

ANNUAL STATEMENT

OF THE

THE FIRST LIBERTY

INSURANCE CORPORATION

of **WEST DES MOINES**

in the state of **IOWA**

TO THE

Insurance Department

OF THE

STATE OF IOWA

FOR THE YEAR ENDED

December 31, 2007

PROPERTY AND CASUALTY

2007



33588200720100100

ANNUAL STATEMENT
For the Year Ended December 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
The First Liberty Insurance Corporation

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

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

Country of Domicile United States of America

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

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

Main Administrative Office: 175 Berkeley Street Boston, MA 02116 617-357-9500
(Street and Number) (City, State and Zip Code) (Area Code)(Telephone Number)

Mail Address: 175 Berkeley Street Boston, MA 02116
(Street and Number) (City, State and Zip Code)

Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02116 617-357-9500
(Street and Number) (City, State and Zip Code) (Area Code)(Telephone Number)

Internet Website Address: www.LibertyMutual.com

Statutory Statement Contact: Joanne Connolly 617-357-9500 44393
(Name) (Area Code)(Telephone Number)(Extension)
Joanne.Connolly@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

OFFICERS

Table with 2 columns: Name, Title. Rows include Edmund Francis Kelly (Chairman of the Board President & CEO), Dexter Robert Legg (Vice President & Secretary), Laurance Henry Soyer Yahia (Vice President & Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents and their titles.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors or trustees and their titles.

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 lines for Edmund Francis Kelly, Dexter Robert Legg, and Laurance Henry Soyer Yahia, including printed names and titles.

Subscribed and sworn to before me this 22nd day of January, 2008

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

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	37,103,273		37,103,273	35,824,936
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	1,422,254		1,422,254	1,380,821
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E-Part 1), cash equivalents (\$ 0 Schedule E-Part 2) and short-term investments (\$ 2,989,025, Schedule DA)	2,989,025		2,989,025	2,148,567
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities	10,490		10,490	2,122
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	41,525,042		41,525,042	39,356,446
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	467,424		467,424	443,431
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,108,712	47,017	1,061,695	823,107
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 46 earned but unbilled premiums)	2,750,487	5	2,750,482	2,752,816
13.3 Accrued retrospective premiums	578,046	67,256	510,790	695,816
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	3,422	3,212	210	
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	1,527,000	812,408	714,592	691,802
17. Guaranty funds receivable or on deposit	38,936		38,936	49,161
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				241,939
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	606,850	34,841	572,009	566,082
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	48,605,919	964,739	47,641,180	45,620,600
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	48,605,919	964,739	47,641,180	45,620,600

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets	52,362	21,408	30,954	43,934
2302. Cash surrender value-life insurance	269,665		269,665	243,668
2303. Equities and deposits in pools and associations	42,471		42,471	30,824
2398. Summary of remaining write-ins for Line 23 from overflow page	242,352	13,433	228,919	247,656
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	606,850	34,841	572,009	566,082

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	16,593,890	15,292,424
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	664,055	683,335
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	3,389,530	3,134,723
4. Commissions payable, contingent commissions and other similar charges	177,825	196,372
5. Other expenses (excluding taxes, licenses and fees)	465,350	446,073
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	330,291	313,330
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	166,237	225,346
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 308,627,250 and including warranty reserves of \$ 0)	4,846,758	4,683,768
10. Advance premium	52,699	34,205
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	16,868	6,015
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	84,598	530,411
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	377,304	413,248
19. Payable to parent, subsidiaries and affiliates	50,941	
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(1,315,762)	(1,352,158)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	25,900,584	24,607,092
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	25,900,584	24,607,092
27. Aggregate write-ins for special surplus funds	1,250,165	1,219,753
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)	9,490,431	8,793,755
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)	21,740,596	21,013,508
36. TOTALS (Page 2, Line 26, Col. 3)	47,641,180	45,620,600

DETAILS OF WRITE-INS		
2301. Other liabilities	219,373	213,232
2302. Retroactive reinsurance reserve - ceded	(2,280,986)	(2,295,933)
2303. Amounts held under uninsured plans	745,851	730,543
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(1,315,762)	(1,352,158)
2701. Special surplus from retroactive reinsurance	1,250,165	1,219,753
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)	1,250,165	1,219,753
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME		1	2
		Current Year	Prior Year
UNDERWRITING INCOME			
1. Premiums earned (Part 1, Line 34, Column 4)		11,800,713	11,371,413
DEDUCTIONS			
2. Losses incurred (Part 2, Line 34, Column 7)		7,308,246	6,948,687
3. Loss expenses incurred (Part 3, Line 25, Column 1)		1,871,012	1,735,405
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		3,275,268	3,045,747
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)		12,454,526	11,729,839
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		(653,813)	(358,426)
INVESTMENT INCOME			
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,027,416	1,899,791
10. Net realized capital gains (losses) less capital gains tax of \$ 10,271 (Exhibit of Capital Gains (Losses))		19,074	
11. Net investment gain (loss) (Lines 9 + 10)		2,046,490	1,899,791
OTHER INCOME			
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 3,232 amount charged off \$ 24,473)		(21,241)	(15,894)
13. Finance and service charges not included in premiums		56,497	55,017
14. Aggregate write-ins for miscellaneous income		(149,582)	(127,474)
15. Total other income (Lines 12 through 14)		(114,326)	(88,351)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)		1,278,351	1,453,014
17. Dividends to policyholders		69,773	51,028
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)		1,208,578	1,401,986
19. Federal and foreign income taxes incurred		420,890	661,114
20. Net income (Line 18 minus Line 19) (to Line 22)		787,688	740,872
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)		21,013,508	20,375,712
22. Net income (from Line 20)		787,688	740,872
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (23,996)		(44,564)	7,755
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax		138,005	259,176
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		(150,780)	(373,543)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)			
37. Aggregate write-ins for gains and losses in surplus		(3,261)	3,536
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)		727,088	637,796
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)		21,740,596	21,013,508
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)			
1401. Other income/(expense)		(163,017)	(178,384)
1402. Retroactive reinsurance gain/(loss)		13,435	50,910
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)		(149,582)	(127,474)
3701. Other changes in surplus		(3,261)	3,536
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)		(3,261)	3,536

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	11,924,092	11,038,725
2. Net investment income	1,996,213	1,880,224
3. Miscellaneous income	(539,760)	471,981
4. Total (Lines 1 through 3)	13,380,545	13,390,930
5. Benefit and loss related payments	6,099,752	5,248,718
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	4,883,415	4,441,565
8. Dividends paid to policyholders	58,920	48,503
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	490,270	349,531
10. Total (Lines 5 through 9)	11,532,357	10,088,317
11. Net cash from operations (Line 4 minus Line 10)	1,848,188	3,302,613
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	9,685,151	6,329,496
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		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	9,685,151	6,329,496
13. Cost of investments acquired (long-term only):		
13.1 Bonds	10,926,933	9,932,891
13.2 Stocks	109,992	100,925
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	8,368	2,123
13.7 Total investments acquired (Lines 13.1 to 13.6)	11,045,293	10,035,939
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(1,360,142)	(3,706,443)
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)	352,412	(40,220)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	352,412	(40,220)
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)	840,458	(444,050)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	2,148,567	2,592,617
19.2 End of year (Line 18 plus Line 19.1)	2,989,025	2,148,567

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	305,319	142,930	137,107	311,142
2. Allied lines	131,444	51,329	61,972	120,801
3. Farmowners multiple peril	5,596			5,596
4. Homeowners multiple peril	1,612,941	906,814	922,682	1,597,073
5. Commercial multiple peril	235,483	129,633	122,770	242,346
6. Mortgage guaranty				
8. Ocean marine	40,272	12,074	18,996	33,350
9. Inland marine	662,924	39,649	39,966	662,607
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	42,091	16,693	20,178	38,606
13. Group accident and health	32			32
14. Credit accident and health (group and individual)				
15. Other accident and health	(132)	189		57
16. Workers' compensation	4,066,653	(41,629)	147,492	3,877,532
17.1 Other liability - occurrence	748,961	261,340	313,963	696,338
17.2 Other liability - claims-made	185,944	80,161	100,185	165,920
18.1 Products liability - occurrence	139,237	56,105	55,947	139,395
18.2 Products liability - claims-made	10,750	641	2,237	9,154
19.1, 19.2 Private passenger auto liability	2,211,976	1,108,226	1,116,898	2,203,304
19.3, 19.4 Commercial auto liability	490,022	170,243	184,854	475,411
21. Auto physical damage	696,018	793,143	804,825	684,336
22. Aircraft (all perils)	73,775	24,804	25,634	72,945
23. Fidelity	5,890	2,070	2,593	5,367
24. Surety	292,438	146,014	169,697	268,755
26. Burglary and theft	755	295	315	735
27. Boiler and machinery	3,574	2,162	1,823	3,913
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	138,946	6,250	14,662	130,534
31. Reinsurance-Nonproportional Assumed Liability	48,670	2,631	3,871	47,430
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	12,149,579	3,911,767	4,268,667	11,792,679

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

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

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	136,912	195			137,107
2. Allied lines	61,724	248			61,972
3. Farmowners multiple peril					
4. Homeowners multiple peril	922,682				922,682
5. Commercial multiple peril	83,817	38,953			122,770
6. Mortgage guaranty					
8. Ocean marine	14,238	4,758			18,996
9. Inland marine	37,483	2,483			39,966
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	20,132	46			20,178
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	649,177	8,308	(46)	(509,948)	147,491
17.1 Other liability - occurrence	351,489	(3,510)		(34,015)	313,964
17.2 Other liability - claims-made	57,602	42,583			100,185
18.1 Products liability - occurrence	67,603	490		(12,145)	55,948
18.2 Products liability - claims-made	2,237				2,237
19.1, 19.2 Private passenger auto liability	1,116,898				1,116,898
19.3, 19.4 Commercial auto liability	201,736	5,055		(21,937)	184,854
21. Auto physical damage	804,237	589			804,826
22. Aircraft (all perils)	25,634				25,634
23. Fidelity	2,393	200			2,593
24. Surety	147,889	21,808			169,697
26. Burglary and theft	309	6			315
27. Boiler and machinery	1,726	97			1,823
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	5,303	9,358			14,661
31. Reinsurance-Nonproportional Assumed Liability	3,871				3,871
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	4,715,092	131,667	(46)	(578,045)	4,268,668
35. Accrued retrospective premiums based on experience					578,046
36. Earned but unbilled premiums					46
37. Balance (Sum of Line 34 through 36)					4,846,760

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
	Direct Business (a)	2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	166,100	305,319		166,100		305,319
2. Allied lines	218,183	131,444		218,183		131,444
3. Farmowners multiple peril		5,596				5,596
4. Homeowners multiple peril	236,483,041	1,612,941		236,483,041		1,612,941
5. Commercial multiple peril	748,493	235,483		748,493		235,483
6. Mortgage guaranty						
8. Ocean marine	23,025	40,272		23,025		40,272
9. Inland marine	4,135,528	662,924		4,135,528		662,924
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	115,861	42,091		115,861		42,091
13. Group accident and health		32				32
14. Credit accident and health (group and individual)						
15. Other accident and health		(132)				(132)
16. Workers' compensation	116,766,948	4,066,653		116,766,948		4,066,653
17.1 Other liability - occurrence	2,893,192	748,961		2,893,192		748,961
17.2 Other liability - claims-made		185,944				185,944
18.1 Products liability - occurrence	276,950	139,237		276,950		139,237
18.2 Products liability - claims-made		10,750				10,750
19.1, 19.2 Private passenger auto liability	170,684,437	2,211,976		170,684,437		2,211,976
19.3, 19.4 Commercial auto liability	7,340,038	490,022		7,340,038		490,022
21. Auto physical damage	120,909,107	696,018		120,909,107		696,018
22. Aircraft (all perils)		73,775				73,775
23. Fidelity	4,126	5,890		4,126		5,890
24. Surety		292,438				292,438
26. Burglary and theft	462	755		462		755
27. Boiler and machinery		3,574				3,574
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	138,946				138,946
31. Reinsurance-Nonproportional Assumed Liability	X X X	48,670				48,670
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	660,765,491	12,149,579		660,765,491		12,149,579

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

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes No

If yes:

1. The amount of such installment premiums \$ 115,976,263
2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 112,154,568

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	350	162,558	350	162,558	69,152	96,151	135,559	43.568
2. Allied lines	152,121	97,698	152,121	97,698	37,496	62,115	73,079	60.495
3. Farmowners multiple peril		88		88	23	168	(57)	(1.019)
4. Homeowners multiple peril	86,922,563	735,515	86,922,563	735,515	422,804	326,103	832,216	52.109
5. Commercial multiple peril		99,648		99,648	263,470	311,459	51,659	21.316
6. Mortgage guaranty								
8. Ocean marine	11,570	18,779	11,570	18,779	46,085	39,418	25,446	76.300
9. Inland marine	944,306	387,055	944,306	387,055	104,946	74,791	417,210	62.965
10. Financial guaranty								
11.1 Medical malpractice - occurrence		4		4	343	414	(67)	
11.2 Medical malpractice - claims - made								
12. Earthquake		1		1	254	(310)	565	1.464
13. Group accident and health		814		814	3,055	3,398	471	1,471.875
14. Credit accident and health (group and individual)								
15. Other accident and health		878		878	2,402	3,191	89	156.140
16. Workers' compensation	38,644,594	1,937,665	38,644,594	1,937,665	9,734,927	8,816,611	2,855,981	73.655
17.1 Other liability - occurrence	375,483	362,278	375,483	362,278	2,039,504	1,760,876	640,906	92.039
17.2 Other liability - claims - made		47,539		47,539	332,459	286,019	93,979	56.641
18.1 Products liability - occurrence		58,894		58,894	409,234	419,014	49,114	35.234
18.2 Products liability - claims - made		196		196	14,217	11,321	3,092	33.778
19.1, 19.2 Private passenger auto liability	97,977,181	1,358,104	97,977,181	1,358,104	1,775,075	1,844,237	1,288,942	58.500
19.3, 19.4 Commercial auto liability	1,148,714	250,174	1,148,714	250,174	666,959	603,550	313,583	65.960
21. Auto physical damage	65,701,929	352,641	65,701,929	352,641	(5,844)	(35,677)	382,474	55.890
22. Aircraft (all perils)		37,212		37,212	70,731	69,411	38,532	52.823
23. Fidelity		736		736	10,474	14,760	(3,550)	(66.145)
24. Surety		29,463		29,463	107,062	88,865	47,660	17.734
26. Burglary and theft		55		55	(35)	1,258	(1,238)	(168.435)
27. Boiler and machinery					(287)	179	(466)	(11.909)
28. Credit					7	14	(7)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	45,836		45,836	85,856	125,108	6,584	5.044
31. Reinsurance-Nonproportional Assumed Liability	X X X	59,757		59,757	398,741	366,291	92,207	194.406
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	1,652		1,652	4,780	3,689	2,743	
33. Aggregate write-ins for other lines of business								
34. TOTALS	291,878,811	6,045,240	291,878,811	6,045,240	16,593,890	15,292,424	7,346,706	62.299

DETAILS OF WRITE-INS

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	5,693	54,731	5,693	54,731	5,667	14,421	5,667	69,152	14,147
2. Allied lines	258,842	27,625	258,842	27,625	16,732	9,871	16,732	37,496	7,700
3. Farmowners multiple peril		23		23				23	89
4. Homeowners multiple peril	31,843,135	263,262	31,843,135	263,262	12,627,725	159,542	12,627,725	422,804	97,094
5. Commercial multiple peril	1,010,500	161,978	1,010,500	161,978	238,452	101,492	238,452	263,470	96,979
6. Mortgage guaranty									
8. Ocean marine		22,789		22,789	4,326	23,297	4,326	46,086	10,157
9. Inland marine	114,906	42,964	114,906	42,964	30,037	61,982	30,037	104,946	9,025
10. Financial guaranty									
11.1 Medical malpractice - occurrence		504		504		(161)		343	23
11.2 Medical malpractice - claims - made									
12. Earthquake		177		177	45	77	45	254	26
13. Group accident and health		1,218		1,218		1,836		(a) 3,054	251
14. Credit accident and health (group and individual)									
15. Other accident and health		176		176		2,226		(a) 2,402	93
16. Workers' compensation	60,951,868	5,412,180	60,951,868	5,412,180	104,140,313	4,322,747	104,140,313	9,734,927	1,261,483
17.1 Other liability - occurrence	901,939	958,109	901,939	958,109	1,601,572	1,081,395	1,601,572	2,039,504	806,362
17.2 Other liability - claims - made		82,454		82,454		250,005		332,459	113,485
18.1 Products liability - occurrence		95,345		95,345	161,716	313,889	161,716	409,234	260,516
18.2 Products liability - claims - made		557		557		13,660		14,217	6,335
19.1, 19.2 Private passenger auto liability	61,403,686	1,152,175	61,403,686	1,152,175	54,347,846	622,900	54,347,846	1,775,075	455,370
19.3, 19.4 Commercial auto liability	3,094,786	373,228	3,094,786	373,228	3,094,106	293,731	3,094,106	666,959	122,010
21. Auto physical damage		194		194		(189,676)		(5,844)	64,497
22. Aircraft (all perils)		52,895		52,895		17,836		70,731	10,969
23. Fidelity		2,252		2,252	17,787	8,222	17,787	10,474	3,371
24. Surety		14,502		14,502	42	92,560	42	107,062	29,481
26. Burglary and theft		18		18	213	(52)	213	(34)	1,337
27. Boiler and machinery		229		229		(515)		(286)	258
28. Credit						7		7	
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	52,578		52,578	X X X	33,278		85,856	1,529
31. Reinsurance-Nonproportional Assumed Liability	X X X	153,385		153,385	X X X	245,357		398,742	16,265
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	4,457		4,457	X X X	323		4,780	679
33. Aggregate write-ins for other lines of business									
34. TOTALS	159,585,355	8,930,005	159,585,355	8,930,005	176,096,903	7,663,888	176,096,903	16,593,893	3,389,531

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	22,762,408			22,762,408
1.2 Reinsurance assumed	879,628			879,628
1.3 Reinsurance ceded	22,762,408			22,762,408
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	879,628			879,628
2. Commission and brokerage:				
2.1 Direct, excluding contingent		14,906,825		14,906,825
2.2 Reinsurance assumed, excluding contingent		70,043		70,043
2.3 Reinsurance ceded, excluding contingent		14,906,825		14,906,825
2.4 Contingent-direct		1,189,802		1,189,802
2.5 Contingent-reinsurance assumed		125,566		125,566
2.6 Contingent-reinsurance ceded		1,189,802		1,189,802
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)		195,609		195,609
3. Allowances to manager and agents		47,605		47,605
4. Advertising	17,529	157,404	64	174,997
5. Boards, bureaus and associations	2,469	24,066	1	26,536
6. Surveys and underwriting reports	194	29,267	13	29,474
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	563,990	1,262,200	9,661	1,835,851
8.2 Payroll taxes	30,102	93,361	452	123,915
9. Employee relations and welfare	110,000	338,046	590	448,636
10. Insurance	53,194	8,799	92	62,085
11. Directors' fees		201		201
12. Travel and travel items	35,014	93,208	160	128,382
13. Rent and rent items	37,407	109,867	135	147,409
14. Equipment	29,469	90,030	172	119,671
15. Cost or depreciation of EDP equipment and software	5,909	45,170	52	51,131
16. Printing and stationery	6,616	20,979	24	27,619
17. Postage, telephone and telegraph, exchange and express	22,717	68,917	46	91,680
18. Legal and auditing	3,197	21,113	1,291	25,601
19. Totals (Lines 3 to 18)	917,807	2,410,233	12,753	3,340,793
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 8,346		443,497		443,497
20.2 Insurance department licenses and fees		12,035		12,035
20.3 Gross guaranty association assessments		(82)		(82)
20.4 All other (excluding federal and foreign income and real estate)		17,244		17,244
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		472,694		472,694
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	73,578	196,732	902	271,212
25. Total expenses incurred	1,871,013	3,275,268	13,655 (a)	5,159,936
26. Less unpaid expenses-current year	3,389,530	973,465		4,362,995
27. Add unpaid expenses-prior year	3,134,723	955,776		4,090,499
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year		210		210
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,616,206	3,257,789	13,655	4,887,650

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	34,875			34,875
2402. Other expenses	38,703	196,732	902	236,337
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	73,578	196,732	902	271,212

(a) Includes management fees of \$ 13,655 to affiliates and \$ 57,001 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 809,090	784,125
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 1,033,763	1,052,407
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	109,656	109,656
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) 125,631	155,945
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(61,062)	(61,062)
10. Total gross investment income	2,017,078	2,041,071

11. Investment expenses		(g) 13,655
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)		13,655
17. Net investment income (Line 10 minus Line 16)		2,027,416

DETAILS OF WRITE-INS		
0901. Miscellaneous Income (Expense)	(61,062)	(61,062)
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(61,062)	(61,062)
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 \$ 48,179 accrual of discount less \$ 40,969 amortization of premium and less \$ 16,304 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 5,352 accrual of discount less \$ 611 amortization of premium and less \$ 46,657 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)	29,345		29,345		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				(68,559)	
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)	29,345		29,345	(68,559)	

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

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	47,017	31,367	(15,650)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	5		(5)
13.3 Accrued retrospective premiums	67,256	76,141	8,885
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	3,218	6
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	812,408	673,198	(139,210)
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	34,841	28,049	(6,792)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	964,739	811,973	(152,766)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	964,739	811,973	(152,766)

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	21,408	14,671	(6,737)
2302. Amounts receivable under high deductible policies		13,378	13,378
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	13,433		(13,433)
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	34,841	28,049	(6,792)

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 2007.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2007.

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, 2007	December 31, 2006	Change
Total of gross deferred tax assets	1,673,000	1,580,000	93,000
Total of deferred tax liabilities	(146,000)	(215,000)	69,000
Net deferred tax asset (liability)	1,527,000	1,365,000	162,000
Net deferred tax asset non-admitted	(812,408)	(673,198)	(139,210)
Net admitted deferred tax asset (liability)	714,592	691,802	22,790

- 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:

	2007	2006
Federal tax on operations	420,890	661,114
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	420,890	661,114
Tax on capital gains	10,271	0
Total income tax incurred	431,161	661,114

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

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

	2007
Change in net deferred income tax (without unrealized gain or loss)	138,005
Tax effect of unrealized (gains) losses	23,995
Total change in net deferred income tax	162,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$443,000 from the current year and \$552,000 from the preceding year.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Globe American Casualty Company Golden Eagle Insurance Corporation Gulf States AIF, Inc. Hawkeye-Security Insurance Company Helmsman Insurance Agency of Illinois, Inc. Helmsman Insurance Agency of Texas, Inc. Heritage-Summit Healthcare of Florida, Inc. Indiana Insurance Company LEXCO Limited Liberty Assignment Corporation Liberty Energy 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	Ohio Casualty of New Jersey, Inc * Ohio Life Brokerage Services, Inc.* Ohio Security Insurance Company * Peerless Indemnity Insurance Company Peerless Insurance Company San Diego Insurance Company State Agency, Inc. (Indiana corporation) State Agency, Inc. (Wisconsin corporation) St. James Insurance Company Summit Consulting, Inc. Summit Consulting, Inc. of Louisiana Summit Holding Southeast, Inc. The First Liberty Insurance Corporation The Midwestern Indemnity Company The National Corporation The Netherlands Insurance Company Wausau Service Corporation Wausau Signature Agency, Inc. Wausau Business Insurance Company Wausau General Insurance Company Wausau Underwriters Insurance Company West American Insurance Company *
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* This company joined the consolidated group in 2007 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 company. LMIC is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- C. Refer to Note 25.
- D. At December 31, 2007, the Company reported \$50,941 to from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 25 for information regarding the Inter-Company Reinsurance Agreement.

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

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

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

NOTES TO FINANCIAL STATEMENTS

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, 2007. All shares have a stated par value of \$120.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Iowa-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of policyholders' surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2008 is \$2,174,060.

5. As of December 31, 2007, the Company has pre-tax restricted surplus of \$1,250,165 resulting from retroactive reinsurance contracts.

6. The Company had no advances to surplus.

7. The Company did not hold stock for special purposes.

8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2007.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$(21,622).

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

13. The company did not pay a dividend to its parent during 2007.

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 \$274,186 that is offset by future premium tax credits of \$38,936. 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 2007.

During 2007 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

NOTES TO FINANCIAL STATEMENTS

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	\$ 731,000

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

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

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

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

E. All other Contingencies

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

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

Note 15- Leases

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

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2008	\$36,534	\$100,509
2009	31,038	93,797
2010	21,738	69,099
2011	5,722	38,080
2012	-	25,418
2013 & thereafter	-	179,350
Total	\$95,032	\$506,253

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.

NOTES TO FINANCIAL STATEMENTS

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 \$792. Claim payment volume was \$36,727.

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

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 2007 and \$0 in 2006.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$14,550 in 2007 and \$21,910 in 2007.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$829,598 in 2007 and \$1,188,231 in 2007.

2) Assets in the amount of \$9,722,522 and \$9,068,968 as of December 31, 2007 and 2006, 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. The Company does not have deposits admitted under section 6603 of the Internal Revenue Services Code.

H. Hybrid Securities

The Company does not hold hybrid securities.

I. Sub-Prime Lending

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

Note 21- Events Subsequent

There were no events subsequent to December 31, 2007 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.

NOTES TO FINANCIAL STATEMENTS

The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2007.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$4,846,758	\$101,148	\$308,627,250	\$7,518,337	\$(303,780,492)	\$(7,417,189)
All Other	0	0	0	0	0	0
Total	\$4,846,758	\$101,148	\$308,627,250	\$7,518,337	\$(303,780,492)	\$(7,417,189)

Direct Unearned Premium Reserve: \$308,627,250

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, 2007 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$0	\$128,761	\$0	\$128,761
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(195,000)	0	(195,000)
Totals	\$0	\$(66,239)	\$0	\$(66,239)

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

- C. The Company has not written off any uncollectible balances in the current year.
- D. The Company has not recorded any commutations in the current year.
- E. 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	\$(2,310,885)	\$0
	2. Adjustment – Prior Year(s)	209,602	0
	3. Adjustment – Current Year	15,298	0
	4. Total	\$(2,085,985)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$(1,083,871)	\$0
	2. Adjustment – Prior Year(s)	(51,705)	0
	3. Adjustment – Current Year	(1,008)	0
	4. Total	\$(1,136,584)	\$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	\$(39,336)	\$0
	2. Adjustment – Prior Year(s)	(224,744)	0
	3. Adjustment – Current Year	(44,727)	0
	4. Total	\$(308,807)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$1,266,350	\$0
	2. Adjustment – Prior Year(s)	(36,563)	0
	3. Adjustment – Current Year	28,421	0
	4. Total	1,250,165	\$0
	5. Cumulative Total Transferred To Unassigned Funds	\$8,043	
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(2,085,985)	\$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.

- F. There are no contracts recorded as deposit accounting.

NOTES TO FINANCIAL STATEMENTS

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	\$578,046
Less: Non-admitted amount	67,256
Admitted amount	\$510,790

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expenses attributed to insured events in prior years have increased in 2007 as a result of unfavorable loss development trends in the workers compensation and asbestos and environmental lines of business, partially offset by favorable development in the personal auto and commercial multiple peril 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
	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
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.

NOTES TO FINANCIAL STATEMENTS

- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2007, the Liberty Mutual Pool participation percentages were revised as follows:

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

Note 26- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$1,086,122 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 \$1,086,122 as of December 31, 2007.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

<u>Life Insurance Company & Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$523,636
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$326,979

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

As of December 31, 2007, 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, 2007, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$4,812,288 and the amount billed and recoverable on paid claims was \$242,352.

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 Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2007, liabilities include \$3,574,349 of liabilities carried at a discounted value of \$2,209,573 representing a discount of \$1,364,776.

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

NOTES TO FINANCIAL STATEMENTS

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.

In the third quarter of 2007, the Company completed its comprehensive biennial ground-up asbestos reserve study. The study was completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and it included all major segments of the Company's direct, assumed, and ceded asbestos claims. The result of the study, which reflects management's best estimate of the reserve requirement, is in the table below.

Uncertainty Regarding Reserving Methodologies

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

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

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

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

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company's Inter-company Reinsurance Agreement, as discussed in Note 25.

Asbestos:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Direct Basis					
Beginning Reserves	1,479,062	1,578,429	1,702,463	1,998,251	1,849,760
Incurred losses and LAE	427,016	412,074	554,239	100,519	231,202
Calendar year payments	327,649	288,040	258,451	249,010	398,655
Ending Reserves	1,578,429	1,702,463	1,998,251	1,849,760	1,682,307
Assumed Reinsurance Basis					
Beginning Reserves	186,957	262,259	489,591	513,880	543,463
Incurred losses and LAE	115,240	262,040	54,444	48,811	191,647
Calendar year payments	39,938	34,708	30,155	19,228	26,858
Ending Reserves	262,259	489,591	513,880	543,463	708,252

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis					
Beginning Reserves	960,014	1,124,589	951,468	1,042,356	897,022
Incurring losses and LAE	313,003	3,532	219,369	12,204	85,126
Calendar year payments	148,428	176,653	128,481	157,538	184,813
Ending Reserves	1,124,589	951,468	1,042,356	897,022	797,335

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

Direct Basis	896,768
Assumed Reinsurance Basis	569,334
Net of Ceded Reinsurance Basis	358,893

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

Direct Basis	580,313
Assumed Reinsurance Basis	4,241
Net of Ceded Reinsurance Basis	208,587

Environmental:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Direct Basis					
Beginning Reserves	446,504	321,705	710,180	685,997	505,514
Incurring losses and LAE	(54,877)	460,123	158,566	47,851	5,881
Calendar year payments	69,922	71,648	182,749	228,334	60,521
Ending Reserves	321,705	710,180	685,997	505,514	450,874

Assumed Reinsurance Basis

Beginning Reserves	117,867	55,917	70,886	52,321	47,947
Incurring losses and LAE	(56,322)	20,338	(12,230)	881	1,475
Calendar year payments	5,628	5,369	6,335	5,255	8,567
Ending Reserves	55,917	70,886	52,321	47,947	40,855

Net of Ceded Reinsurance Basis

Beginning Reserves	306,459	257,738	526,714	426,822	395,366
Incurring losses and LAE	(8,000)	315,986	509	20,201	9,819
Calendar year payments	40,721	47,010	100,401	51,657	41,549
Ending Reserves	257,738	526,714	426,822	395,366	363,636

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

Direct Basis	297,621
Assumed Reinsurance Basis	24,162
Net of Ceded Reinsurance Basis	244,817

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

Direct Basis	191,474
Assumed Reinsurance Basis	603
Net of Ceded Reinsurance Basis	133,568

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	9,982,142	24.039	9,982,142	24.039
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	6,019,609	14.496	6,019,609	14.496
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	32,242	0.078	32,242	0.078
1.512 Issued or guaranteed by FNMA and FHLMC	9,410,012	22.661	9,410,012	22.661
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	11,659,268	28.078	11,659,268	28.078
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	2,404,516	5.791	2,404,516	5.791
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	10,490	0.025	10,490	0.025
8. Cash, cash equivalents and short-term investments	2,006,763	4.833	2,006,763	4.833
9. Other invested assets				
10. Total invested assets	41,525,042	100.000	41,525,042	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

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

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

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

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

1 Nationality	2 Type of Entity

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Ernst & Young, LLP
 200 Clarendon Street Boston MA 02116
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Robert T. Muleski
 175 Berkeley Street, Boston, MA 02117
 Officer of Liberty Mutual Insurance Company
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- | | |
|---|-------|
| 11.11 Name of real estate holding company | _____ |
| 11.12 Number of parcels involved | 0 |
| 11.13 Total book/adjusted carrying value | \$ 0 |

11.2 If yes, provide explanation _____

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

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

- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [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 [] No [X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s). _____
- 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 |
- 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 |

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 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 | | \$ <u>0</u> |
| 19.22 Borrowed from others | | \$ <u>0</u> |
| 19.23 Leased from others | | \$ <u>0</u> |
| 19.24 Other | | \$ <u>0</u> |
- 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 | | \$ <u>0</u> |
| 20.22 Amount paid as expenses | | \$ <u>0</u> |
| 20.23 Other amounts paid | | \$ <u>0</u> |
- 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: \$ 0

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []
- 22.2 If no, give full and complete information, relating thereto
- 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). Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- | | | |
|--|--|---------------------|
| 23.21 Loaned to others | | \$ <u>0</u> |
| 23.22 Subject to repurchase agreements | | \$ <u>0</u> |
| 23.23 Subject to reverse repurchase agreements | | \$ <u>0</u> |
| 23.24 Subject to dollar repurchase agreements | | \$ <u>0</u> |
| 23.25 Subject to reverse dollar repurchase agreements | | \$ <u>0</u> |
| 23.26 Pledged as collateral | | \$ <u>0</u> |
| 23.27 Placed under option agreements | | \$ <u>0</u> |
| 23.28 Letter stock or securities restricted as to sale | | \$ <u>0</u> |
| 23.29 On deposit with state or other regulatory body | | \$ <u>9,722,522</u> |
| 23.291 Other | | \$ <u>0</u> |

23.3 For category (23.28) 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. \$ 0

26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - 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]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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

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 []

27.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#100	LMIA HIGH YIELD FUND	1,422,254
27.2999	Total	1,422,254

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	JP MORGAN PRIME-CAPITAL FUNDS	50,148	12/31/2007
LMIA HIGH YIELD FUND	ALLIED WASTE NORTH AMER	29,935	12/31/2007
LMIA HIGH YIELD FUND	CHESAPEAKE ENERGY CORP	27,631	12/31/2007
LMIA HIGH YIELD FUND	MULTIPLAN INC	27,057	12/31/2007
LMIA HIGH YIELD FUND	WILLIAMS PARTNERS LP/WIL	24,821	12/31/2007
LMIA HIGH YIELD FUND	VENTAS REALTY LP/CAP CRP	23,797	12/31/2007

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	40,092,298	40,298,404	206,106
28.2 Preferred stocks			
28.3 Totals	40,092,298	40,298,404	206,106

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
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

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
	\$
	\$
	\$

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
	\$
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? YES [] NO [X]
 1.2 If yes, indicate premium earned on U. S. business only. \$ 0
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
 1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:
 Most current three years:
 1.61 Total premium earned \$ 0
 1.62 Total incurred claims \$ 0
 1.63 Number of covered lives \$ 0
 All years prior to most current three years:
 1.64 Total premium earned \$ 0
 1.65 Total incurred claims \$ 0
 1.66 Number of covered lives \$ 0

1.7 Group policies:
 Most current three years:
 1.71 Total premium earned \$ 0
 1.72 Total incurred claims \$ 0
 1.73 Number of covered lives \$ 0
 All years prior to most current three years:
 1.74 Total premium earned \$ 0
 1.75 Total incurred claims \$ 0
 1.76 Number of covered lives \$ 0

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	\$ 99	\$ 83
2.2 Premium Denominator	\$ 11,800,713	\$ 11,371,413
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 5,801	\$ 7,146
2.5 Reserve Denominator	\$ 25,494,234	\$ 23,794,250
2.6 Reserve Ratio (2.4/2.5)		

3.1 Does the reporting entity issue both participating and non-participating policies? YES [] NO [X]
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$ 0
 3.22 Non-participating policies \$ 0

4. For Mutual Reporting Entities and Reciprocal Exchange only:
 4.1 Does the reporting entity issue assessable policies? YES [] NO [X]
 4.2 Does the reporting entity issue non-assessable policies? YES [] NO [X]
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0 %
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

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

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

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2007, the Company purchased a Workers Compensation Catastrophe Treaty with limits of \$400M part of \$500M xs \$700M.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v6.0 from RMS and AIR Classic/2 8.0 from AIR. For WC, Liberty Mutual utilizes RiskLink v6.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? The Company purchased a Property Catastrophe Treaty with limits of \$888M part of \$1.4B xs \$300M.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 1
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES NO

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 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 []
- 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 | \$ | 1,778,916 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 388,355 |
- 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? \$ 233,759
- 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 | 8.000 % |
| 12.42 To | 10.000 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [X] NO []
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | |
|----------------------------------|----|-----------|
| 12.61 Letters of Credit | \$ | 7,922,592 |
| 12.62 Collateral and other funds | \$ | 510,933 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 325,730
- 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. 0
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO []
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants: Premiums and recoverables were allocated pursuant to separate intercompany pooling agreements.
-
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [] NO [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES [X] NO []
- 14.5 If the answer to 14.4 is no, please explain:
-
- 15.1 Has the reporting entity guaranteed any financed premium accounts? YES [] NO [X]
- 15.2 If yes, give full information
-
- 16.1 Does the reporting entity write any warranty business? YES [] NO [X]
- If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage: _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5. YES [] NO [X]
 Incurred but not reported losses on contracts not in force 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	\$	<u>0</u>
17.12	Unfunded portion of Interrogatory 17.11	\$	<u>0</u>
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	<u>0</u>
17.14	Case reserves portion of Interrogatory 17.11	\$	<u>0</u>
17.15	Incurred but not reported portion of Interrogatory 17.11	\$	<u>0</u>
17.16	Unearned premium portion of Interrogatory 17.11	\$	<u>0</u>
17.17	Contingent commission portion of Interrogatory 17.11	\$	<u>0</u>

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	\$	<u>0</u>
17.19	Unfunded portion of Interrogatory 17.18	\$	<u>0</u>
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	<u>0</u>
17.21	Case reserves portion of Interrogatory 17.18	\$	<u>0</u>
17.22	Incurred but not reported portion of Interrogatory 17.18	\$	<u>0</u>
17.23	Unearned premium portion of Interrogatory 17.18	\$	<u>0</u>
17.24	Contingent commission portion of Interrogatory 17.18	\$	<u>0</u>

FIVE-YEAR HISTORICAL DATA

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

	1 2007	2 2006	3 2005	4 2004	5 2003
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)	305,815,108	287,136,082	225,477,013	201,004,287	162,053,056
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	127,383,792	117,850,290	104,110,953	75,559,299	51,144,761
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	239,226,200	188,919,706	133,430,919	74,197,962	34,267,827
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	302,354	250,877	200,744	137,643	177,677
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	187,616	114,714	82,052	120,958	221,419
6. Total (Line 34)	672,915,070	594,271,669	463,301,681	351,020,149	247,864,740
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)	7,853,543	7,591,870	6,987,663	6,540,004	5,758,979
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,838,551	1,955,454	1,803,807	1,750,727	1,630,741
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,971,641	1,953,135	1,522,900	1,380,395	1,441,430
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	298,228	248,958	199,668	136,698	176,827
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	187,616	114,714	82,052	120,958	221,419
12. Total (Line 34)	12,149,579	11,864,131	10,596,090	9,928,782	9,229,396
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(653,813)	(358,426)	(783,850)	(743,941)	(874,358)
14. Net investment gain (loss) (Line 11)	2,046,490	1,899,791	1,924,634	1,965,063	2,361,777
15. Total other income (Line 15)	(114,326)	(88,351)	(124,567)	(183,129)	(326,933)
16. Dividends to policyholders (Line 17)	69,773	51,028	36,108	39,433	(2,401)
17. Federal and foreign income taxes incurred (Line 19)	420,890	661,114	357,682	296,265	857,191
18. Net income (Line 20)	787,688	740,872	622,427	702,295	305,696
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	47,641,180	45,620,600	41,986,665	40,250,068	38,585,165
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	1,061,695	823,107	699,342	671,389	885,403
20.2 Deferred and not yet due (Line 13.2)	2,750,482	2,752,816	2,069,783	1,915,779	1,540,199
20.3 Accrued retrospective premiums (Line 13.3)	510,790	695,816	704,100	766,829	796,594
21. Total liabilities excluding protected cell business (Page 3, Line 24)	25,900,584	24,607,092	21,610,953	20,583,539	19,602,275
22. Losses (Page 3, Line 1)	16,593,890	15,292,424	14,207,137	13,390,241	13,187,318
23. Loss adjustment expenses (Page 3, Line 3)	3,389,530	3,134,723	2,909,746	2,554,020	2,607,666
24. Unearned premiums (Page 3, Line 9)	4,846,758	4,683,768	4,199,301	4,033,919	3,835,261
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)	21,740,596	21,013,508	20,375,712	19,666,529	18,982,890
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	1,848,188	3,302,613	1,653,745	837,137	4,228,735
Risk-Based Capital Analysis					
28. Total adjusted capital	21,740,596	21,013,508	20,375,712	19,666,529	18,982,890
29. Authorized control level risk-based capital	1,674,524	1,477,665	1,311,180	1,365,315	1,295,996
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)	89.4	91.0	89.3	92.2	89.9
31. Stocks (Lines 2.1 & 2.2)	3.4	3.5	3.5	3.5	3.8
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)	7.2	5.5	7.2	4.0	6.3
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)				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 (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)					
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 2007	2 2006	3 2005	4 2004	5 2003
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(44,564)	7,755	(37,549)	18,168	39,531
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	727,088	637,796	709,183	683,639	320,563
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)	142,160,826	120,793,625	94,650,805	80,706,981	69,376,692
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	67,798,714	59,765,486	54,067,265	36,996,215	27,727,561
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	87,825,375	86,107,684	62,038,239	43,254,165	13,069,475
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	31,891	16,384	53,160	508,604	295,467
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	107,245	152,130	109,279	4,973	101,801
56. Total (Line 34)	297,924,051	266,835,309	210,918,748	161,470,938	110,570,996
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)	4,014,854	3,742,266	3,737,061	4,060,750	3,403,564
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,000,008	1,129,319	919,584	776,025	762,298
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	891,242	833,475	964,647	893,938	594,226
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	31,891	16,384	53,160	508,604	295,467
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	107,245	152,130	109,279	4,973	101,801
62. Total (Line 34)	6,045,240	5,873,574	5,783,731	6,244,290	5,157,356
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)	61.9	61.1	63.8	66.5	66.4
65. Loss expenses incurred (Line 3)	15.9	15.3	18.8	16.3	19.1
66. Other underwriting expenses incurred (Line 4)	27.8	26.8	24.9	24.9	24.4
67. Net underwriting gain (loss) (Line 8)	(5.5)	(3.2)	(7.6)	(7.7)	(10.0)
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 34 x 100.0)	27.9	26.4	25.6	26.1	26.7
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	77.8	76.4	82.6	82.8	85.5
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	55.9	56.5	52.0	50.5	48.6
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)	313	499	515	336	736
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	2.4	2.6	1.8	3.9
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	1,131	1,349	1,339	1,640	1,349,245
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)	5.6	6.9	7.1	8.8	8.7

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	16,033,993	16,196,573	15,967,608	16,050,587
	2. Canada				
	3. Other Countries				
	4. Totals	16,033,993	16,196,573	15,967,608	16,050,587
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	8,408,762	8,538,257	8,408,200	8,431,680
	14. Canada				
	15. Other Countries				
	16. Totals	8,408,762	8,538,257	8,408,200	8,431,680
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	12,660,518	12,574,549	12,749,203	12,516,000
	22. Canada				
	23. Other Countries				
	24. Totals	12,660,518	12,574,549	12,749,203	12,516,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	37,103,273	37,309,379	37,125,011	36,998,267
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States	1,422,254	1,422,254	1,443,876	
	50. Canada				
	51. Other Countries				
	52. Totals	1,422,254	1,422,254	1,443,876	
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	1,422,254	1,422,254	1,443,876	
	55. Total Stocks	1,422,254	1,422,254	1,443,876	
	56. Total Bonds and Stocks	38,525,527	38,731,633	38,568,887	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	<u>37,205,757</u>	7. Amortization of premium	40,969
2. Cost of bonds and stocks acquired, Column 7, Part 3	<u>11,036,925</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount	<u>48,179</u>	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2	<u>(68,559)</u>	9. Book/adjusted carrying value at end of current period	<u>38,525,527</u>
4.4 Column 11 - 13, Part 4	<u>(68,559)</u>	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	<u>29,345</u>	11. Subtotal (Lines 9 plus 10)	<u>38,525,527</u>
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	<u>9,685,151</u>	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	<u>38,525,527</u>

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	858	318	219	78	41		8	722	X X X
2. 1998	8,919	1,075	7,844	7,357	931	607	57	773	8	249	7,741	X X X
3. 1999	8,854	1,274	7,580	7,404	1,048	635	81	786	12	246	7,684	X X X
4. 2000	9,337	1,509	7,828	7,338	1,276	603	88	761	10	191	7,328	X X X
5. 2001	9,698	1,562	8,136	7,190	1,602	550	85	724	8	228	6,769	X X X
6. 2002	11,072	2,092	8,980	6,766	1,338	490	67	819	7	354	6,663	X X X
7. 2003	12,330	2,801	9,529	6,030	1,244	453	41	867	7	363	6,058	X X X
8. 2004	12,827	3,126	9,701	5,656	1,435	374	66	855	40	343	5,344	X X X
9. 2005	13,210	2,850	10,360	6,258	1,770	294	59	849	48	321	5,524	X X X
10. 2006	14,376	3,005	11,371	4,486	755	195	17	850	61	297	4,698	X X X
11. 2007	15,126	3,325	11,801	3,370	850	90	12	701	72	207	3,227	X X X
12. Totals	X X X	X X X	X X X	62,713	12,567	4,510	651	8,026	273	2,807	61,758	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	4,821	1,406	2,412	1,457	263	199	985	395	70		47	5,094	X X X
2. 1998	385	61	142	86	11	3	47	6	16		4	445	X X X
3. 1999	412	102	131	90	9	1	37	14	16		5	398	X X X
4. 2000	412	135	208	139	12	4	38	14	18		10	396	X X X
5. 2001	505	234	245	164	15	6	65	24	17		13	419	X X X
6. 2002	473	268	395	291	29	16	89	25	23		15	409	X X X
7. 2003	554	205	720	306	21	4	160	36	29		17	933	X X X
8. 2004	690	184	957	323	27	5	215	37	84		23	1,424	X X X
9. 2005	1,036	331	1,280	435	34	6	289	49	67	18	36	1,867	X X X
10. 2006	1,308	284	2,090	612	45	5	500	71	129		62	3,100	X X X
11. 2007	1,843	298	3,715	728	43	4	650	85	364		204	5,500	X X X
12. Totals	12,439	3,508	12,295	4,631	509	253	3,075	756	833	18	436	19,985	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	4,370	724
2. 1998	9,338	1,152	8,186	104.698	107.163	104.360			0.100	380	65
3. 1999	9,430	1,348	8,082	106.506	105.808	106.623			0.100	351	47
4. 2000	9,390	1,666	7,724	100.568	110.404	98.671			0.100	346	50
5. 2001	9,311	2,123	7,188	96.009	135.915	88.348			0.100	352	67
6. 2002	9,084	2,012	7,072	82.045	96.176	78.753			0.100	309	100
7. 2003	8,834	1,843	6,991	71.646	65.798	73.366			0.100	763	170
8. 2004	8,858	2,090	6,768	69.057	66.859	69.766			0.100	1,140	284
9. 2005	10,107	2,716	7,391	76.510	95.298	71.342			0.100	1,550	317
10. 2006	9,603	1,805	7,798	66.799	60.067	68.578			0.100	2,502	598
11. 2007	10,776	2,049	8,727	71.242	61.624	73.951			0.100	4,532	968
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	16,595	3,390

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
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	One Year	Two Year
1. Prior	12,737	12,419	12,331	13,076	13,548	14,046	14,806	15,332	15,645	16,134	489	802
2. 1998	6,464	6,689	6,852	7,067	7,141	7,196	7,278	7,353	7,455	7,483	28	130
3. 1999	X X X	6,362	6,561	6,809	6,984	7,111	7,167	7,288	7,324	7,356	32	68
4. 2000	X X X	X X X	6,119	6,402	6,443	6,660	6,838	6,893	6,930	6,994	64	101
5. 2001	X X X	X X X	X X X	6,304	6,142	6,251	6,161	6,360	6,430	6,479	49	119
6. 2002	X X X	X X X	X X X	X X X	6,253	5,902	5,910	6,103	6,220	6,263	43	160
7. 2003	X X X	X X X	X X X	X X X	X X X	6,537	5,886	5,710	6,043	6,131	88	421
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	6,563	6,081	5,910	5,937	27	(144)
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	7,155	6,815	6,630	(185)	(525)
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	7,294	6,973	(321)	X X X
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	7,831	X X X	X X X
12. Totals											313	1,131

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	000	2,398	4,192	5,307	6,513	7,386	8,280	9,015	9,670	10,351	X X X	X X X
2. 1998	2,595	4,164	5,093	5,780	6,175	6,444	6,652	6,792	6,893	6,976	X X X	X X X
3. 1999	X X X	2,578	4,097	5,052	5,730	6,188	6,511	6,707	6,835	6,910	X X X	X X X
4. 2000	X X X	X X X	2,704	4,244	5,050	5,606	6,113	6,322	6,471	6,577	X X X	X X X
5. 2001	X X X	X X X	X X X	2,847	4,294	5,012	5,442	5,756	5,921	6,053	X X X	X X X
6. 2002	X X X	X X X	X X X	X X X	2,679	4,106	4,937	5,350	5,695	5,851	X X X	X X X
7. 2003	X X X	X X X	X X X	X X X	X X X	2,472	3,778	4,420	4,885	5,198	X X X	X X X
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	2,262	3,478	4,061	4,529	X X X	X X X
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,631	4,025	4,723	X X X	X X X
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,524	3,909	X X X	X X X
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,598	X X X	X X X

SCHEDULE P-PART 4-SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Prior	5,029	3,243	2,651	2,097	1,470	1,316	1,138	1,451	1,504	1,627
2. 1998	2,094	939	538	320	235	109	111	93	133	129
3. 1999	X X X	2,067	981	490	299	173	135	123	91	95
4. 2000	X X X	X X X	1,694	649	286	196	157	113	92	105
5. 2001	X X X	X X X	X X X	1,764	721	432	221	179	144	127
6. 2002	X X X	X X X	X X X	X X X	1,887	745	336	254	196	174
7. 2003	X X X	X X X	X X X	X X X	X X X	2,707	1,113	509	586	546
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	2,988	1,667	1,112	860
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3,251	1,771	1,156
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3,374	1,978
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	3,634

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	YES	6,621,186	6,619,768		3,490,525	3,404,491	3,987,347	20,455
2. Alaska	AK	YES	249,842	131,372		23,717	103,823	85,931	
3. Arizona	AZ	YES	6,706,478	4,723,835		1,678,386	3,056,145	1,912,801	12,011
4. Arkansas	AR	YES	708,391	717,793		174,363	269,762	575,867	896
5. California	CA	YES	6,622,649	7,835,720	15,893	1,450,792	4,571,101	8,550,256	
6. Colorado	CO	YES	1,560,824	1,566,904		632,952	957,492	1,045,160	6,252
7. Connecticut	CT	YES	8,701,426	7,811,305		3,438,247	6,562,981	6,771,469	28,856
8. Delaware	DE	YES	2,100,532	2,178,546		795,067	1,214,407	1,470,950	6,669
9. Dist. Columbia	DC	YES	1,642,626	1,398,454		675,256	1,343,128	1,272,353	2,945
10. Florida	FL	YES	121,123,448	124,230,267	175,685	53,430,450	57,710,873	71,928,082	102,820
11. Georgia	GA	YES	41,935,173	38,007,674	7,259	23,423,451	24,349,428	10,563,876	115,749
12. Hawaii	HI	YES	437,890	527,089	70	555,137	362,418	746,928	
13. Idaho	ID	YES	196,625	180,458		254,895	290,738	56,378	848
14. Illinois	IL	YES	7,695,299	7,629,243		3,448,141	5,656,102	6,033,734	8,091
15. Indiana	IN	YES	3,457,610	3,607,113		1,802,499	1,519,758	2,600,913	5,200
16. Iowa	IA	YES	7,043,197	6,699,574		3,492,353	4,747,377	2,521,825	42,933
17. Kansas	KS	YES	1,417,935	1,384,052		1,795,909	766,608	2,706,629	1,280
18. Kentucky	KY	YES	2,635,151	2,607,074	2,594	635,356	1,155,869	1,999,091	4,827
19. Louisiana	LA	YES	1,850,487	1,804,152		522,330	1,423,282	2,008,450	1,596
20. Maine	ME	YES	2,444,644	2,310,944		753,769	1,040,366	1,227,259	10,942
21. Maryland	MD	YES	9,771,998	9,100,685		3,831,127	5,901,638	5,357,768	33,577
22. Massachusetts	MA	YES	6,500,836	5,892,599	2,481	3,178,956	6,715,291	6,666,030	14,347
23. Michigan	MI	YES	3,351,352	3,336,881		923,855	1,565,119	3,130,474	
24. Minnesota	MN	YES	2,594,487	2,596,111		526,459	2,538,949	2,624,132	3,649
25. Mississippi	MS	YES	1,369,003	1,300,825	2	840,307	673,675	1,737,664	512
26. Missouri	MO	YES	2,243,255	2,274,024		687,744	1,164,452	957,845	7,704
27. Montana	MT	YES	2,930,633	1,609,495		262,894	998,939	814,515	1,259
28. Nebraska	NE	YES	1,204,608	785,928		494,306	552,631	1,115,859	587
29. Nevada	NV	YES	1,113,409	1,049,987		532,802	1,246,106	1,073,806	3,164
30. New Hampshire	NH	YES	4,975,816	4,830,399	66,885	1,251,758	2,841,050	3,162,834	20,749
31. New Jersey	NJ	YES	9,314,291	10,216,738		3,391,022	8,098,139	19,148,495	12
32. New Mexico	NM	YES	621,460	567,590		228,891	326,076	351,823	2,268
33. New York	NY	YES	94,043,029	77,408,400		28,118,410	39,450,235	26,525,711	554,597
34. No. Carolina	NC	YES	4,294,775	3,572,678	20,003	2,227,728	3,376,159	6,470,548	
35. No. Dakota	ND	YES	17,908	18,424		5,208	6,018	2,645	128
36. Ohio	OH	YES	1,642,596	1,471,578		499,428	719,167	578,348	8,803
37. Oklahoma	OK	YES	1,524,231	1,050,881	92	1,002,668	1,232,663	2,641,307	4,371
38. Oregon	OR	YES	1,089,692	1,012,895		461,245	757,499	556,351	4,905
39. Pennsylvania	PA	YES	186,083,258	175,804,367		90,717,029	103,026,997	78,942,826	1,323,514
40. Rhode Island	RI	YES	968,391	742,938		148,606	619,785	594,748	
41. So. Carolina	SC	YES	3,299,204	3,174,433	9,293	1,218,885	1,960,274	4,185,111	36
42. So. Dakota	SD	YES	182,363	133,266		11,518	108,552	115,374	4
43. Tennessee	TN	YES	8,758,508	8,000,652		3,645,120	4,974,926	4,163,051	41,053
44. Texas	TX	YES	5,873,154	6,240,643	328	1,567,507	1,381,888	6,045,909	
45. Utah	UT	YES	253,839	216,709		70,989	20,904	90,613	886
46. Vermont	VT	YES	3,126,287	2,879,176	94,294	575,955	1,195,681	1,485,397	5,871
47. Virginia	VA	YES	75,819,110	69,481,451	9,437	40,730,049	40,510,650	24,298,030	524,497
48. Washington	WA	YES	(116,602)	(116,195)		70,488	(9,043)	63,510	
49. West Virginia	WV	YES	177,935	177,054		35,984	62,149	69,555	975
50. Wisconsin	WI	YES	2,494,202	2,166,550	359,022	2,124,001	2,216,920	4,619,559	3,741
51. Wyoming	WY	YES	89,796	104,243		24,274	16,048	24,609	264
52. American Samoa	AS	NO							
53. Guam	GU	YES							
54. Puerto Rico	PR	NO	212	181			61	75	
55. U.S. Virgin Islands	VI	YES	1,208	808			219	223	
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X	(170)	(934)			396	2,214	
59. Totals	(a) 53		660,765,487	619,072,797	763,338	291,878,808	354,756,362	335,682,258	2,933,843

DETAILS OF WRITE-INS									
5801. Other alien	X X X	(170)	(934)				396	2,214	
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	X X X	(170)	(934)				396	2,214	

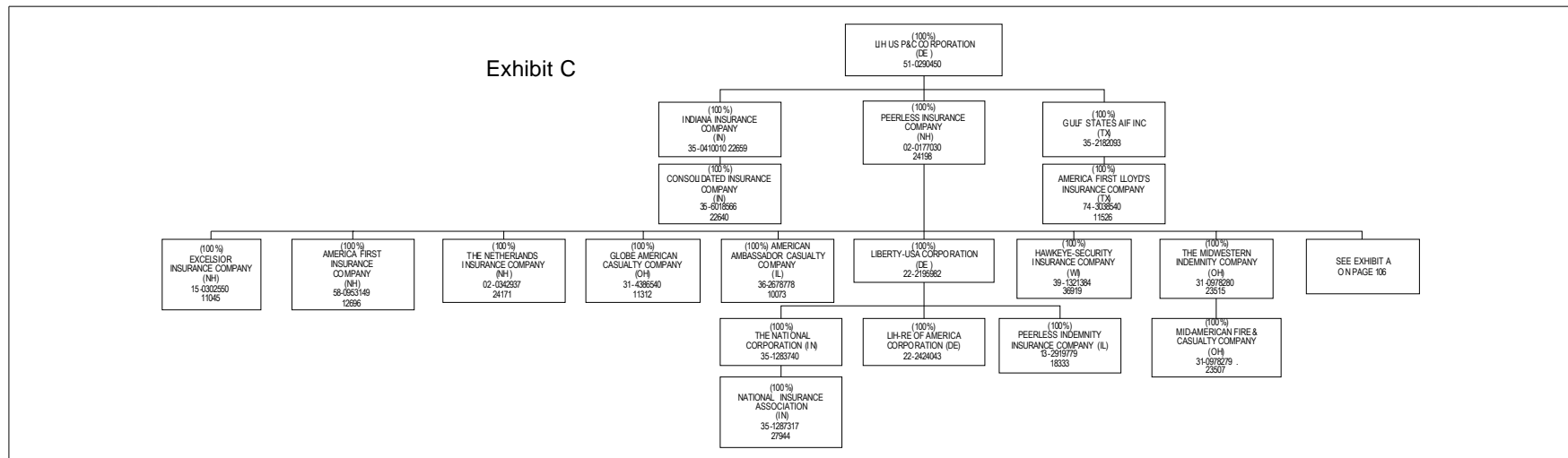
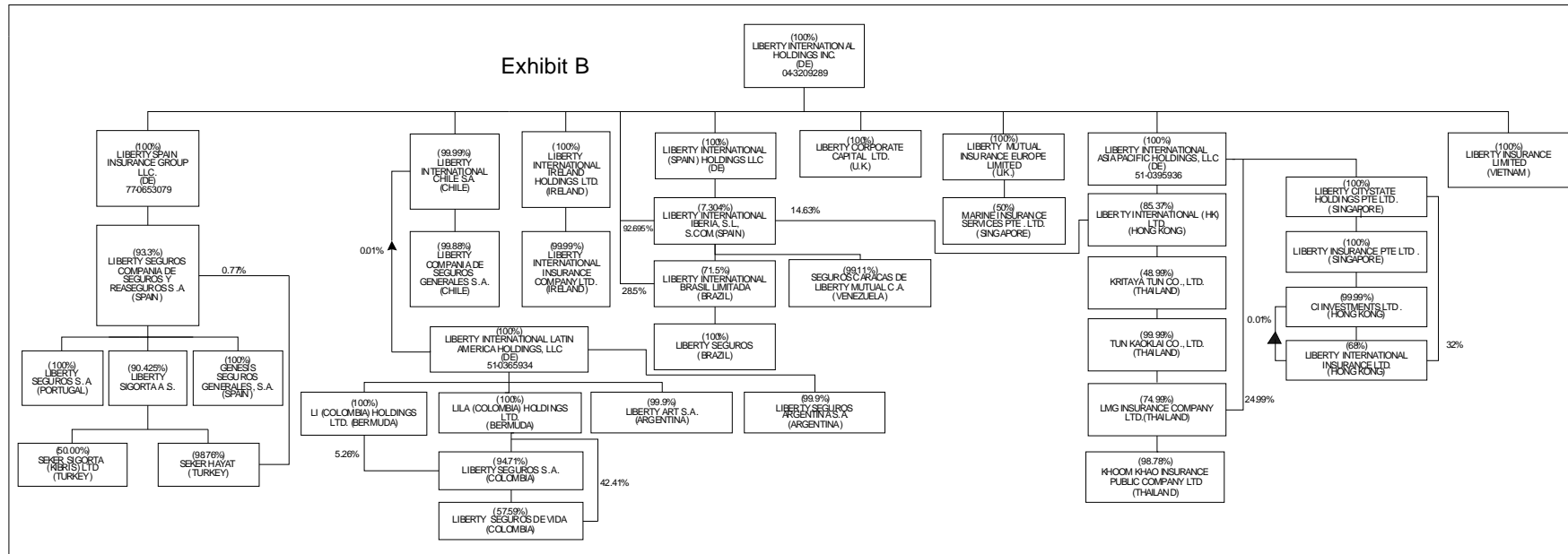
Explanation of basis of allocation of premiums by states, etc.

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

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

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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

OVERFLOW PAGE FOR WRITE-INS

**Page 2 - Continuation
ASSETS**

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

REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS

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

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

2304. Amounts receivable under high deductible policies	242,352	13,433	228,919	247,656
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)	242,352	13,433	228,919	247,656

OVERFLOW PAGE FOR WRITE-INS

**Page 13 - Continuation
EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Non-admitted Assets (Col. 2 - Col. 1)

REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS

0904.			
0905.			
0906.			
0907.			
0908.			
0909.			
0910.			
0911.			
0912.			
0913.			
0914.			
0915.			
0916.			
0917.			
0918.			
0919.			
0920.			
0921.			
0922.			
0923.			
0924.			
0925.			
0997. Totals (Lines 0904 through 0925) (Page 13, Line 0998)			

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

2304.	13,433		(13,433)
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 13, Line 2398)	13,433		(13,433)

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