ANNUAL STATEMENT

OF THE

THE FIRST LIBERTY
INSURANCE CORPORATION

of WEST DES MOINES

in the state of IOWA

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2008

PROPERTY AND CASUALTY

2008

33588200820100010

ANNUAL STATEMENT

For the Year Ended December 31, 2008
OF THE CONDITION AND AFFAIRS OF THE

The First Liberty Insurance Corporation

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

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

Country of Domicile United States of America

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

Statutory Home Office: 2829 Westown Parkway Suite 300 (Street and Number) , West Des Moines, IA 50265 (City or Town, State and Zip Code)

Main Administrative Office: 175 Berkeley Street (Street and Number)
Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (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 Website Address: www.LibertyMutual.com

Statutory Statement Contact: Joanne Connolly (Name) 617-357-9500 x44393 (Area Code) (Telephone Number) (Extension)
Joanne.Connolly@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

	Name	Title
1.	Edmund Francis Kelly	Chairman of the Board President & CEO
2.	Dexter Robert Legg	Vice President & Secretary
3.	Laurance Henry Soyer Yahia	Vice President & Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
James Paul Condrin, III	Vice President	Anthony Alexander Fontanes	Vice President & Assistant Treasurer
David Henry Long	Vice President	Dennis James Langwell	Vice President & CFO
Christopher Charles Mansfield	Vice President & Assistant Secretary	Gary Jay Ostrow	Vice President
John Derek Doyle	Vice President & Comptroller		

DIRECTORS OR TRUSTEES

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

Subscribed and sworn to before me this
2nd day of February , 2009

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	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	34,353,878		34,353,878	37,103,273
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	1,165,051		1,165,051	1,422,254
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)				
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 0, Schedule E - Part 1), cash equivalents ($ 1,989,692, Schedule E - Part 2), and short-term investments ($ 4,493,305, Schedule DA)	6,482,997		6,482,997	2,989,025
6. Contract loans (including $ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				10,490
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	42,001,926		42,001,926	41,525,042
11. Title plants less $ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	369,590		369,590	467,424
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,265,857	19,977	1,245,880	1,061,695
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)	2,426,714		2,426,714	2,750,482
13.3 Accrued retrospective premiums	532,417	53,245	479,172	510,790
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	234		234	210
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	58,000		58,000	714,592
17. Guaranty funds receivable or on deposit	42,898		42,898	38,936
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				
22. Health care ($ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	869,772	37,972	831,800	572,009
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	47,567,408	111,194	47,456,214	47,641,180
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	47,567,408	111,194	47,456,214	47,641,180

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	130,695	23,299	107,396	30,954
2302. Cash surrender value-life insurance	459,330		459,330	269,665
2303. Equities and deposits in pools and associations	47,486		47,486	42,471
2398. Summary of remaining write-ins for Line 23 from overflow page	232,261	14,673	217,588	228,919
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	869,772	37,972	831,800	572,009

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	16,606,950	16,593,890
2.	Reinsurance payable on paid losses and loss adjustment expenses	824,420	664,055
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	3,249,639	3,389,530
4.	Commissions payable, contingent commissions and other similar charges	126,593	177,825
5.	Other expenses (excluding taxes, licenses and fees)	423,412	465,350
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	338,371	330,291
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	83,665	166,237
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 $ 334,360,458 and including warranty reserves of $ 0)	4,374,334	4,846,758
10.	Advance premium	79,068	52,699
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	1,498	16,868
12.	Ceded reinsurance premiums payable (net of ceding commissions)		
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14.	Amounts withheld or retained by company for account of others	63,726	84,598
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	386,009	377,304
19.	Payable to parent, subsidiaries and affiliates	161,113	50,941
20.	Payable for securities	182	
21.	Liability for amounts held under uninsured plans		
22.	Capital notes $ 0 and interest thereon $ 0		
23.	Aggregate write-ins for liabilities	(937,846)	(1,315,762)
24.	Total liabilities excluding protected cell liabilities (Lines 1 through 23)	25,781,134	25,900,584
25.	Protected cell liabilities		
26.	Total liabilities (Lines 24 and 25)	25,781,134	25,900,584
27.	Aggregate write-ins for special surplus funds	1,262,084	1,250,165
28.	Common capital stock	3,600,000	3,600,000
29.	Preferred capital stock		
30.	Aggregate write-ins for other than special surplus funds		
31.	Surplus notes		
32.	Gross paid in and contributed surplus	7,400,000	7,400,000
33.	Unassigned funds (surplus)	9,412,996	9,490,431
34.	Less treasury stock, at cost:		
	34.1 0 shares common (value included in Line 28 $ 0)		
	34.2 0 shares preferred (value included in Line 29 $ 0)		
35.	Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	21,675,080	21,740,596
36.	Totals (Page 2, Line 26, Col. 3)	47,456,214	47,641,180

	DETAILS OF WRITE-IN LINES		
2301.	Other liabilities	512,190	219,373
2302.	Retroactive reinsurance reserve - ceded	(2,216,831)	(2,280,986)
2303.	Amounts held under uninsured plans	766,795	745,851
2398.	Summary of remaining write-ins for Line 23 from overflow page		
2399.	Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(937,846)	(1,315,762)
2701.	Special surplus from retroactive reinsurance	1,262,084	1,250,165
2702.			
2703.			
2798.	Summary of remaining write-ins for Line 27 from overflow page		
2799.	Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	1,262,084	1,250,165
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)	11,110,558	11,800,713
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	7,528,875	7,308,246
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,753,901	1,871,012
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	2,459,027	3,275,268
5.	Aggregate write-ins for underwriting deductions		
6.	Total underwriting deductions (Lines 2 through 5)	11,741,803	12,454,526
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(631,245)	(653,813)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,052,509	2,027,416
10.	Net realized capital gains (losses) less capital gains tax of $ 0 (Exhibit of Capital Gains (Losses))		19,074
11.	Net investment gain (loss) (Lines 9 + 10)	2,052,509	2,046,490
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 3,206 amount charged off $ 92,377)	(89,172)	(21,241)
13.	Finance and service charges not included in premiums	55,470	56,497
14.	Aggregate write-ins for miscellaneous income	(91,152)	(149,582)
15.	Total other income (Lines 12 through 14)	(124,854)	(114,326)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,296,410	1,278,351
17.	Dividends to policyholders	26,791	69,773
18.	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	1,269,619	1,208,578
19.	Federal and foreign income taxes incurred	332,500	420,890
20.	Net income (Line 18 minus Line 19) (to Line 22)	937,119	787,688
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	21,740,596	21,013,508
22.	Net income (from Line 20)	937,119	787,688
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (128,430)	(238,512)	(44,564)
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	(1,597,430)	138,005
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	851,738	(150,780)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in		
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		
36.	Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	(18,431)	(3,261)
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(65,516)	727,088
39.	Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	21,675,080	21,740,596

	DETAILS OF WRITE-IN LINES		
0501.			
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)		
1401.	Other income/(expense)	(103,292)	(163,017)
1402.	Retroactive reinsurance gain/(loss)	12,140	13,435
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(91,152)	(149,582)
3701.	Other changes in surplus	(18,431)	(3,261)
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(18,431)	(3,261)

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	10,879,689	11,924,092
2.	Net investment income	2,170,277	1,996,213
3.	Miscellaneous income	(197,503)	(539,760)
4.	Total (Lines 1 through 3)	12,852,463	13,380,545
5.	Benefit and loss related payments	7,283,178	6,099,752
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	4,420,893	4,883,415
8.	Dividends paid to policyholders	42,161	58,920
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	415,072	490,270
10.	Total (Lines 5 through 9)	12,161,304	11,532,357
11.	Net cash from operations (Line 4 minus Line 10)	691,159	1,848,188
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	9,768,565	9,685,151
	12.2 Stocks		
	12.3 Mortgage loans		
	12.4 Real estate		
	12.5 Other invested assets		
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
	12.7 Miscellaneous proceeds	10,672	
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	9,779,237	9,685,151
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	7,039,105	10,926,933
	13.2 Stocks	109,740	109,992
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets		
	13.6 Miscellaneous applications		8,368
	13.7 Total investments acquired (Lines 13.1 to 13.6)	7,148,845	11,045,293
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)	2,630,392	(1,360,142)
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes		
	16.2 Capital and paid in surplus, less treasury stock		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	172,421	352,412
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	172,421	352,412
	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)	3,493,972	840,458
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	2,989,025	2,148,567
	19.2 End of year (Line 18 plus Line 19.1)	6,482,997	2,989,025

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	255,429	137,107	134,270	258,266
2. Allied lines	126,198	61,972	63,190	124,980
3. Farmowners multiple peril	228			228
4. Homeowners multiple peril	1,377,823	922,682	655,830	1,644,675
5. Commercial multiple peril	234,036	122,770	124,725	232,081
6. Mortgage guaranty				
8. Ocean marine	39,020	18,996	16,308	41,708
9. Inland marine	703,342	39,966	40,441	702,867
10. Financial guaranty				
11.1 Medical malpractice—occurrence				
11.2 Medical malpractice—claims-made	1,387		335	1,052
12. Earthquake	50,327	20,178	20,470	50,035
13. Group accident and health	8			8
14. Credit accident and health (group and individual)				
15. Other accident and health	57		1	56
16. Workers' compensation	3,205,364	147,492	66,304	3,286,552
17.1 Other liability—occurrence	763,655	313,963	321,710	755,908
17.2 Other liability—claims-made	270,286	100,185	146,221	224,250
18.1 Products liability—occurrence	135,411	55,947	61,460	129,898
18.2 Products liability—claims-made	11,015	2,237	2,016	11,236
19.1,19.2 Private passenger auto liability	2,265,815	1,116,898	1,150,648	2,232,065
19.3,19.4 Commercial auto liability	423,765	184,854	161,690	446,929
21. Auto physical damage	695,231	804,825	823,818	676,238
22. Aircraft (all perils)	69,543	25,634	20,057	75,120
23. Fidelity	11,342	2,593	4,239	9,696
24. Surety	(169,689)	169,697	1	7
26. Burglary and theft	2,854	315	306	2,863
27. Boiler and machinery	2,785	1,823	1,089	3,519
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	156,205	14,662	14,495	156,372
32. Reinsurance-Nonproportional Assumed Liability	75,104	3,871	12,293	66,682
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	10,706,541	4,268,667	3,841,917	11,133,291

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	134,270				134,270
2. Allied lines	59,820	3,370			63,190
3. Farmowners multiple peril					
4. Homeowners multiple peril	655,830				655,830
5. Commercial multiple peril	84,480	40,245			124,725
6. Mortgage guaranty					
8. Ocean marine	11,403	4,905			16,308
9. Inland marine	38,405	2,036			40,441
10. Financial guaranty					
11.1 Medical malpractice—occurrence					
11.2 Medical malpractice—claims-made	333	2			335
12. Earthquake	20,317	153			20,470
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	1				1
16. Workers' compensation	546,080			(479,776)	66,304
17.1 Other liability—occurrence	343,113	7,028		(28,431)	321,710
17.2 Other liability—claims-made	83,747	62,475			146,222
18.1 Products liability—occurrence	72,017			(10,556)	61,461
18.2 Products liability—claims-made	2,016				2,016
19.1,19.2 Private passenger auto liability	1,150,648				1,150,648
19.3,19.4 Commercial auto liability	170,150	5,194		(13,654)	161,690
21. Auto physical damage	823,004	814			823,818
22. Aircraft (all perils)	20,057				20,057
23. Fidelity	4,077	163			4,240
24. Surety	1				1
26. Burglary and theft	306				306
27. Boiler and machinery	1,089				1,089
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property	14,495				14,495
32. Reinsurance-Nonproportional Assumed Liability	12,293				12,293
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	4,247,952	126,385		(532,417)	3,841,920
36. Accrued retrospective premiums based on experience					532,417
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					4,374,337

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	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	119,795	255,429		119,795		255,429
2. Allied lines	132,171	126,198		132,171		126,198
3. Farmowners multiple peril		228				228
4. Homeowners multiple peril	266,908,017	1,377,823		266,908,017		1,377,823
5. Commercial multiple peril	1,119,561	234,036		1,119,561		234,036
6. Mortgage guaranty						
8. Ocean marine	16,229	39,020		16,229		39,020
9. Inland marine	5,022,135	703,342		5,022,135		703,342
10. Financial guaranty						
11.1 Medical malpractice--occurrence						
11.2 Medical malpractice--claims-made		1,387				1,387
12. Earthquake	133,985	50,327		133,985		50,327
13. Group accident and health		8				8
14. Credit accident and health (group and individual)						
15. Other accident and health		57				57
16. Workers' compensation	109,195,209	3,205,364		109,195,209		3,205,364
17.1 Other liability—occurrence	1,191,879	763,655		1,191,879		763,655
17.2 Other liability—claims-made		270,286				270,286
18.1 Products liability—occurrence	328,044	135,411		328,044		135,411
18.2 Products liability—claims-made		11,015				11,015
19.1,19.2 Private passenger auto liability	183,969,231	2,265,815		183,969,231		2,265,815
19.3,19.4 Commercial auto liability	6,741,445	423,765		6,741,445		423,765
21. Auto physical damage	130,436,423	695,231		130,436,423		695,231
22. Aircraft (all perils)		69,543				69,543
23. Fidelity	12,729	11,342		12,729		11,342
24. Surety		(169,689)				(169,689)
26. Burglary and theft	3,552	2,854		3,552		2,854
27. Boiler and machinery		2,785				2,785
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X	156,205				156,205
32. Reinsurance-Nonproportional Assumed Liability	X X X	75,104				75,104
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	705,330,405	10,706,541		705,330,405		10,706,541

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 [X] No [ ]

If yes: 1. The amount of such installment premiums $ 110,881,546

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $ 116,627,363

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	45,370	155,608	45,370	155,608	252,447	69,152	338,903	131.222
2. Allied lines	449,483	78,324	449,483	78,324	51,316	37,496	92,144	73.727
3. Farmowners multiple peril		431		431	80	23	488	214.035
4. Homeowners multiple peril	139,278,665	1,073,621	139,278,665	1,073,621	545,870	422,804	1,196,687	72.761
5. Commercial multiple peril	664,676	189,240	664,676	189,240	331,732	263,470	257,502	110.954
6. Mortgage guaranty								
8. Ocean marine	12,955	18,458	12,955	18,458	72,799	46,085	45,172	108.305
9. Inland marine	1,329,657	473,409	1,329,657	473,409	108,648	104,946	477,111	67.881
10. Financial guaranty								
11.1 Medical malpractice—occurrence		142		142	591	343	390	
11.2 Medical malpractice—claims-made		5		5	637		642	61.027
12. Earthquake		1		1	(76)	254	(329)	(0.658)
13. Group accident and health		601		601	2,874	3,055	420	5250.000
14. Credit accident and health (group and individual)								
15. Other accident and health		346		346	2,218	2,402	162	289.286
16. Workers' compensation	45,689,721	2,669,773	45,689,721	2,669,773	9,447,563	9,734,927	2,382,409	72.490
17.1 Other liability—occurrence	700,048	417,808	700,048	417,808	1,980,886	2,039,504	359,190	47.518
17.2 Other liability—claims-made		49,970		49,970	336,131	332,459	53,642	23.921
18.1 Products liability—occurrence		23,997		23,997	412,914	409,234	27,677	21.307
18.2 Products liability—claims-made		454		454	18,900	14,217	5,137	45.719
19.1,19.2 Private passenger auto liability	99,474,330	1,382,175	99,474,330	1,382,175	1,793,643	1,775,075	1,400,743	62.755
19.3,19.4 Commercial auto liability	4,047,415	303,740	4,047,415	303,740	659,808	666,959	296,589	66.362
21. Auto physical damage	71,550,300	377,792	71,550,300	377,792	8,902	(5,844)	392,538	58.047
22. Aircraft (all perils)		39,600		39,600	81,425	70,731	50,294	66.952
23. Fidelity		2,892		2,892	12,902	10,474	5,320	54.868
24. Surety		105,438		105,438	1,703	107,062	79	1128.571
26. Burglary and theft		86		86	57	(35)	178	6.217
27. Boiler and machinery		6		6	(577)	(287)	(284)	(8.070)
28. Credit					2	7	(5)	
29. International								
30. Warranty					14		14	
31. Reinsurance-Nonproportional Assumed Property	X X X	39,331		39,331	102,710	85,856	56,185	35.930
32. Reinsurance-Nonproportional Assumed Liability	X X X	47,833		47,833	376,336	398,741	25,428	38.133
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	1,111		1,111	4,494	4,780	825	
34. Aggregate write-ins for other lines of business								
35. TOTALS	363,242,620	7,452,192	363,242,620	7,452,192	16,606,949	16,593,890	7,465,251	67.053

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		207,056		207,056	16,550	45,391	16,550	252,447	14,166
2. Allied lines	11,344	31,416	11,344	31,416	46,094	19,901	46,094	51,317	4,875
3. Farmowners multiple peril		80		80				80	93
4. Homeowners multiple peril	42,662,435	313,079	42,662,435	313,079	23,856,854	232,791	23,856,854	545,870	102,900
5. Commercial multiple peril	507,469	256,409	507,469	256,409	526,068	75,324	526,068	331,733	111,553
6. Mortgage guaranty									
8. Ocean marine		46,277		46,277	5,016	26,522	5,016	72,799	10,447
9. Inland marine	119,436	29,084	119,436	29,084	122,348	79,564	122,348	108,648	10,719
10. Financial guaranty									
11.1 Medical malpractice—occurrence		289		289		302		591	17
11.2 Medical malpractice—claims-made						637		637	
12. Earthquake		173		173	45	(249)	45	(76)	34
13. Group accident and health		1,010		1,010		1,864		(a) 2,874	238
14. Credit accident and health (group and individual)									
15. Other accident and health		133		133		2,085		(a) 2,218	95
16. Workers' compensation	74,350,332	5,289,852	74,350,332	5,289,852	127,860,937	4,157,711	127,860,937	9,447,563	1,190,452
17.1 Other liability—occurrence	911,668	904,078	911,668	904,078	905,921	1,076,808	905,921	1,980,886	815,941
17.2 Other liability—claims-made		80,592		80,592		255,539		336,131	134,083
18.1 Products liability—occurrence	1,000	103,964	1,000	103,964	253,284	308,950	253,284	412,914	224,982
18.2 Products liability—claims-made		144		144		18,756		18,900	8,997
19.1,19.2 Private passenger auto liability	67,017,160	1,131,026	67,017,160	1,131,026	65,171,358	662,617	65,171,358	1,793,643	400,650
19.3,19.4 Commercial auto liability	3,534,650	345,247	3,534,650	345,247	2,741,500	314,561	2,741,500	659,808	118,559
21. Auto physical damage		1,025		1,025	144,492	7,877	144,492	8,902	52,954
22. Aircraft (all perils)		51,455		51,455		29,971		81,426	23,888
23. Fidelity		1,822		1,822	17,407	11,080	17,407	12,902	1,996
24. Surety		864		864	40	839	40	1,703	(95)
26. Burglary and theft		24		24	929	32	929	56	1,271
27. Boiler and machinery		36		36		(613)		(577)	96
28. Credit						2		2	
29. International									
30. Warranty						14		14	
31. Reinsurance-Nonproportional Assumed Property	X X X	50,737		50,737	X X X	51,973		102,710	2,446
32. Reinsurance-Nonproportional Assumed Liability	X X X	129,322		129,322	X X X	247,015		376,337	17,579
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	4,350		4,350	X X X	145		4,495	703
34. Aggregate write-ins for other lines of business									
35. TOTALS	189,115,494	8,979,544	189,115,494	8,979,544	221,668,843	7,627,409	221,668,843	16,606,953	3,249,639

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	23,673,113			23,673,113
1.2 Reinsurance assumed	853,905			853,905
1.3 Reinsurance ceded	23,673,113			23,673,113
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	853,905			853,905
2. Commission and brokerage:				
2.1 Direct, excluding contingent		15,884,786		15,884,786
2.2 Reinsurance assumed, excluding contingent		(398,141)		(398,141)
2.3 Reinsurance ceded, excluding contingent		15,884,788		15,884,788
2.4 Contingent—direct		1,394,370		1,394,370
2.5 Contingent—reinsurance assumed		74,957		74,957
2.6 Contingent—reinsurance ceded		1,394,370		1,394,370
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)		(323,186)		(323,186)
3. Allowances to manager and agents		99,712		99,712
4. Advertising	19,263	191,695	107	211,065
5. Boards, bureaus and associations	2,821	22,793	3	25,617
6. Surveys and underwriting reports	178	30,760	53	30,991
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	500,510	1,112,856	9,904	1,623,270
8.2 Payroll taxes	29,029	69,501	553	99,083
9. Employee relations and welfare	76,167	182,795	562	259,524
10. Insurance	30,359	10,087	19	40,465
11. Directors' fees	1	188		189
12. Travel and travel items	36,500	94,437	189	131,126
13. Rent and rent items	39,435	91,828	222	131,485
14. Equipment	29,611	72,411	202	102,224
15. Cost or depreciation of EDP equipment and software	6,241	45,651	66	51,958
16. Printing and stationery	5,651	20,814	27	26,492
17. Postage, telephone and telegraph, exchange and express	21,894	67,699	74	89,667
18. Legal and auditing	3,580	19,644	923	24,147
19. Totals (Lines 3 to 18)	801,240	2,132,871	12,904	2,947,015
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 8,387		420,372		420,372
20.2 Insurance department licenses and fees		14,566		14,566
20.3 Gross guaranty association assessments		7,141		7,141
20.4 All other (excluding federal and foreign income and real estate)		16,405		16,405
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		458,484		458,484
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	98,756	190,856	1,237	290,849
25. Total expenses incurred	1,753,901	2,459,025	14,141	(a) 4,227,067
26. Less unpaid expenses—current year	3,249,639	888,376		4,138,015
27. Add unpaid expenses—prior year	3,389,530	973,466		4,362,996
28. Amounts receivable relating to uninsured plans, prior year		210		210
29. Amounts receivable relating to uninsured plans, current year		234		234
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,893,792	2,544,139	14,141	4,452,072

DETAILS OF WRITE-IN LINES				
2401. Change in unallocated expense reserves	60,210			60,210
2402. Other expenses	38,546	190,856	1,237	230,639
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	98,756	190,856	1,237	290,849

(a) Includes management fees of $ 14,054 to affiliates and $ 118,218 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 709,273	637,646
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 1,177,341	1,174,047
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	101,127	110,809
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) 197,764	165,169
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	(21,021)	(21,021)
10.	Total gross investment income	2,164,484	2,066,650
11.	Investment expenses		(g) 14,141
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)		14,141
17.	Net investment income (Line 10 minus Line 16)		2,052,509

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/Expense	(21,021)	(21,021)
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)	(21,021)	(21,021)
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		

(a) Includes $ 24,604 accrual of discount less $ 44,539 amortization of premium and less $ 52,273 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 $ 806 accrual of discount less $ 6,764 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					
1.2	Other bonds (unaffiliated)					
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)				(366,942)	
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)				(366,942)	

	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)					

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	19,977	47,017	27,040
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due		5	5
13.3 Accrued retrospective premiums	53,245	67,256	14,011
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans		3,212	3,212
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset		812,408	812,408
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	37,972	34,841	(3,131)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	111,194	964,739	853,545
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	111,194	964,739	853,545

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	23,299	21,408	(1,891)
2302. Amounts receivable under high deductible policies	14,673	13,433	(1,240)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	37,972	34,841	(3,131)

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the Iowa Insurance Commissioner, the accompanying financial statements of The First Liberty Insurance Corporation (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office ("SVO Manual").
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount or market as specified by the SVO Manual.
3. Common stocks are carried at market value.
4. The Company does not own preferred stocks.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled, or affiliated entities.
8. The Company has no investments in joint ventures, limited partnerships, or limited liability companies.
9. Derivative Securities, refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53*, Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2008.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.

2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

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

The Company does not have any open securities lending positions at the end of 2008.

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

Note 8- Derivative Instruments

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

NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Taxes

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

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	1,340,000	1,673,000	(333,000)
Total of deferred tax liabilities	(1,282,000)	(146,000)	(1,136,000)
Net deferred tax asset (liability)	58,000	1,527,000	(1,469,000)
Net deferred tax asset non-admitted	0	(812,408)	812,408
Net admitted deferred tax asset (liability)	58,000	714,592	(656,592)

B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.

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

	2008	2007
Federal tax on operations	332,500	420,890
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	332,500	420,890
Tax on capital gains	0	10,271
Total income tax incurred	332,500	431,161

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, unrealized gains/losses and statutory non-admitted assets.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	(1,597,430)
Tax effect of unrealized (gains) losses	128,430
Total change in net deferred income tax	(1,469,000)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of limits on unearned premium reserve deductions, discounting of unpaid loss and LAE reserves, partnership investments, and depreciation.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is $215,000 from the current year and $493,000 from the preceding year.

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

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
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*
Avomark Insurance Company
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.*
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
Missouri Agency, Inc.
North Pacific Insurance Company
OCASCO Budget, Inc.

NOTES TO FINANCIAL STATEMENTS

Companies Agency Insurance Services of California (dissolved 8/15/2008)
Companies Agency of Alabama, Inc. (dissolved 8/18/2008)
Companies Agency of Georgia, Inc. (dissolved 8/15/2008)
Companies Agency of Kentucky, Inc. (dissolved 8/14/2008)
Companies Agency of Massachusetts, Inc. (dissolved 8/29/08)
Companies Agency of Michigan, Inc. (dissolved 8/15/2008)
Companies Agency of New York, Inc.
Companies Agency of Pennsylvania, Inc.
Companies Agency of Phoenix, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Countrywide Services Corporation (dissolved 10/17/2008)
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*
Florida State Agency, Inc.
General America Corporation*
General America Corporation of Texas *
General Insurance Company of America*
Globe American Casualty Company
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
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters, 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
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Casualty of New Jersey, Inc.
Ohio Life Brokerage Services, Inc.
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*
San Diego Insurance Company
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
The Ohio Casualty Insurance Company
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Service Corporation
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 2008 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 Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.

B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.

C. Refer to Note 25.

D. At December 31, 2008, the Company reported $161,113 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

NOTES TO FINANCIAL STATEMENTS

E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. See Note 25 for information regarding the Inter-Company Reinsurance Agreement.

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

There is an "Agent-Company Agreement" between the Company and Helmsman Insurance Agency, Inc. ("Helmsman") whereby Helmsman provides agent commission payments, accounting, office services and other services under the terms of the "Agent-Company Agreement".

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

G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.

H. The Company does not own shares of 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 subsidiary, controlled or affiliated companies.

J. Impairment of subsidiaries

Refer to 10 I

K. Investment in foreign insurance subsidiaries.

Refer to 10 I

L. Investment in downstream non-insurance holding companies.

Refer to 10 I

Note 11- Debt

Not applicable.

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

The Company's eligible direct employees are included in the U.S. Liberty Mutual Retirement Benefit Plan, which is a defined benefit plan; the Supplemental Income at Retirement Plan, which has both a defined benefit component and a defined contribution component; and the Thrift Incentive Plan, which is a defined contribution plan. The Company's eligible direct employees are also included in the Liberty postretirement health and life insurance benefit plans. Each of these plans is sponsored by the holding company, Liberty Mutual Group Inc. ("LMGI"). Accordingly, these plans' assets and obligations are not disclosed in this note. The costs for these plans are allocated by LMGI to LMIC, pursuant to an Employee Benefit Plans Cost-Sharing Agreement, and a portion of the costs, in turn, are allocated to the Company through the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 25.

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

1. Common Stock

The Company has 30,000 shares authorized, issued, and outstanding as of December 31, 2008. All shares have a stated par value of $120.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The Company did not pay a dividend to its parent during 2008.

5. The maximum amount of dividends which can be paid by Iowa-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of policyholders' surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2009 is $2,167,508.

6. As of December 31, 2008, the Company has pre-tax restricted surplus of $1,262,084 resulting from retroactive reinsurance contracts.

NOTES TO FINANCIAL STATEMENTS

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 retroactive reinsurance contracts during 2008.

10. The portion of unassigned funds (surplus) represented by cumulative unrealized capital loss is ($252,567) after applicable deferred taxes of $135,998.

11. Surplus Notes

    Not applicable

12. Quasi re-organization (dollar impact)

    Not applicable

13. Quasi re-organization (effective date)

    Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of $268,298 that is offset by future premium tax credits of $42,898. 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 2008.

During 2008 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	$24,082

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

NOTES TO FINANCIAL STATEMENTS

qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

Note 15- Leases

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

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

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2009	$60,090	$106,583
2010	26,305	100,051
2011	14,576	61,087
2012	14,536	41,058
2013	14,497	27,191
2014 & thereafter	10,835	185,640
Total	$140,839	$521,610

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

Not applicable

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

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

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

A. Transfers of Receivables reported as sales:

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

B. Transfers and servicing of financial assets:

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

C. Wash Sales

The Company did not have any wash 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

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was $1,064. Claim payment volume was $80,011.

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

NOTES TO FINANCIAL STATEMENTS

C. Other Disclosures

1) Florida Special Disability Trust Fund

a) The amount of credit taken by the Company in determination of its loss reserves was $0 in 2008 and 2007.

b) The Company reported loss recoveries from the Special Disability Trust Fund of $5,887 in 2008 and $14,550 in 2007.

c) The amount the Company was assessed by the Special Disability Trust Fund was $529,508 in 2008 and $829,598 in 2007.

2) Assets in the amount of $9,838,950 and $9,722,522 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

G. Sub-Prime Lending

The company does not have exposure to sub-prime mortgage related risk.

H. The Company has not entered into Federal Home Loan Bank Agreements.

Note 21- Events Subsequent

There were no events subsequent to December 31, 2008 that would require disclosure.

Note 22- Reinsurance

A. Excluding amounts arising pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of the Company's policyholder's surplus.

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

C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2008.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	$4,374,334	$85,230	$334,360,458	$8,191,150	$(329,986,124)	$(8,105,920)
All Other	0	0	0	0	0	0
Total	$4,374,334	$85,230	$334,360,458	$8,191,150	$(329,986,124)	$(8,105,920)

Direct Unearned Premium Reserve: $334,360,458

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2008 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	$0	$80,004	$0	$80,004
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(195,000)	0	(195,000)
Totals	$0	$(114,996)	$0	$(114,996)

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

D. The Company has not written off any uncollectible balances in the current year.

E. The Company has not recorded any commutations in the current year.

NOTES TO FINANCIAL STATEMENTS

F. The Company has one assumed retroactive contract as a result of the Inter-Company Reinsurance Agreement with LMIC.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	$(2,294,157)	$0
	2. Adjustment – Prior Year(s)	208,171	0
	3. Adjustment – Current Year	64,155	0
	4. Total	$(2,021,831)	$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	$(1,077,021)	$0
	2. Adjustment – Prior Year(s)	(52,380)	0
	3. Adjustment – Current Year	0	0
	4. Total	$(1,129,401)	$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	$(36,274)	$0
	2. Adjustment – Prior Year(s)	(265,928)	0
	3. Adjustment – Current Year	(82,274)	0
	4. Total	$(384,476)	$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	$1,253,410	$0
	2. Adjustment – Prior Year(s)	5,377	0
	3. Adjustment – Current Year	18,119	0
	4. Total	1,262,084	0
	5. Cumulative Total Transferred To Unassigned Funds	$14,822	$0
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	$(2,021,831)	$0

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

G. There are no contracts recorded as deposit accounting.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment.

B. The Company records accrued retrospective premium as an adjustment to earned premium.

C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.

D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated as non-admitted and charged to surplus.

Total accrued retro premium	$532,417
Less: Non-admitted amount	53,245
Admitted amount	$479,172

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expenses attributable to insured events in prior years decreased slightly in 2008, primarily as a result of a decrease in incurred losses and loss adjustment expenses in the property and auto liability lines of business. Original estimates are revised as additional information becomes known regarding individual claims.

Note 25- Inter-Company Pooling Arrangements

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

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	75.90%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	10.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	3.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LMC)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FST)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines

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

(a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.

(b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.

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

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

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

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

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

(h) At December 31, 2008, the Company had $416,000 due to the lead company in the Liberty Pool.

Note 26- Structured Settlements

A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of $1,087,957 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $1,087,957 as of December 31, 2008.

B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
The Prudential Insurance Company of America Newark, New Jersey	Yes	$531,372
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	$325,854

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 29 – Premium Deficiency Reserves

As of December 31, 2008, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

Note 30- High Dollar Deductible Policies

As of December 31, 2008, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was $4,690,000 and the amount billed and recoverable on paid claims was $232,261.

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, 2008 liabilities subject to discount were carried at a value representing a discount of $1,060,465 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. In establishing the Company's asbestos and environmental reserves, the Company estimates case basis reserves for anticipated losses and bulk reserves for loss adjustment expenses and incurred but not reported losses. The Company maintained casualty excess of loss reinsurance during the relevant periods. The reserves are reported net of expected recoveries from reinsurers and include any reserves reported by ceding reinsurers on assumed reinsurance contracts.

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

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

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

In the last few years the Company, as well as the industry generally, has seen decreases in the number of asbestos claims being filed. This turn to a more favorable trend is due to a number of factors. Screening activity used by some lawyers to find new plaintiffs has been as a result of questionable practices discovered in the Federal Silica Multi District Litigation. Court decisions in several key states (e.g., Mississippi) have been favorable to defendants. Most 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

NOTES TO FINANCIAL STATEMENTS

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:

	2004	2005	2006	2007	2008
Direct Basis					
Beginning Reserves	1,578,429	1,702,463	1,998,251	1,849,760	1,682,307
Incurred losses and LAE	412,074	554,239	100,519	231,202	142,644
Calendar year payments	288,040	258,451	249,010	398,655	261,779
Ending Reserves	1,702,463	1,998,251	1,849,760	1,682,307	1,563,172
Assumed Reinsurance Basis					
Beginning Reserves	262,259	489,591	513,880	543,463	708,252
Incurred losses and LAE	262,040	54,444	48,811	191,647	(7,572)
Calendar year payments	34,708	30,155	19,228	26,858	30,142
Ending Reserves	489,591	513,880	543,463	708,252	670,538
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,124,589	951,468	1,042,356	897,022	797,335
Incurred losses and LAE	3,532	219,369	12,204	85,126	14,244
Calendar year payments	176,653	128,481	157,538	184,813	152,222
Ending Reserves	951,468	1,042,356	897,022	797,335	659,357

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	872,212
Assumed Reinsurance Basis	533,187
Net of Ceded Reinsurance Basis	342,738
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	525,527
Assumed Reinsurance Basis	4,215
Net of Ceded Reinsurance Basis	135,703

Environmental:	2004	2005	2006	2007	2008
Direct Basis					
Beginning Reserves	321,705	710,180	685,997	505,514	450,874
Incurred losses and LAE	460,123	158,566	47,851	5,881	6,837
Calendar year payments	71,648	182,749	228,334	60,521	84,469
Ending Reserves	710,180	685,997	505,514	450,874	373,242
Assumed Reinsurance Basis					
Beginning Reserves	55,917	70,886	52,321	47,947	40,855
Incurred losses and LAE	20,338	(12,230)	881	1,475	3,590
Calendar year payments	5,369	6,335	5,255	8,567	3,704
Ending Reserves	70,886	52,321	47,947	40,855	40,741
Net of Ceded Reinsurance Basis					
Beginning Reserves	257,738	526,714	426,822	395,366	363,636
Incurred losses and LAE	315,986	509	20,201	9,819	(13)
Calendar year payments	47,010	100,401	51,657	41,549	52,036
Ending Reserves	526,714	426,822	395,366	363,636	311,587

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	234,508
Assumed Reinsurance Basis	24,704
Net of Ceded Reinsurance Basis	207,992
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	161,701
Assumed Reinsurance Basis	573
Net of Ceded Reinsurance Basis	112,910

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

NOTES TO FINANCIAL STATEMENTS

Note 34 - Multiple Peril Crop Insurance

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? Iowa

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/24/2006

3.4 By what department or departments?
Iowa Insurance Division

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]

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

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?

Robert T. Muleski
175 Berkeley Street, Boston, MA 02116
Officer of Liberty Mutual Insurance Company

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

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value $

11.2 If yes, provide explanation:

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).
Liberty Mutual Group's Code of Business Ethics and Conduct was revised effective March 2008. It continues to contain all substantive areas of company policy and requirements included in the prior Code, but has been rewritten to enhance clarity and readability and provide additional practical guidance. This applies to all Liberty Mutual Group companies.

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	$
19.22	Borrowed from others	$
19.23	Leased from others	$
19.24	Other	$

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	$
20.22	Amount paid as expenses	$
20.23	Other amounts paid	$

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

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

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)
The Company has a Securities Lending Agreement to generate additional income, whereby certain fixed income and mortgage backed securities can be loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. There are no outstanding loans as of 12/31/2008

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ]

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

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

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	$
23.22	Subject to reverse repurchase agreements	$
23.23	Subject to dollar repurchase agreements	$
23.24	Subject to reverse dollar repurchase agreements	$
23.25	Pledged as collateral	$
23.26	Placed under option agreements	$
23.27	Letter stock or securities restricted as to sale	$
23.28	On deposit with state or other regulatory body	$ 9,838,950
23.29	Other	$ 0

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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. $ ____________

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 Metro Tech Cntr, 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 [ ] No [X]

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

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

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 [X] No [ ]

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#-10-0	LMIA HIGH YIELD FUND	1,165,051
		0
		0
27.2999 TOTAL		1,165,051

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
LMIA HIGH YIELD FUND	J P. MORGAN PRIME-CAPITA	75,282	12/31/2008
LMIA HIGH YIELD FUND	ALLIED WASTE NORTH AMER	32,455	12/31/2008
LMIA HIGH YIELD FUND	DRS TECHNOLOGIES INC	24,540	12/31/2008
LMIA HIGH YIELD FUND	MULTIPLAN INC	22,027	12/31/2008
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CR	19,306	12/31/2008
LMIA HIGH YIELD FUND	WILLIAMS PARTNERS LP/WIL	19,038	12/31/2008

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	40,836,876	40,447,313	(389,563)
28.2 Preferred stocks	0	0	0
28.3 Totals	40,836,876	40,447,313	(389,563)

28.4 Describe the sources or methods utilized in determining the fair values:
IDC, Bloomberg, NAIC-SVO, Broker Quotes, Analytically Determined.

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

29.2 If no, list exceptions:

OTHER

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

30.2 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

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

GENERAL INTERROGATORIES

31.2 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

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, 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 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. $

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

1.31 Reason for excluding

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

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $

1.62 Total incurred claims $

1.63 Number of covered lives

All years prior to most current three years:

1.64 Total premium earned $

1.65 Total incurred claims $

1.66 Number of covered lives

1.7 Group policies:

Most current three years:

1.71 Total premium earned $

1.72 Total incurred claims $

1.73 Number of covered lives

All years prior to most current three years:

1.74 Total premium earned $

1.75 Total incurred claims $

1.76 Number of covered lives

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 65	$ 99
2.2	Premium Denominator	$ 11,110,558	$ 11,800,713
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 5,425	$ 5,801
2.5	Reserve Denominator	$ 25,055,344	$ 25,494,234
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 $

3.22 Non-participating policies $

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?

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

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

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

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [X]

5.5 If yes, give full information

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:

In 2008, the Company purchased a Workers Compensation Catastrophe Treaty with limits of $400M part of $500M xs $700M.

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 v7.0 from RMS and AIR Clasic/2 v 8.0. For WC, Liberty Mutual utilizes RiskLink v7.0 from RMS.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
The Company has in force $2.006B part of $2.35B xs $650M of traditional & collateralized XOL reins. and also maintained $805M of ILW triggered reins. covering peak zones, mainly through the issuance of Cat Bonds. Also, in Dec 2008 the Company purchased a 31.725% QS treaty for its US HO portfolio.

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. 2

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [X]

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 31 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 [ ]

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 [ ]

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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 $ 2,598,853

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 528,454

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? $ 184,208

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 4.00

12.42 To 6.00

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 $ 8,405,510

12.62 Collateral and other funds $ 528,962

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 51,263

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 [X] No [ ]

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

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

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

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

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

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]
If yes, disclose the following information for each of the following types of warranty coverage:

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

* 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	$
17.12 Unfunded portion of Interrogatory 17.11	$
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$
17.14 Case reserves portion of Interrogatory 17.11	$
17.15 Incurred but not reported portion of Interrogatory 17.11	$
17.16 Unearned premium portion of Interrogatory 17.11	$
17.17 Contingent commission portion of Interrogatory 17.11	$

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

17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$
17.19 Unfunded portion of Interrogatory 17.18	$
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	$
17.21 Case reserves portion of Interrogatory 17.18	$
17.22 Incurred but not reported portion of Interrogatory 17.18	$
17.23 Unearned premium portion of Interrogatory 17.18	$
17.24 Contingent commission portion of Interrogatory 17.18	$

FIVE – YEAR HISTORICAL DATA

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

	1 2008	2 2007	3 2006	4 2005	5 2004
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	308,502,506	305,815,108	287,136,082	225,477,013	201,004,287
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	137,681,442	127,383,792	117,850,290	104,110,953	75,559,299
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	269,767,242	239,226,200	188,919,706	133,430,919	74,197,962
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(145,553)	302,354	250,877	200,744	137,643
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	231,309	187,616	114,714	82,052	120,958
6. Total (Line 35)	716,036,946	672,915,070	594,271,669	463,301,681	351,020,149
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	7,076,698	7,853,543	7,591,870	6,987,663	6,540,004
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,833,381	1,838,551	1,955,454	1,803,807	1,750,727
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,723,435	1,971,641	1,953,135	1,522,900	1,380,395
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(158,282)	298,228	248,958	199,668	136,698
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	231,309	187,616	114,714	82,052	120,958
12. Total (Line 35)	10,706,541	12,149,579	11,864,131	10,596,090	9,928,782
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(631,245)	(653,813)	(358,426)	(783,850)	(743,941)
14. Net investment gain (loss) (Line 11)	2,052,509	2,046,490	1,899,791	1,924,634	1,965,063
15. Total other income (Line 15)	(124,854)	(114,326)	(88,351)	(124,567)	(183,129)
16. Dividends to policyholders (Line 17)	26,791	69,773	51,028	36,108	39,433
17. Federal and foreign income taxes incurred (Line 19)	332,500	420,890	661,114	357,682	296,265
18. Net income (Line 20)	937,119	787,688	740,872	622,427	702,295
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	47,456,214	47,641,180	45,620,600	41,986,665	40,250,068
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	1,245,880	1,061,695	823,107	699,342	671,389
20.2 Deferred and not yet due (Line 13.2)	2,426,714	2,750,482	2,752,816	2,069,783	1,915,779
20.3 Accrued retrospective premiums (Line 13.3)	479,172	510,790	695,816	704,100	766,829
21. Total liabilities excluding protected cell business (Page 3, Line 24)	25,781,134	25,900,584	24,607,092	21,610,953	20,583,539
22. Losses (Page 3, Line 1)	16,606,950	16,593,890	15,292,424	14,207,137	13,390,241
23. Loss adjustment expenses (Page 3, Line 3)	3,249,639	3,389,530	3,134,723	2,909,746	2,554,020
24. Unearned premiums (Page 3, Line 9)	4,374,334	4,846,758	4,683,768	4,199,301	4,033,919
25. Capital paid up (Page 3, Lines 28 & 29)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	21,675,080	21,740,596	21,013,508	20,375,712	19,666,529
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	691,159	1,848,188	3,302,613	1,653,745	837,137
Risk-Based Capital Analysis					
28. Total adjusted capital	21,675,080	21,740,596	21,013,508	20,375,712	19,666,529
29. Authorized control level risk-based capital	1,443,415	1,674,524	1,477,665	1,311,180	1,365,315
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)	81.8	89.4	91.0	89.3	92.2
31. Stocks (Lines 2.1 & 2.2)	2.8	3.4	3.5	3.5	3.5
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)	15.4	7.2	5.5	7.2	4.0
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)		0.0	0.0		0.3
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 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					
43. Affiliated short-term investments (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 2008	2 2007	3 2006	4 2005	5 2004
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(238,512)	(44,564)	7,755	(37,549)	18,168
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	(65,516)	727,088	637,796	709,183	683,639
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	154,759,578	142,160,826	120,793,625	94,650,805	80,706,981
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	74,460,030	67,798,714	59,765,486	54,067,265	36,996,215
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	141,277,652	87,825,375	86,107,684	62,038,239	43,254,165
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	109,277	31,891	16,384	53,160	508,604
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	88,275	107,245	152,130	109,279	4,973
56. Total (Line 35)	370,694,812	297,924,051	266,835,309	210,918,748	161,470,938
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	4,848,064	4,014,854	3,742,266	3,737,061	4,060,750
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,085,220	1,000,008	1,129,319	919,584	776,025
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,321,356	891,242	833,475	964,647	893,938
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	109,277	31,891	16,384	53,160	508,604
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	88,275	107,245	152,130	109,279	4,973
62. Total (Line 35)	7,452,192	6,045,240	5,873,574	5,783,731	6,244,290
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)	67.8	61.9	61.1	63.8	66.5
65. Loss expenses incurred (Line 3)	15.8	15.9	15.3	18.8	16.3
66. Other underwriting expenses incurred (Line 4)	22.1	27.8	26.8	24.9	24.9
67. Net underwriting gain (loss) (Line 8)	(5.7)	(5.5)	(3.2)	(7.6)	(7.7)
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	24.1	27.9	26.4	25.6	26.1
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	83.5	77.8	76.4	82.6	82.8
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)	49.4	55.9	56.5	52.0	50.5
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)	(334)	313	499	515	336
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)	(1.5)	1.5	2.4	2.6	1.8
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)	237	1,131	1,349	1,339	1,640
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)	1.1	5.6	6.9	7.1	8.8

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 1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss and Loss Expense Payments: Loss Payments 4 Direct and Assumed	5 Ceded	Defense and Cost Containment Payments 6 Direct and Assumed	7 Ceded	Adjusting and Other Payments 8 Direct and Assumed	9 Ceded	10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	12 Number of Claims Reported - Direct and Assumed
1. Prior	X X X	X X X	X X X	758	243	224	68	41	(1)	4	713	X X X
2. 1999	8,694	1,358	7,336	7,419	1,077	644	87	789	16	247	7,672	X X X
3. 2000	9,145	1,600	7,545	7,339	1,327	614	96	761	16	192	7,275	X X X
4. 2001	9,461	1,664	7,797	7,188	1,706	567	96	725	13	235	6,665	X X X
5. 2002	10,738	2,197	8,541	6,748	1,440	514	77	818	10	360	6,553	X X X
6. 2003	11,924	2,911	9,013	6,066	1,354	476	51	870	13	373	5,994	X X X
7. 2004	12,278	3,252	9,026	5,778	1,528	412	73	853	47	361	5,395	X X X
8. 2005	12,503	2,996	9,507	6,584	1,991	357	71	850	64	341	5,665	X X X
9. 2006	13,558	3,175	10,383	5,116	978	278	31	867	68	327	5,184	X X X
10. 2007	14,416	3,591	10,825	4,969	1,193	208	28	796	83	332	4,669	X X X
11. 2008	15,365	4,254	11,111	4,200	1,225	98	11	869	68	204	3,863	X X X
12. Totals	X X X	X X X	X X X	62,165	14,062	4,392	689	8,239	397	2,976	59,648	X X X

	Losses Unpaid: Case Basis 13 Direct and Assumed	14 Ceded	Bulk + IBNR 15 Direct and Assumed	16 Ceded	Defense and Cost Containment Unpaid: Case Basis 17 Direct and Assumed	18 Ceded	Bulk + IBNR 19 Direct and Assumed	20 Ceded	Adjusting and Other Unpaid 21 Direct and Assumed	22 Ceded	23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
1. Prior	4,753	1,372	2,273	1,518	261	213	953	408	118		41	4,847	X X X
2. 1999	352	93	115	82	7	2	29	10	12		3	328	X X X
3. 2000	366	133	161	117	7	1	35	16	12		5	314	X X X
4. 2001	400	158	210	158	11	5	54	26	13		8	341	X X X
5. 2002	405	237	312	254	18	10	70	20	14		13	298	X X X
6. 2003	417	169	622	263	14	6	75	27	17		20	680	X X X
7. 2004	491	152	706	211	16	4	152	29	50		19	1,019	X X X
8. 2005	711	239	906	361	22	5	180	36	39	7	25	1,210	X X X
9. 2006	950	213	1,292	406	34	5	332	58	85	1	40	2,010	X X X
10. 2007	1,364	269	1,992	458	41	5	520	90	181	3	70	3,273	X X X
11. 2008	2,282	475	3,681	815	42	8	598	81	316	5	213	5,535	X X X
12. Totals	12,491	3,510	12,270	4,643	473	264	2,998	801	857	16	457	19,855	X X X

	Total Losses and Loss Expenses Incurred 26 Direct and Assumed	27 Ceded	28 Net	Loss and Loss Expense Percentage (Incurred/Premiums Earned) 29 Direct and Assumed	30 Ceded	31 Net	Nontabular Discount 32 Loss	33 Loss Expense	34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount 35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	4,136	711
2. 1999	9,367	1,367	8,000	107.741	100.663	109.051			0.100	292	36
3. 2000	9,295	1,706	7,589	101.640	106.625	100.583			0.100	277	37
4. 2001	9,168	2,162	7,006	96.903	129.928	89.855			0.100	294	47
5. 2002	8,899	2,048	6,851	82.874	93.218	80.213			0.100	226	72
6. 2003	8,557	1,883	6,674	71.763	64.686	74.049			0.100	607	73
7. 2004	8,458	2,044	6,414	68.887	62.854	71.061			0.100	834	185
8. 2005	9,649	2,774	6,875	77.173	92.590	72.315			0.100	1,017	193
9. 2006	8,954	1,760	7,194	66.042	55.433	69.286			0.100	1,623	387
10. 2007	10,071	2,129	7,942	69.860	59.287	73.367			0.100	2,629	644
11. 2008	12,086	2,688	9,398	78.659	63.188	84.583			0.100	4,673	862
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	16,608	3,247

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	One Year	Two Year
1. Prior	12,468	12,539	13,490	14,051	14,602	15,443	16,040	16,459	16,979	16,847	(132)	388
2. 1999	6,275	6,473	6,718	6,886	7,012	7,068	7,188	7,224	7,256	7,270	14	46
3. 2000	XXX	6,004	6,269	6,306	6,518	6,691	6,747	6,792	6,858	6,866	8	74
4. 2001	XXX	XXX	6,117	5,944	6,038	5,956	6,143	6,235	6,283	6,298	15	63
5. 2002	XXX	XXX	XXX	5,993	5,668	5,675	5,879	5,986	6,028	6,050	22	64
6. 2003	XXX	XXX	XXX	XXX	6,217	5,576	5,416	5,742	5,837	5,836	(1)	94
7. 2004	XXX	XXX	XXX	XXX	XXX	6,139	5,722	5,572	5,616	5,624	8	52
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	6,667	6,333	6,201	6,137	(64)	(196)
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,748	6,492	6,400	(92)	(348)
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,254	7,142	(112)	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,406	XXX	XXX
										12. Totals	(334)	237

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	000	2,703	4,494	6,087	7,224	8,323	9,196	9,951	10,711	11,383	XXX	XXX
2. 1999	2,546	4,043	4,982	5,649	6,100	6,419	6,613	6,740	6,814	6,899	XXX	XXX
3. 2000	XXX	2,676	4,173	4,952	5,494	5,992	6,197	6,344	6,448	6,530	XXX	XXX
4. 2001	XXX	XXX	2,756	4,152	4,855	5,273	5,580	5,742	5,868	5,953	XXX	XXX
5. 2002	XXX	XXX	XXX	2,587	3,964	4,765	5,160	5,492	5,641	5,745	XXX	XXX
6. 2003	XXX	XXX	XXX	XXX	2,380	3,615	4,215	4,653	4,953	5,137	XXX	XXX
7. 2004	XXX	XXX	XXX	XXX	XXX	2,152	3,306	3,848	4,291	4,589	XXX	XXX
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	2,467	3,781	4,436	4,879	XXX	XXX
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,402	3,666	4,386	XXX	XXX
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,480	3,956	XXX	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,061	XXX	XXX

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior	4,146	3,158	2,390	1,685	1,409	1,234	1,529	1,624	1,747	1,398
2. 1999	2,023	954	469	282	164	130	118	87	93	75
3. 2000	XXX	1,639	617	260	175	144	105	85	103	73
4. 2001	XXX	XXX	1,693	676	398	193	163	131	121	82
5. 2002	XXX	XXX	XXX	1,776	686	294	223	177	162	111
6. 2003	XXX	XXX	XXX	XXX	2,570	1,043	463	550	515	423
7. 2004	XXX	XXX	XXX	XXX	XXX	2,786	1,563	1,037	802	661
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	2,991	1,619	1,058	752
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,146	1,809	1,226
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,286	2,038
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,493

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
States, Etc.	Active Status	2 Direct Premiums Written	3 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	7,406,765	6,854,751	11	3,523,544	3,175,573	3,639,375	24,996	
2. Alaska AK	L	7,944	124,753		58,141	106,583	134,373		
3. Arizona AZ	L	11,460,277	8,931,542		4,205,016	4,050,116	1,757,899	21,777	
4. Arkansas AR	L	537,237	439,494		374,029	640,570	842,408	1,068	
5. California CA	L	7,893,848	6,895,869		1,951,618	4,200,480	10,799,119		
6. Colorado CO	L	1,885,668	1,844,628		874,077	1,383,843	1,554,926	6,166	
7. Connecticut CT	L	9,019,771	8,347,387		4,585,681	6,872,750	9,058,539	34,153	
8. Delaware DE	L	2,052,653	1,913,721		946,730	1,841,508	2,365,729	6,940	
9. District of Columbia DC	L	1,114,524	1,176,934		729,562	678,825	1,221,617	2,855	
10. Florida FL	L	101,298,481	106,868,009	463,393	53,283,852	56,920,844	75,565,077	153,911	
11. Georgia GA	L	48,309,607	44,459,124		54,116,632	58,559,423	15,006,669	119,055	
12. Hawaii HI	L	471,544	372,221		367,260	516,790	896,458		
13. Idaho ID	L	234,179	211,831		69,255	73,870	60,993	972	
14. Illinois IL	L	8,915,857	8,730,552		4,880,019	6,312,416	7,466,132	10,658	
15. Indiana IN	L	4,045,595	3,935,600		2,012,163	2,598,462	3,187,212	5,015	
16. Iowa IA	L	7,427,348	7,280,381		4,602,912	4,154,669	2,073,583	41,480	
17. Kansas KS	L	1,699,269	1,503,881		1,484,562	1,768,451	2,990,521	1,528	
18. Kentucky KY	L	7,137,870	5,285,766		1,050,297	3,019,964	3,968,758	5,646	
19. Louisiana LA	L	2,605,170	2,116,559		979,162	1,537,188	2,566,474	1,891	
20. Maine ME	L	2,410,255	2,249,099		1,147,861	1,197,827	1,277,224	12,899	
21. Maryland MD	L	10,584,869	10,142,230		5,782,704	10,035,280	9,610,344	38,488	
22. Massachusetts MA	L	7,965,534	7,181,069	(8,217)	4,044,280	3,963,742	6,585,493	19,190	
23. Michigan MI	L	4,749,581	3,874,401		1,241,524	1,638,384	3,527,334		
24. Minnesota MN	L	1,663,123	1,632,441		1,297,267	369,389	1,696,254	4,291	
25. Mississippi MS	L	1,276,533	1,354,788	477	773,502	751,928	1,716,091	611	
26. Missouri MO	L	2,497,554	2,245,257		842,552	988,419	1,103,710	8,011	
27. Montana MT	L	1,775,542	2,880,877		540,605	2,020,927	2,294,837	1,375	
28. Nebraska NE	L	1,781,674	2,005,750		950,751	1,582,322	1,747,430	704	
29. Nevada NV	L	1,387,812	1,176,913		711,172	358,998	721,633	4,365	
30. New Hampshire NH	L	4,311,818	4,446,202	52,439	1,736,786	1,811,007	3,237,056	22,848	
31. New Jersey NJ	L	9,640,039	10,258,981		4,477,635	11,796,013	26,466,875		
32. New Mexico NM	L	608,758	566,560		246,923	227,757	332,656	2,402	
33. New York NY	L	116,249,930	106,251,089		39,922,441	60,528,088	47,131,359	690,495	
34. North Carolina NC	L	2,074,277	2,928,001		2,549,981	408,387	4,328,955		
35. North Dakota ND	L	41,774	31,052		6,664	10,332	6,313	104	
36. Ohio OH	L	1,913,018	1,673,413		772,077	1,612,378	1,418,648	10,166	
37. Oklahoma OK	L	1,718,858	1,532,348	42	2,165,528	1,765,853	2,241,631	5,451	
38. Oregon OR	L	1,426,406	1,209,411		755,267	707,975	509,060	6,271	
39. Pennsylvania PA	L	200,241,774	191,962,685		98,146,130	111,949,626	92,746,322	1,410,187	
40. Rhode Island RI	L	999,295	961,809		464,491	804,706	934,963		
41. South Carolina SC	L	2,142,060	2,194,267		1,398,987	931,259	3,717,383	12	
42. South Dakota SD	L	99,505	134,316		57,292	53,979	112,061	52	
43. Tennessee TN	L	10,437,223	9,310,206		4,889,998	5,603,929	4,876,982	51,786	
44. Texas TX	L	6,105,522	6,342,479		1,874,169	7,051,169	11,222,908		
45. Utah UT	L	334,657	341,172		154,121	287,312	223,804	984	
46. Vermont VT	L	2,076,325	2,169,365	135,005	599,689	1,059,023	1,944,731	6,358	
47. Virginia VA	L	82,611,171	80,333,876		43,140,864	48,497,187	29,654,356	554,244	
48. Washington WA	L	63,280	63,996		6,541	79,379	136,347		
49. West Virginia WV	L	277,411	238,958		124,678	104,821	49,698	1,173	
50. Wisconsin WI	L	2,280,906	2,214,686	216,439	2,308,385	1,684,583	3,995,758	4,769	
51. Wyoming WY	L	58,301	65,906		17,247	50,023	57,385	256	
52. American Samoa AS	N								
53. Guam GU	L								
54. Puerto Rico PR	N	341	202			29	104		
55. U.S. Virgin Islands VI	L	9	408			(7)	216		
56. Northern Mariana Islands MP	N								
57. Canada CN	N								
58. Aggregate Other Alien OT	X X X	1,663	(2,297)			342	2,556		
59. Totals	(a) 53	705,330,405	677,264,919	859,589	363,242,624	438,344,691	410,784,339	3,295,603	

DETAILS OF WRITE-INS									
5801. Other alien	X X X	1,663	(2,297)			342	2,556		
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	1,663	(2,297)			342	2,556		

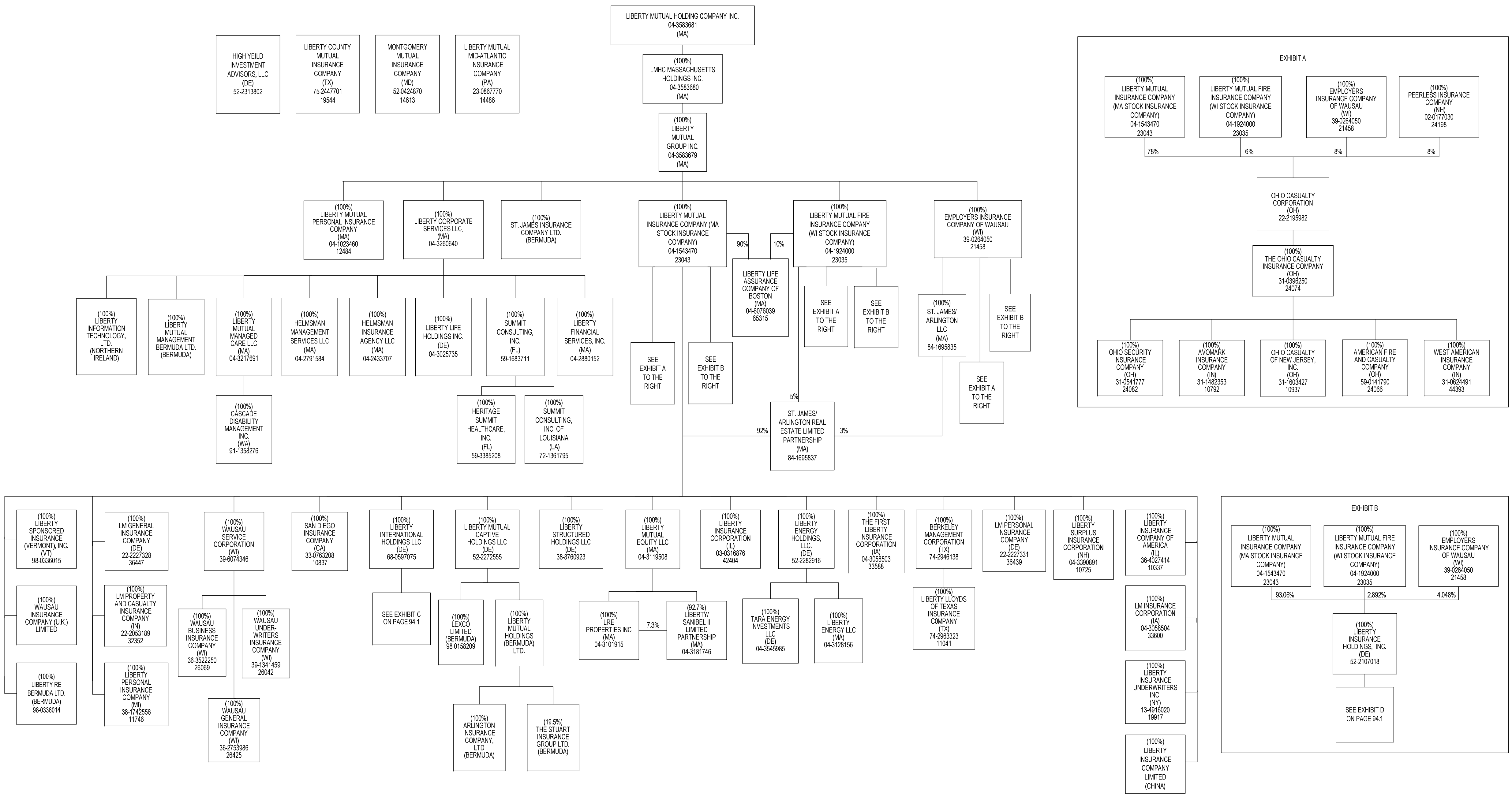
Explanation of basis of allocation of premiums by states, etc.

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

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

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

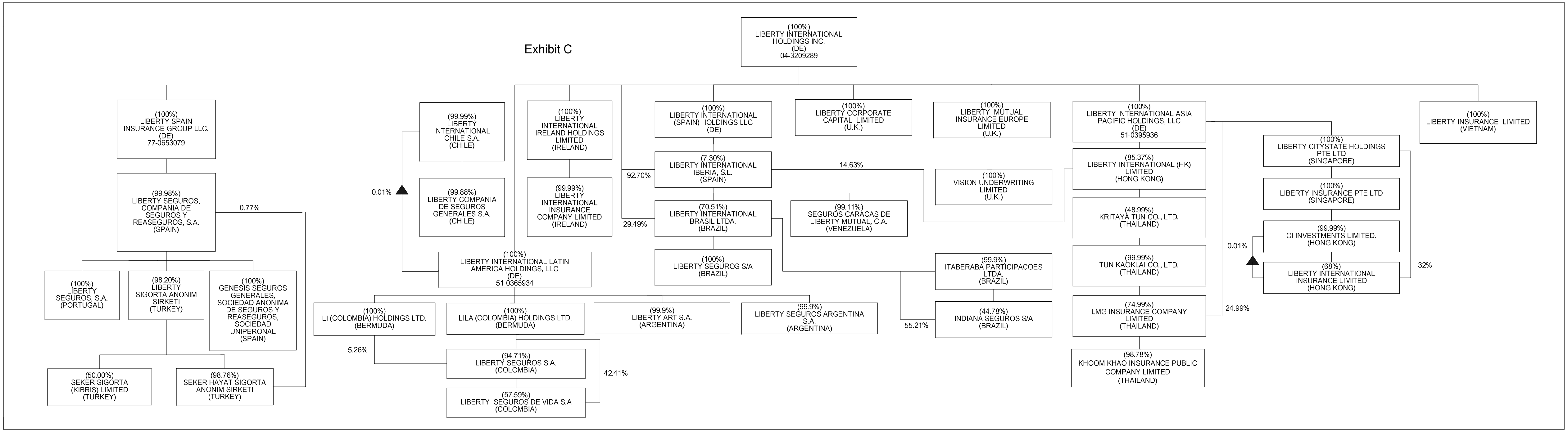
PART 1 - ORGANIZATIONAL CHART

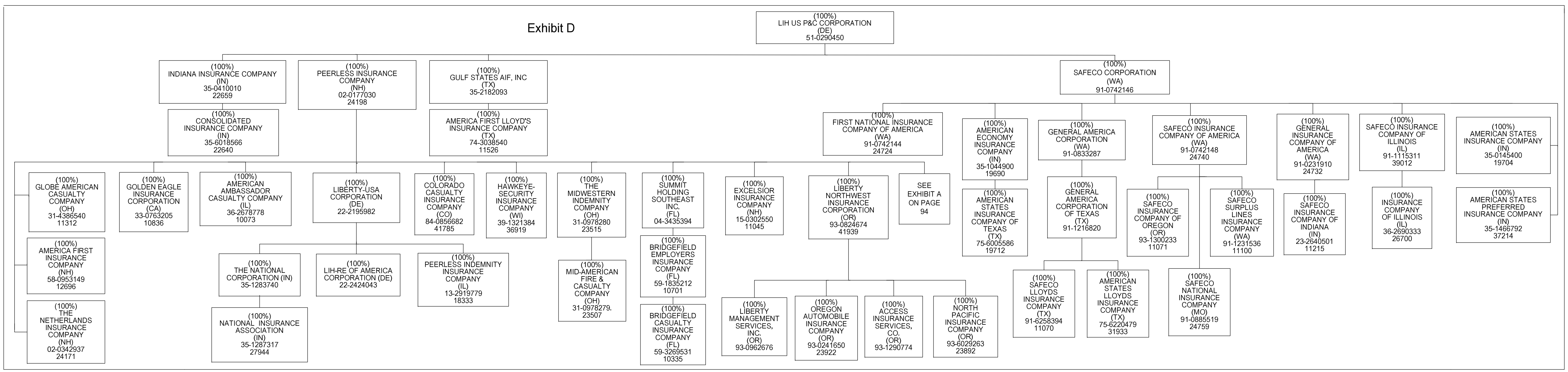


Annual Statement for the year 2008 of the **The First Liberty Insurance Corporation**

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

PART 1 - ORGANIZATIONAL CHART





OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS				
2304. Amounts receivable under high deductible policies	232,261	14,673	217,588	228,919
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	232,261	14,673	217,588	228,919

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT