645	4,010,235	12,158,685
22. Aircraft (all perils)				
23. Fidelity	89,350	7,785	43,853	53,282
24. Surety	4,442,683	4,950,209	3,455,354	5,937,538
26. Burglary and theft	4,069	2,117	1,530	4,656
27. Boiler and machinery	2,442		271	2,171
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability	1			1
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	80,958,674	40,066,477	37,212,910	83,812,241

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	760,168				760,168
2. Allied lines	611,529	3			611,532
3. Farmowners multiple peril	296,647				296,647
4. Homeowners multiple peril	6,004,444				6,004,444
5. Commercial multiple peril	7,616,425		193,458	451	7,810,334
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	661,712	4,168	2		665,882
10. Financial guaranty					
11.1 Medical professional liability—occurrence	3,235				3,235
11.2 Medical professional liablity—claims-made	314				314
12. Earthquake	143,768				143,768
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	637				637
16. Workers' compensation	2,859,858	883	154,014	5,859	3,020,614
17.1 Other liability—occurrence	2,187,121	11,124	36,907	874	2,236,026
17.2 Other liability—claims-made	79,131	153	94		79,378
17.3 Excess Workers' Compensation	3,930				3,930
18.1 Products liability—occurrence	64,831		12,454		77,285
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	4,547,369		1		4,547,370
19.3,19.4 Commercial auto liability	3,400,674	39,708	2	(277)	3,440,107
21. Auto physical damage	4,001,187	9,047			4,010,234
22. Aircraft (all perils)					
23. Fidelity	16,083	27,770			43,853
24. Surety	1,508,410	1,946,944			3,455,354
26. Burglary and theft	1,530				1,530
27. Boiler and machinery	271				271
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	34,769,274	2,039,800	396,932	6,907	37,212,913
36. Accrued retrospective premiums based on experience					(6,907)
37. Earned but unbilled premiums					(396,932)
38. Balance (Sum of Lines 35 through 37)					36,809,074

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 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	303,669	859,827		303,669		859,827
2. Allied lines	99,544	808,755		99,544		808,755
3. Farmowners multiple peril		575,752				575,752
4. Homeowners multiple peril	1,019,703	7,233,250		1,019,703		7,233,250
5. Commercial multiple peril		17,254,424				17,254,424
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	9,973	1,425,625		9,973		1,425,625
10. Financial guaranty						
11.1 Medical professional liability--occurrence		(523)				(523)
11.2 Medical professional liability--claims-made		319				319
12. Earthquake	937	100,586		937		100,586
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		(78,209)				(78,209)
16. Workers' compensation		12,865,035				12,865,035
17.1 Other liability—occurrence	36,773	4,701,642		36,773		4,701,642
17.2 Other liability—claims-made		(60,444)				(60,444)
17.3 Excess Workers' Compensation		11,548				11,548
18.1 Products liability—occurrence		152,675				152,675
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	37,334,935	12,484,663		37,334,935		12,484,663
19.3,19.4 Commercial auto liability	11,870,223	7,500,929		11,870,223		7,500,929
21. Auto physical damage	32,369,796	10,584,275		32,369,796		10,584,275
22. Aircraft (all perils)						
23. Fidelity		89,350				89,350
24. Surety		4,442,683				4,442,683
26. Burglary and theft		4,069				4,069
27. Boiler and machinery		2,442				2,442
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X	1				1
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	83,045,553	80,958,674		83,045,553		80,958,674

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) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [X]

If yes: 1. The amount of such installment premiums $ 0

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $ 0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

	Losses Paid Less Salvage				5	6	7	8
Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	9,754	979,637	9,754	979,637	247,533	627,990	599,180	43.490
2. Allied lines	166,422	1,023,665	166,422	1,023,665	206,892	449,801	780,756	68.606
3. Farmowners multiple peril		349,867		349,867	195,225	140,657	404,435	70.164
4. Homeowners multiple peril	933,649	6,736,582	933,649	6,736,582	2,328,938	4,451,391	4,614,129	62.282
5. Commercial multiple peril		5,318,738		5,318,738	12,912,760	10,518,913	7,712,585	50.805
6. Mortgage guaranty								
8. Ocean marine		1,547		1,547	117	2,578	(914)	
9. Inland marine	5,981	470,343	5,981	470,343	211,855	133,792	548,406	37.831
10. Financial guaranty						5	(5)	
11.1 Medical professional liability—occurrence		20,327		20,327	17,404	33,230	4,501	48.315
11.2 Medical professional liability—claims-made		10,149		10,149	3,876	15,049	(1,024)	(128.321)
12. Earthquake		(37)		(37)	481	2,547	(2,103)	(0.713)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		116,603		116,603	61,561	165,042	13,122	23.103
16. Workers' compensation		(7,436,967)		(7,436,967)	27,427,752	12,594,272	7,396,513	67.963
17.1 Other liability—occurrence	500	1,388,997	500	1,388,997	7,113,354	7,922,019	580,332	13.075
17.2 Other liability—claims-made		691,521		691,521	226,037	935,715	(18,157)	(9.667)
17.3 Excess Workers' Compensation		2,022		2,022	3,495		5,517	72.421
18.1 Products liability—occurrence		28,841		28,841	232,295	269,906	(8,770)	(6.748)
18.2 Products liability—claims-made		19		19	6	31	(6)	
19.1,19.2 Private passenger auto liability	20,739,521	21,152,901	20,739,521	21,152,901	11,758,154	24,854,342	8,056,713	53.009
19.3,19.4 Commercial auto liability	4,107,949	3,988,021	4,107,949	3,988,021	7,762,834	7,989,737	3,761,118	51.403
21. Auto physical damage	16,849,494	7,031,785	16,849,494	7,031,785	574,567	819,591	6,786,761	55.818
22. Aircraft (all perils)		9,622		9,622	(5,426)	16,073	(11,877)	
23. Fidelity		(3,059)		(3,059)	18,017	3,199	11,759	22.069
24. Surety		496,571		496,571	2,402,016	1,629,124	1,269,463	21.380
26. Burglary and theft		507		507	1,295	631	1,171	25.150
27. Boiler and machinery		(1,034)		(1,034)	416	978	(1,596)	(73.515)
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X	2,471,378	(60)	2,471,438	1,500,933	3,968,887	3,484	348400.000
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	42,813,270	44,848,546	42,813,210	44,848,606	75,202,387	77,545,500	42,505,493	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
Line of Business	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	10,246	176,979	10,246	176,979	5,049	70,554	5,049	247,533	30,638
2. Allied lines	5,744	182,698	5,744	182,698	1,438	24,194	1,438	206,892	20,705
3. Farmowners multiple peril		165,289		165,289		29,936		195,225	44,655
4. Homeowners multiple peril	100,320	1,761,430	100,320	1,761,430	17,823	567,509	17,823	2,328,939	491,560
5. Commercial multiple peril		7,853,199		7,853,199		5,059,561		12,912,760	6,439,968
6. Mortgage guaranty									
8. Ocean marine		117		117				117	
9. Inland marine	3,200	89,356	3,200	89,356	203	122,499	203	211,855	28,129
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		7,133		7,133		10,271		17,404	7,741
11.2 Medical professional liablity—claims-made		3,320		3,320		556		3,876	939
12. Earthquake		481		481				481	(58)
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health		61,561		61,561				(a) 61,561	(1)
16. Workers' compensation		15,132,560		15,132,560		12,295,191		27,427,751	3,773,636
17.1 Other liability—occurrence	17,500	2,626,039	17,500	2,626,039	47,138	4,487,315	47,138	7,113,354	2,415,427
17.2 Other liability—claims-made		119,380		119,380		106,657		226,037	144,376
17.3 Excess Workers' Compensation		4,778		4,778		(1,283)		3,495	(950)
18.1 Products liability—occurrence		148,732		148,732		83,563		232,295	114,327
18.2 Products liability—claims-made						6		6	
19.1,19.2 Private passenger auto liability	18,067,878	9,634,713	18,067,878	9,634,713	4,350,567	2,123,441	4,350,567	11,758,154	2,361,117
19.3,19.4 Commercial auto liability	10,162,069	4,613,588	10,162,069	4,613,588	5,059,615	3,149,246	5,059,615	7,762,834	1,193,905
21. Auto physical damage	110,270	327,289	110,270	327,289	758,241	247,278	758,241	574,567	169,495
22. Aircraft (all perils)		857		857		(6,283)		(5,426)	
23. Fidelity		4,234		4,234		13,783		18,017	3,686
24. Surety		(417,730)		(417,730)		2,819,745		2,402,015	662,962
26. Burglary and theft		1,237		1,237		58		1,295	506
27. Boiler and machinery						416		416	742
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	815,442		815,442	X X X	685,491		1,500,933	858
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	28,477,227	43,312,682	28,477,227	43,312,682	10,240,074	31,889,704	10,240,074	75,202,386	17,904,363

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 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	2,506,271			2,506,271
1.2 Reinsurance assumed	2,837,862			2,837,862
1.3 Reinsurance ceded	2,506,271			2,506,271
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	2,837,862			2,837,862
2. Commission and brokerage:				
2.1 Direct, excluding contingent		10,982,503		10,982,503
2.2 Reinsurance assumed, excluding contingent		12,060,571		12,060,571
2.3 Reinsurance ceded, excluding contingent		10,982,503		10,982,503
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		1,312,451		1,312,451
2.6 Contingent—reinsurance ceded				
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)		13,373,022		13,373,022
3. Allowances to manager and agents		6,682		6,682
4. Advertising	96,629	451,106	213	547,948
5. Boards, bureaus and associations	8,308	202,658	6	210,972
6. Surveys and underwriting reports	1,520	442,659	220	444,399
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	3,391,238	5,382,683	39,793	8,813,714
8.2 Payroll taxes	203,521	476,403	2,283	682,207
9. Employee relations and welfare	683,784	1,687,554	2,214	2,373,552
10. Insurance	402,646	54,427	462	457,535
11. Directors' fees		213		213
12. Travel and travel items	180,577	346,963	728	528,268
13. Rent and rent items	398,514	655,714	723	1,054,951
14. Equipment	236,832	446,731	640	684,203
15. Cost or depreciation of EDP equipment and software	139,233	234,177	328	373,738
16. Printing and stationery	32,334	110,434	105	142,873
17. Postage, telephone and telegraph, exchange and express	139,157	448,131	1,313	588,601
18. Legal and auditing	26,006	106,775	1,317	134,098
19. Totals (Lines 3 to 18)	5,940,299	11,053,310	50,345	17,043,954
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 29,486		2,021,484		2,021,484
20.2 Insurance department licenses and fees		174,412		174,412
20.3 Gross guaranty association assessments		(11,432)		(11,432)
20.4 All other (excluding federal and foreign income and real estate)		70,071		70,071
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		2,254,535		2,254,535
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	1,172,871	1,141,775	7,157	2,321,803
25. Total expenses incurred	9,951,032	27,822,642	57,502	(a) 37,831,176
26. Less unpaid expenses—current year	17,904,364	5,427,688		23,332,052
27. Add unpaid expenses—prior year	18,076,766	9,429,598		27,506,364
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)	10,123,434	31,824,552	57,502	42,005,488

DETAILS OF WRITE-IN LINES				
2401. Other expenses	441,624	1,141,775	7,157	1,590,556
2402. Change in unallocated expense reserves	731,247			731,247
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	1,172,871	1,141,775	7,157	2,321,803

(a) Includes management fees of $ 57,612 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

			1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a)	948,183	1,061,828
1.1	Bonds exempt from U.S. tax	(a)	4,271,713	4,126,582
1.2	Other bonds (unaffiliated)	(a)	3,157,202	2,938,551
1.3	Bonds of affiliates	(a)		
2.1	Preferred stocks (unaffiliated)	(b)		(60,958)
2.11	Preferred stocks of affiliates	(b)		
2.2	Common stocks (unaffiliated)			
2.21	Common stocks of affiliates			
3.	Mortgage loans	(c)		
4.	Real estate	(d)		
5.	Contract loans			
6.	Cash, cash equivalents and short-term investments	(e)	81,391	78,047
7.	Derivative instruments	(f)		
8.	Other invested assets		503	503
9.	Aggregate write-ins for investment income		(52,431)	(52,431)
10.	Total gross investment income		8,406,561	8,092,122
11.	Investment expenses			(g) 57,501
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)			57,501
17.	Net investment income (Line 10 minus Line 16)			8,034,621

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expenses)	4,112	4,112
0902.	Investment Income/(Expenses) - Pooling Restatement	(56,543)	(56,543)
0903.			
0998.	Summary of remaining write-ins for Line 09 from overflow page		
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)	(52,431)	(52,431)
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

NONE

(a) Includes $ 228,219 accrual of discount less $ 313,846 amortization of premium and less $ 51,361 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 $ 5,182 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds					
1.1	Bonds exempt from U.S. tax	(160,237)		(160,237)		
1.2	Other bonds (unaffiliated)	(772,822)	(649,034)	(1,421,856)	1,402,001	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)				570,000	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments	3,636	(4,979)	(1,343)		
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	(929,423)	(654,013)	(1,583,436)	1,972,001	

	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)					

NONE

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	503,027	592,979	89,952
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	(13,965)	32,500	46,465
13.3 Accrued retrospective premiums	17,859	5,189	(12,670)
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	2,457,600	5,926,742	3,469,142
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	198,150	9,320	(188,830)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,162,671	6,566,730	3,404,059
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	3,162,671	6,566,730	3,404,059

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	198,150	9,320	(188,830)
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)	198,150	9,320	(188,830)

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

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or 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. The Company does not own common stocks.

4. The Company does not own preferred stocks.

5. The Company does not own mortgage loans.

6. Mortgage backed/asset backed securities are stated at amortized cost or 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 does not own any subsidiaries, controlled or affiliated entities.

8. The Company does not own any joint ventures, partnerships, and limited liability companies.

9. Derivative Securities, refer to Note 8.

10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53*, Property Casualty Contracts - Premiums*.

11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.

12. The Company did not change its capitalization policy in 2009.

13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

A. Effective December 31, 2009, the Company elected to admit Deferred Tax Assets (DTA's) pursuant to SSAP No. 10R, Income Taxes-Revised, a temporary replacement of SSAP No. 10. The change in DTA's resulting from adopting SSAP No. 10R, is disclosed as an aggregate write-in for gains and losses in surplus under the caption SSAP 10R incremental change. (Refer to Note 9.A)

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method:

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

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. Loan-Backed Securities

1. Not used.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. Not used.
4. 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	444,097	45,954	333,195

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-temporary impairment	5 Amortized cost after other-than-temporary impairment	6 Fair Value
00086RAA5	49,161	41,898	7,263	41,898	45,687
59023XAB2	145,908	127,627	18,281	127,627	127,816
59023XAB2	96,755	83,978	12,777	83,978	66,851
61749BAB9	152,274	144,640	7,634	144,640	92,841

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	(91,185)	(59,656)

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

NOTES TO FINANCIAL STATEMENTS

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	315,113	333,216	273,584	130,008	1,051,921

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. Impairments on joint ventures, partnerships and limited liability companies

Not applicable

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.

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:

NOTES TO FINANCIAL STATEMENTS

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross DTAs	9,762,726	482,124	10,244,850	11,482,641	(1,237,791)
Total gross DTLs	(324,450)	0	(324,450)	(212,625)	(111,825)
Net DTA (DTL)	9,438,276	482,124	9,920,400	11,270,016	(1,349,616)
Net DTA non-admitted			(2,457,600)	(5,926,742)	3,469,142
Net Admitted DTA (DTL)			7,462,800	5,343,274	2,119,526

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election was not available at December 31, 2008. 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 increased amount, by tax character, of net admitted DTAs resulting from paragraph 10e:

Ordinary	2,310,892
Capital	0
Total increase in net admitted DTAs	2,310,892

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.)	1,763,000	41,000	1,804,000	5,343,274
Lesser of:				
Expected to be recognized within one year (10bi.)	2,906,558	441,350	3,347,908	0
10% of adjusted capital and surplus (10bii.)			5,116,719	7,994,630
Adj. gross DTAs offset against existing DTLs (10c.)	324,450	0	324,450	212,625

The amount of each result or component of the calculation, by tax character, of paragraphs 10ei., 10eiia., 10eiib., and 10eiii.:

	December 31, 2009		
	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	1,763,000	41,000	1,804,000
Lesser of:			
Expected to be recognized within three years (10eiia.)	5,217,450	441,350	5,658,800
15% of adjusted capital and surplus (10eiib.)			7,675,079
Adj. gross DTAs offset against existing DTLs (10eiii.)	324,450	0	324,450

Risk-based capital level used in paragraph 10d:	December 31, 2009
Total adjusted capital	58,813,935
Authorized control level	7,595,750

The following amounts result from the calculation in paragraphs 10a., 10b., and 10c.:

	December 31, 2009
Admitted DTAs	5,151,908
Admitted assets	210,436,009
Statutory surplus	58,813,935
Total adjusted capital	58,813,935

Admitted DTAs, admitted assets and statutory surplus increased by $2,310,892 resulting from the use of paragraph 10e.

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

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

	2009	2008
Federal	1,994,452	2,215,638
Foreign		
Realized capital gains	(554,202)	(560,518)
Federal and foreign income taxes incurred	1,440,250	1,655,120

The Company's DTAs and DTLs result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, goodwill, capital loss limitations, accretion of market discount on owned securities and postretirement benefit obligations.

NOTES TO FINANCIAL STATEMENTS

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(659,415)
Change in tax effect of unrealized (gains) losses	(690,201)
Total change in net deferred income tax	(1,349,616)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, goodwill, capital loss limitations, discounting of unpaid loss and LAE reserves and limits on unearned premium reserve deductions.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $1,349,250 from the current year and $111,100 from the preceding year.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Liberty Insurance Corporation
SCIT, Inc.
St. James Insurance Company Ltd.
State Agency, Inc. (Indiana corporation)
State Agency, Inc. (Wisconsin corporation)
Summit Consulting, Inc.
Summit Consulting, Inc. of Louisiana
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Corporation
The Netherlands Insurance Company
San Diego Insurance Company
The Ohio Casualty Insurance Company
The Ohio Life Brokerage Services, Inc.
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Service Corporation
(dissolved 10/21/2009)
Wausau Underwriters Insurance Company
West American Insurance Company
Winmar Company, Inc.
Winmar of the Desert, Inc.
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.

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 $1,923,938 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 10I

NOTES TO FINANCIAL STATEMENTS

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.

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 $11,408 and $4,832 in 2009 and 2008, respectively. Also, a CBP additional minimum liability of $39,712 and $78,171, 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 shares authorized, issued and outstanding as of December 31, 2009. All shares have a stated par value of $5,000.

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 $8,030,888.

6. As of December 31, 2009, the Company has restricted surplus of $2,310,892, from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R (refer to Note 2A) and pre-tax restricted surplus of $159,488 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 loss is ($54,572) after applicable deferred taxes of $29,385.

11. Surplus Notes

    Not applicable

12. Quasi re-organization (dollar impact)

    Not applicable

13. Quasi re-organization (effective date)

    Not applicable

NOTES TO FINANCIAL STATEMENTS

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 $637,895 that is offset by future premium tax credits of $106,549. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 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	$200,767

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.

Pursuant to North Carolina General Statute #58-36-25, the potential interest payable to policyholders for the 2009 Private Passenger Automobile Escrow was $5,958.

Note 15- Leases

A. Aside from certain sale-leaseback transactions disclosed below, the Company is not involved in material lease arrangements.

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

NOTES TO FINANCIAL STATEMENTS

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2010	$45,380	$396,301
2011	45,380	393,973
2012	45,380	347,042
2013	45,380	128,000
2014	3,782	108,701
2015 & thereafter	0	257,203
Total	$185,302	$1,631,220

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 and concentrations of credit risk..

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

A. The Company did not sell premium receivables.

B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income 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 $2,030,017 with corresponding collateral value of $2,091,477 of which $1,051,921 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 $8,320.

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.

NOTES TO FINANCIAL STATEMENTS

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 $7,064,764 and $7,081,795 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.

2) 2009 North Carolina Private Passenger Automobile Escrow

As mandated by North Carolina Statute #58-7-26(C), the escrow account of the company was $443,212 at December 31, 2009.

3) 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 $2,382,120, 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.

F. State Transferable Tax Credits

The Company does not hold 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.

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other Then Temporary Impairments Recognized
$336,831	$336,831	$279,539	$38,691

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.

NOTES TO FINANCIAL STATEMENTS

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	36,809,073	5,153,270	26,339,367	3,687,511	10,469,706	1,465,759
All Other	-	-	-	-	-	-
Total	36,809,073	5,153,270	26,339,367	3,687,511	10,469,706	1,465,759

Direct Unearned Premium Reserve of 26,339,367

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.

Direct	$0
Assumed	2,055,812
Ceded	0
Net	$2,055,812

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 did not commute any reinsurance treaties in the current year.

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	3,798,533	
	2. Adjustment – Prior Year(s)	(2,958,942)	
	3. Adjustment – Current Year	(119,043)	
	4. Total	720,548	
b.	Consideration Paid or Received:		
	1. Initial Reserves	4,125,779	
	2. Adjustment – Prior Year(s)	119,143	
	3. Adjustment – Current Year	-	
	4. Total	4,244,923	
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	-	
	2. Adjustment – Prior Year(s)	3,642,796	
	3. Adjustment – Current Year	214,024	
	4. Total	3,856,820	
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	210,137	
	2. Adjustment – Prior Year(s)	(653,473)	
	3. Adjustment – Current Year	(16,686)	
	4. Total	159,488	
	5. Cumulative Total Transferred to Unassigned Funds	(300,534)	
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company	720,548	

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.

NOTES TO FINANCIAL STATEMENTS

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	$148,497
b. Less: Non-admitted amount	17,859
c. Admitted amount	$130,638

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 $6,170,237 during 2009. This decrease was primarily the result of improving loss trends in the Other Liability $2,287,090, Private Passenger Auto Liability $1,247,617, Commercial Mulit-Peril $950,589, Workers' Compensation $716,758, Fidelity/Surety $463,054 and Commercial Auto Liability $329,632 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 25- Intercompany Pooling Arrangements

The Company the Lead Company 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 Affiliated Companies	Bridgefield Employers Insurance Company (“BEIC”)	10701	0.00%
	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.

NOTES TO FINANCIAL STATEMENTS

(c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.

(d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.

(e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.

(f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.

(g) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance.

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

Affiliate:	Amount:
Peerless Insurance Company	1,517,544

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%

NOTES TO FINANCIAL STATEMENTS

	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 Affiliated Companies	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
	North Pacific Insurance Company ("NPIC")	23892	0.00%
	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 $936,462 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 $936,462 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 $1,203,814, 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)

NOTES TO FINANCIAL STATEMENTS

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

In 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.

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.

Asbestos:

	2005	2006	2007	2008	2009
Direct Basis					
Beginning Reserves	955,679	1,186,527	1,371,846	1,294,188	1,339,059
Incurred losses and LAE	326,637	282,282	74,929	197,323	17,101
Calendar year payments	95,789	96,963	136,587	152,452	103,359
Ending Reserves	1,186,527	1,371,846	1,310,188	1,339,059	1,252,801
Assumed Reinsurance Basis					
Beginning Reserves	864,791	873,392	861,544	1,064,045	910,815
Incurred losses and LAE	58,888	37,738	245,163	(36,155)	450,235
Calendar year payments	50,287	49,586	82,541	117,075	92,185
Ending Reserves	873,392	861,544	1,024,166	910,815	1,268,865
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,485,423	1,696,303	1,804,185	1,910,855	1,833,099
Incurred losses and LAE	350,045	240,990	264,696	96,338	508,343
Calendar year payments	139,165	133,108	182,443	174,094	182,991
Ending Reserves	1,696,303	1,804,185	1,886,438	1,833,099	2,158,451

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	710,166
Assumed Reinsurance Basis	714,158
Net of Ceded Reinsurance Basis	1,313,839
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	427,908
Assumed Reinsurance Basis	2,327

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis	360,834

Environmental:	2005	2006	2007	2008	2009
Direct Basis					
Beginning Reserves	1,437,874	1,605,785	1,564,471	1,487,468	1,270,774
Incurred losses and LAE	351,602	147,726	411,607	32,751	(55,160)
Calendar year payments	183,691	189,040	297,447	249,445	133,124
Ending Reserves	1,605,785	1,564,471	1,678,631	1,270,774	1,082,490
Assumed Reinsurance Basis					
Beginning Reserves	445,640	325,505	293,838	285,596	274,621
Incurred losses and LAE	(99,419)	6,475	4,292	16	(69,991)
Calendar year payments	20,716	38,142	7,493	10,991	6,952
Ending Reserves	325,505	293,838	290,637	274,621	197,678
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,778,904	1,757,539	1,636,495	1,636,412	1,395,634
Incurred losses and LAE	151,955	87,689	454,144	(28,814)	(147,481)
Calendar year payments	173,320	208,733	252,397	211,964	131,674
Ending Reserves	1,757,539	1,636,495	1,838,242	1,395,634	1,116,479

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	719,920
Assumed Reinsurance Basis	124,507
Net of Ceded Reinsurance Basis	736,799
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	367,719
Assumed Reinsurance Basis	890
Net of Ceded Reinsurance Basis	358,296

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 [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? 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 [X] 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 [X] No [ ] N/A [ ]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] 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 [X]
4.12 renewals? Yes [ ] No [X]

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

4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

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

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
	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 [X]

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 Nationality	2 Type of Entity

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

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

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP
200 Clarendon Street
Boston, MA 02116

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
William M Finn, FCAS, MAAA
62 Maple Avenue Keene, NH 03431
Vice President & Chief Actuary of Liberty Mutual Agency Markets

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

11.11 Name of real estate holding company

11.12 Number of parcels involved 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 [X]

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

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

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 [X] 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 [X] 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 [X]

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 [X] 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 [X] 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 [X] 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 [X]

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	$ 0
18.22	To stockholders not officers	$ 0
18.23	Trustees, supreme or grand (Fraternal only)	$ 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 [X]

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

19.21	Rented from others	$ 0
19.22	Borrowed from others	$ 0
19.23	Leased from others	$ 0
19.24	Other	$ 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 [X]

20.2 If answer is yes:

20.21	Amount paid as losses or risk adjustment	$ 0
20.22	Amount paid as expenses	$ 0
20.23	Other amounts paid	$ 0

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] 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 [X] 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 [X] No [ ] N/A [ ]

22.5 If answer to 22.4 is yes, report amount of collateral. $ 2,091,477

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 [X] No [ ]

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

23.21	Subject to repurchase agreements	$ 0
23.22	Subject to reverse repurchase agreements	$ 0
23.23	Subject to dollar repurchase agreements	$ 0
23.24	Subject to reverse dollar repurchase agreements	$ 0
23.25	Pledged as collateral	$ 0
23.26	Placed under option agreements	$ 0
23.27	Letter stock or securities restricted as to sale	$ 0
23.28	On deposit with state or other regulatory body	$ 7,064,764
23.29	Other	$ 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
JP Morgan Chase	3 Chase Metro Tech Center, Brooklyn NY 11245

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 Insurance Company	175 Berkeley St., Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley St., 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 CUSIP #	2 Name of Mutual Fund	3 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 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
		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 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	168,951,303	172,216,123	3,264,820
28.2 Preferred stocks	0	0	0
28.3 Totals	168,951,303	172,216,123	3,264,820

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 Current Year	2 Prior Year
2.1	Premium Numerator	$ 56,798	$ 0
2.2	Premium Denominator	$ 83,812,239	$ 110,594,324
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 62,198	$ 300,687
2.5	Reserve Denominator	$ 134,764,069	$ 100,953,325
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

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 [X] 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 [X] 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 [X] 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 [X]

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 [X]

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 [X]

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 [X]

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

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]

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 $ 402,891

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 44,763

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? $ 124,351

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

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

12.41 From 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 [X] No [ ]

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

12.61 Letters of Credit $ 302,771

12.62 Collateral and other funds $ 2,879,164

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 3,440,704

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

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

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]

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 [X]

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

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

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]

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

		1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 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 [X]

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 [X]
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 [X]
18.4	If yes, please provide the balance of the funds adminstered as of the reporting date.	$ 0

FIVE – YEAR HISTORICAL DATA

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

	1 2009	2 2008	3 2007	4 2006	5 2005
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
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,	86,897,775	89,561,906	92,777,599	87,670,000	85,414,091
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	46,567,056	57,904,252	59,083,496	55,946,053	55,292,558
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	26,085,571	27,373,034	30,905,914	30,690,124	31,876,248
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,453,824	9,018,824	7,801,033	6,556,240	5,598,950
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1	213	22	28	286
6. Total (Line 35)	164,004,227	183,858,229	190,568,064	180,862,445	178,182,133
Net Premiums Written (Page 8, Part 1B, Col. 6)					
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,	37,655,844	44,514,507	48,341,867	48,582,602	49,992,579
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	13,783,137	27,007,342	28,080,245	28,936,438	31,658,617
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	25,065,868	26,278,166	28,899,727	28,200,619	29,029,069
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,453,824	9,018,824	7,801,033	6,556,240	5,598,950
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1	213	22	28	286
12. Total (Line 35)	80,958,674	106,819,052	113,122,894	112,275,927	116,279,501
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	3,519,999	2,945,938	7,263,937	13,003,788	10,611,392
14. Net investment gain (loss) (Line 11)	7,005,388	9,440,697	10,483,545	9,350,499	9,575,361
15. Total other income (Line 15)	(141,446)	179,691	355,083	(4,969)	172,474
16. Dividends to policyholders (Line 17)	358,600	132,911	94,891	132,800	56,992
17. Federal and foreign income taxes incurred (Line 19)	1,994,452	2,215,638	3,455,425	4,831,990	5,738,057
18. Net income (Line 20)	8,030,889	10,217,777	14,552,249	17,384,528	14,564,178
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	212,746,901	211,346,277	241,124,018	238,059,026	241,054,067
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	3,169,545	9,953,105	13,626,560	12,307,299	10,480,705
20.2 Deferred and not yet due (Line 13.2)	22,505,322	16,737,440	14,783,642	16,440,722	19,147,651
20.3 Accrued retrospective premiums (Line 13.3)	130,638	46,704	40,746	48,264	47,969
21. Total liabilities excluding protected cell business (Page 3, Line 24)	151,622,074	162,336,760	162,578,415	158,716,072	165,184,194
22. Losses (Page 3, Line 1)	75,202,385	77,545,503	76,408,786	75,472,212	78,815,232
23. Loss adjustment expenses (Page 3, Line 3)	17,904,365	18,076,766	18,192,060	19,269,637	19,382,814
24. Unearned premiums (Page 3, Line 9)	36,809,073	40,403,696	44,153,576	42,841,571	43,097,565
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)	61,124,827	49,009,517	78,545,603	79,342,954	75,869,873
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(3,990,212)	13,567,133	15,008,466	18,905,828	15,130,605
Risk-Based Capital Analysis					
28. Total adjusted capital	61,124,827	49,009,517	78,545,603	79,342,954	75,869,873
29. Authorized control level risk-based capital	7,597,634	9,197,362	9,662,280	9,516,081	9,769,417
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	96.0	94.1	98.8	99.5	99.5
31. Stocks (Lines 2.1 & 2.2)		1.5		0.4	0.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	4.0	4.5	1.1		
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)			0.0	0.0	
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
Investments in Parent, Subsidiaries and Affiliates					
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					
46. Total of above Lines 40 to 45					
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)					

FIVE – YEAR HISTORICAL DATA
(Continued)

	1 2009	2 2008	3 2007	4 2006	5 2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	1,281,801	(1,274,835)	(59,955)	(783)	(685)
49. Dividends to stockholders (Line 35)		(38,000,000)	(15,000,000)	(14,000,000)	(10,000,000)
50. Change in surplus as regards policyholders for the year (Line 38)	12,115,310	(29,536,086)	(797,351)	3,473,081	4,684,376
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,	44,693,801	46,408,303	57,011,237	48,277,099	46,324,714
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	26,537,551	32,980,988	33,312,088	31,875,531	28,604,298
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	13,348,971	18,878,684	14,585,939	13,683,029	13,726,907
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	610,115	456,225	(62,648)	520,863	1,370,548
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,471,378	422,550	277,636	(10,083)	211,813
56. Total (Line 35)	87,661,816	99,146,750	105,124,252	94,346,439	90,238,280
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,	19,845,831	25,542,097	29,257,506	26,654,163	26,349,434
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,505,900	15,359,929	15,573,896	16,303,637	16,633,886
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	12,415,322	17,499,087	13,430,583	12,809,146	12,591,124
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	610,115	456,225	(62,648)	520,863	1,370,548
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,471,438	422,550	277,636	(10,083)	211,813
62. Total (Line 35)	44,848,606	59,279,888	58,476,973	56,277,726	57,156,805
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)	132.4	218.0	144.0	141.5	153.3
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)	(6,170)	(3,115)	(2,938)	(2,790)	(2,044)
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)	(12.6)	(4.0)	(3.7)	(3.7)	(2.9)
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)	(8,892)	(4,470)	(6,163)	(2,556)	(2,598)
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)	(11.3)	(5.6)	(8.1)	(3.6)	(4.3)

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	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	Number of Claims Reported - Direct and Assumed
1. Prior	X X X	X X X	X X X	929	351	291	24	85	4	33	926	X X X
2. 2000	68,606	4,192	64,414	47,088	2,969	3,208	212	5,154	151	2,493	52,118	X X X
3. 2001	68,969	4,164	64,805	43,930	2,972	3,181	165	5,311	164	2,369	49,121	X X X
4. 2002	75,612	7,170	68,442	41,268	3,952	3,003	275	5,224	251	2,357	45,017	X X X
5. 2003	82,878	6,650	76,228	40,222	3,341	2,745	196	5,876	267	2,365	45,039	X X X
6. 2004	90,081	4,728	85,353	41,193	1,591	2,496	88	5,863	119	2,977	47,754	X X X
7. 2005	94,924	3,616	91,308	41,660	1,584	2,555	92	6,092	87	2,740	48,544	X X X
8. 2006	95,700	3,982	91,718	40,272	857	2,187	108	6,038	128	2,330	47,404	X X X
9. 2007	96,668	4,444	92,224	38,481	799	1,709	93	5,885	77	2,237	45,106	X X X
10. 2008	95,464	3,376	92,088	39,030	1,083	1,168	47	6,371	55	1,923	45,384	X X X
11. 2009	89,141	5,329	83,812	23,140	1,608	387	73	4,541	26	1,019	26,361	X X X
12. Totals	X X X	X X X	X X X	397,213	21,107	22,930	1,373	56,440	1,329	22,843	452,774	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	8,419	2,424	4,802	575	372	35	1,217	121	780	23	163	12,412	X X X
2. 2000	1,107	320	463	112	11	6	165	19	98	7	17	1,380	X X X
3. 2001	1,153	314	534	110	23	5	191	14	126	6	42	1,578	X X X
4. 2002	1,209	219	592	107	25	1	227	14	110	2	30	1,820	X X X
5. 2003	976	133	778	114	30		285	14	123	1	70	1,930	X X X
6. 2004	1,332	236	976	134	38		355	17	158		169	2,472	X X X
7. 2005	2,138	177	1,393	187	71		526	27	264		110	4,001	X X X
8. 2006	3,713	274	2,041	272	122		863	40	412		299	6,565	X X X
9. 2007	6,366	266	3,219	380	197		1,485	60	670		288	11,231	X X X
10. 2008	9,017	221	6,742	875	237	1	2,357	116	1,146	1	679	18,285	X X X
11. 2009	12,999	533	13,534	318	164	2	2,907	35	2,719		1,987	31,435	X X X
12. Totals	48,429	5,117	35,074	3,184	1,290	50	10,578	477	6,606	40	3,854	93,109	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	10,222	2,190
2. 2000	57,294	3,796	53,498	83.512	90.553	83.053			0.800	1,138	242
3. 2001	54,449	3,750	50,699	78.947	90.058	78.233			0.800	1,263	315
4. 2002	51,658	4,821	46,837	68.320	67.238	68.433			0.800	1,475	345
5. 2003	51,035	4,066	46,969	61.578	61.143	61.616			0.800	1,507	423
6. 2004	52,411	2,185	50,226	58.182	46.214	58.845			0.800	1,938	534
7. 2005	54,699	2,154	52,545	57.624	59.569	57.547			0.800	3,167	834
8. 2006	55,648	1,679	53,969	58.148	42.165	58.842			0.800	5,208	1,357
9. 2007	58,012	1,675	56,337	60.012	37.691	61.087			0.800	8,939	2,292
10. 2008	66,068	2,399	63,669	69.207	71.060	69.139			0.800	14,663	3,622
11. 2009	60,391	2,595	57,796	67.748	48.696	68.959			0.800	25,682	5,753
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	75,202	17,907

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	37,932	39,514	40,776	42,558	42,990	44,313	45,019	45,496	45,526	47,030	1,504	1,534
2. 2000	45,474	47,145	47,639	48,457	48,401	48,512	48,459	48,500	48,273	48,482	209	(18)
3. 2001	X X X	45,162	44,940	45,244	45,431	45,517	45,268	45,485	45,184	45,503	319	18
4. 2002	X X X	X X X	43,759	43,461	43,056	42,153	42,083	41,774	41,595	41,820	225	46
5. 2003	X X X	X X X	X X X	43,647	42,750	41,691	41,509	41,736	41,415	41,297	(118)	(439)
6. 2004	X X X	X X X	X X X	X X X	49,642	48,102	47,384	45,345	44,910	44,393	(517)	(952)
7. 2005	X X X	X X X	X X X	X X X	X X X	52,047	50,126	47,453	46,899	46,337	(562)	(1,116)
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	51,882	50,361	48,782	47,723	(1,059)	(2,638)
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	55,256	53,316	49,929	(3,387)	(5,327)
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	59,064	56,280	(2,784)	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	50,607	X X X	X X X
										12. Totals	(6,170)	(8,892)

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	11,373	19,064	23,845	26,895	29,172	31,078	32,551	33,992	34,837	X X X	X X X
2. 2000	23,364	34,107	39,194	42,560	44,487	45,673	46,256	46,655	46,900	47,115	X X X	X X X
3. 2001	X X X	22,389	32,334	36,949	39,931	41,604	42,601	43,193	43,685	43,973	X X X	X X X
4. 2002	X X X	X X X	19,572	28,920	33,431	36,572	38,183	39,137	39,722	40,045	X X X	X X X
5. 2003	X X X	X X X	X X X	19,920	28,879	33,301	36,141	38,056	38,909	39,430	X X X	X X X
6. 2004	X X X	X X X	X X X	X X X	20,776	31,369	36,408	39,396	41,140	42,010	X X X	X X X
7. 2005	X X X	X X X	X X X	X X X	X X X	21,481	32,035	37,168	40,460	42,539	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	21,889	32,847	37,667	41,494	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	22,643	34,016	39,298	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	26,077	39,067	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	21,846	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	14,880	10,923	8,925	8,442	6,658	6,090	5,530	4,944	5,376	5,861
2. 2000	9,369	4,561	2,773	2,034	1,465	1,154	1,064	813	548	574
3. 2001	X X X	10,701	5,117	2,912	2,149	1,498	1,309	864	768	673
4. 2002	X X X	X X X	13,680	6,976	4,041	2,386	1,715	1,123	848	762
5. 2003	X X X	X X X	X X X	12,697	6,337	3,670	2,572	1,883	1,425	994
6. 2004	X X X	X X X	X X X	X X X	16,178	8,084	5,379	3,052	2,192	1,249
7. 2005	X X X	X X X	X X X	X X X	X X X	17,936	9,035	4,858	2,996	1,767
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	16,183	8,582	5,213	2,667
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	17,370	8,985	4,334
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	18,355	8,181
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	16,133

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	 3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L				(100)	(18,272)	5,517		
2. Alaska AK	L					(6,303)	205		
3. Arizona AZ	L								
4. Arkansas AR	L					(57)			
5. California CA	L	37,329,894	37,580,122		20,595,710	19,297,884	12,410,077	473,096	
6. Colorado CO	L				(438)	(16,052)	565		
7. Connecticut CT	N								
8. Delaware DE	L								
9. District of Columbia DC	L								
10. Florida FL	L					(844)			
11. Georgia GA	L	1,400,840	1,536,609		1,127,349	805,749	138,307	17,753	
12. Hawaii HI	N								
13. Idaho ID	L	2,138,899	2,327,189		807,754	627,026	1,164,571	27,107	
14. Illinois IL	L	441,990	350,040		268,031	174,598	216,426	5,602	
15. Indiana IN	L		(439,895)		(4,912)	(17,203)	29,286		
16. Iowa IA	L				(933)	(933)			
17. Kansas KS	L					(396)			
18. Kentucky KY	L				765	(4,148)	1,523		
19. Louisiana LA	L								
20. Maine ME	N								
21. Maryland MD	L	13,216,944	9,614,065		5,019,549	8,415,077	3,432,369	167,503	
22. Massachusetts MA	N								
23. Michigan MI	L								
24. Minnesota MN	L					(86,601)	107,028		
25. Mississippi MS	L	645,067	664,171		152,746	455,749	601,311	8,175	
26. Missouri MO	L				7,249	(67,040)	6,666		
27. Montana MT	L	2,100,660	2,109,827		592,050	756,711	971,270	26,622	
28. Nebraska NE	L				742	(6,553)	288		
29. Nevada NV	L	452,202	473,889		125,433	436,900	568,917	5,731	
30. New Hampshire NH	N								
31. New Jersey NJ	N								
32. New Mexico NM	L					2,294	52,236		
33. New York NY	N								
34. North Carolina NC	L	14,749,764	15,239,664		9,417,496	7,040,369	6,665,419	186,929	
35. North Dakota ND	L	220,413	246,672		87,952	109,440	56,571	2,793	
36. Ohio OH	L				23,542	(3,129)	107,958		
37. Oklahoma OK	L								
38. Oregon OR	L	270	270		1,832	(14,780)	539	3	
39. Pennsylvania PA	L					(748)			
40. Rhode Island RI	N								
41. South Carolina SC	L								
42. South Dakota SD	L	170,357	166,625		42,628	40,176	36,868	2,159	
43. Tennessee TN	L				(1,024)	(2,761)	10,197		
44. Texas TX	L				(2,042)	(2,218)	4,265		
45. Utah UT	L					136	4,656		
46. Vermont VT	N								
47. Virginia VA	L	30,656	154,777		286,860	(267,543)	116,838	389	
48. Washington WA	L	9,294,728	9,859,317		3,951,273	4,153,223	11,719,747	117,796	
49. West Virginia WV	L								
50. Wisconsin WI	L					720			
51. Wyoming WY	L	852,872	986,076		313,758	96,010	287,686	10,809	
52. American Samoa AS	N								
53. Guam GU	N								
54. Puerto Rico PR	N								
55. U.S. Virgin Islands VI	N								
56. Northern Mariana Islands MP	N								
57. Canada CN	N								
58. Aggregate Other Alien OT	XXX								
59. Totals	(a) 42	83,045,556	80,869,418		42,813,270	41,896,481	38,717,306	1,052,467	

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

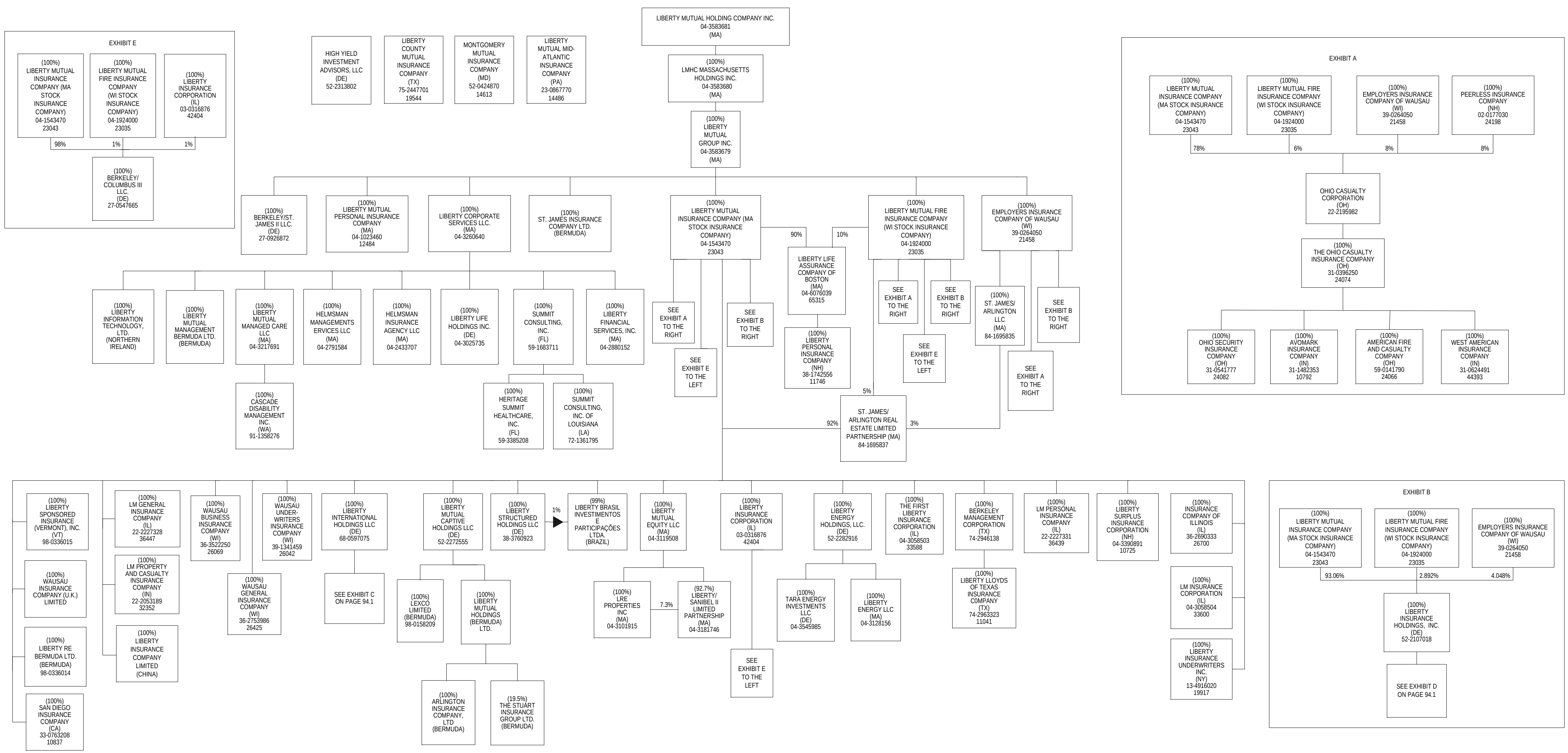
Explanation of basis of allocation of premiums by states, etc.

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

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

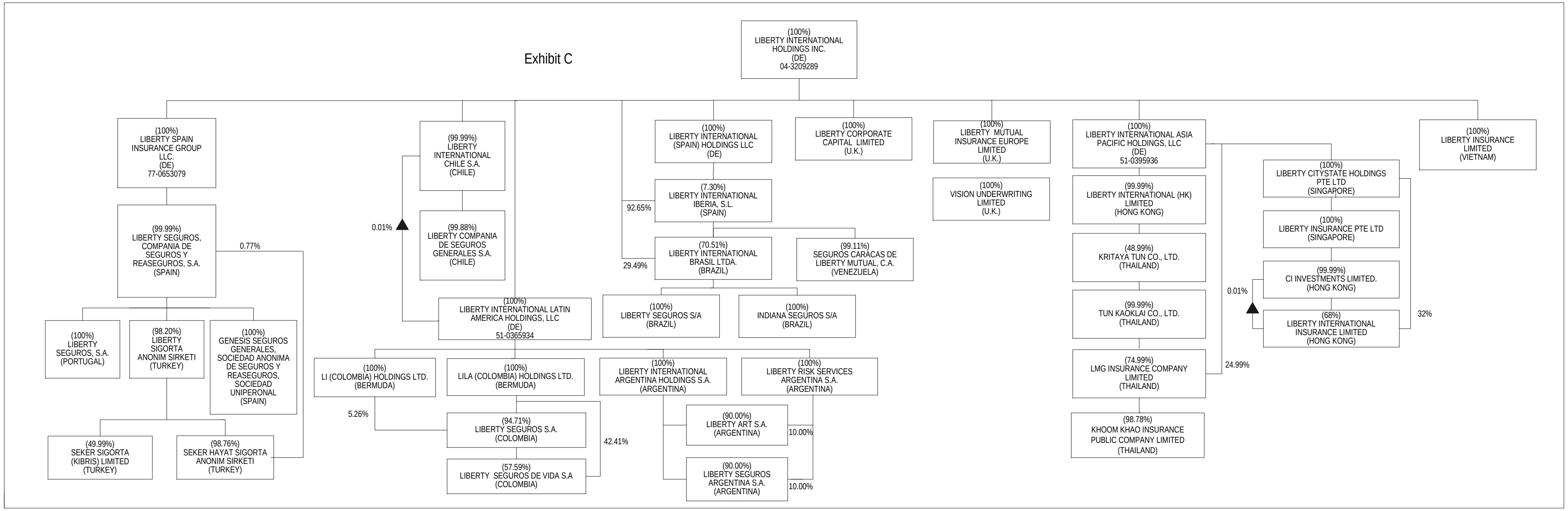
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

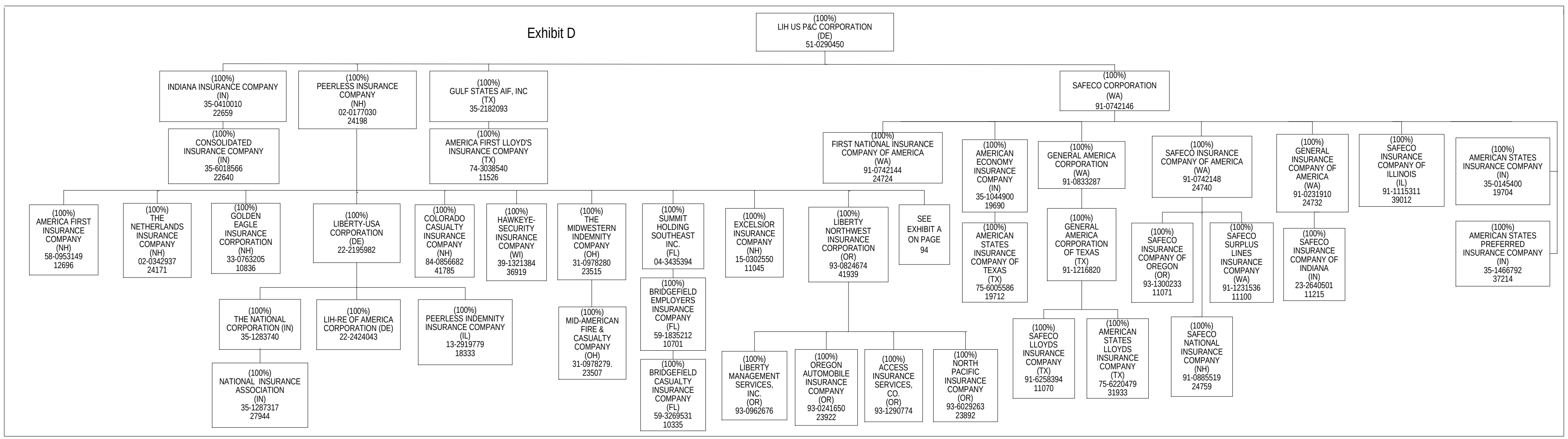
PART 1 - ORGANIZATIONAL CHART



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

REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES	1 Current Year	2 Prior Year
2304. Amounts held under uninsured plans	580,023	
2305. Accured return retrospective premiums	99,247	39,673
2306. Private passenger auto escrow	13,075	
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	692,345	39,673

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT