

**ANNUAL STATEMENT**

OF THE

**Golden Eagle Insurance Corporation**

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of **San Diego**

in the state of **California**

TO THE

**Insurance Department**

OF THE

STATE OF

**FOR THE YEAR ENDED  
December 31, 2007**

PROPERTY AND CASUALTY

**2007**



10836200720100100

ANNUAL STATEMENT

For the Year Ended December 31, 2007

OF THE CONDITION AND AFFAIRS OF THE

Golden Eagle Insurance Corporation

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 10836 Employer's ID Number 33-0763205

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

Country of Domicile United States of America

Incorporated/Organized: July 9, 1997 Commenced Business: August 22, 1997

Statutory Home Office: 525 B Street San Diego, CA 92101 (Street and Number) (City, State and Zip Code)

Main Administrative Office: 525 B Street San Diego, CA 92101 619-744-6000 (Street and Number) (City, State and Zip Code) (Area Code)(Telephone Number)

Mail Address: 525 B Street San Diego, CA 92101 (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.LibertyMutualAgencyMarkets.com

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

OFFICERS Chairman of the Board Gary Richard Gregg

Table with 2 columns: Name, Title. Row 1: Gary Richard Gregg, President and Chief Executive Officer. Row 2: Edmund Campion Kenealy, Secretary. Row 3: James Francis Dore, Treasurer and Chief Financial Officer.

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Row 1: Anthony Alexander Fontanes, EVP and Chief Investment Officer, Joseph Anthony Gilles, Executive Vice President. Row 2: Scott Rhodes Goodby, EVP and Chief Operating Officer.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Row 1: James Francis Dore, John Derek Doyle, Joseph Anthony Gilles, Scott Rhodes Goodby. Row 2: Gary Richard Gregg, Christopher Charles Mansfield.

State of Massachusetts County of Suffolk ss

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

Signature lines for Gary Richard Gregg, Edmund Campion Kenealy, and James Francis Dore with their respective titles: President and Chief Executive Officer, Secretary, and Treasurer and Chief Financial Officer.

Subscribed and sworn to before me this 31st 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)	788,124,917		788,124,917	705,562,566
2. Stocks (Schedule D):				
2.1 Preferred stocks	3,154,042		3,154,042	
2.2 Common stocks	106,241,413		106,241,413	101,538,550
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 (\$ 7,587,317, Schedule E-Part 1), cash equivalents (\$ 27,716,174, Schedule E-Part 2) and short-term investments (\$ 23,196,566, Schedule DA)	58,500,057		58,500,057	75,547,187
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities	82,463		82,463	5,102,440
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	956,102,892		956,102,892	887,750,743
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	8,407,005		8,407,005	7,219,581
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	24,175,427	998,950	23,176,477	32,010,669
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,878,142 earned but unbilled premiums)	152,511,937	437,139	152,074,798	140,018,495
13.3 Accrued retrospective premiums	1,462,304	186,576	1,275,728	1,522,213
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	64,797		64,797	46,342
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	43,204,000	19,660,920	23,543,080	23,212,822
17. Guaranty funds receivable or on deposit	595,965		595,965	729,912
18. Electronic data processing equipment and software	19,331	1,063	18,268	58,065
19. Furniture and equipment, including health care delivery assets (\$ 0 )	206,766	206,766		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				25,210
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	3,652,789	180,631	3,472,158	2,504,405
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,190,403,213	21,672,045	1,168,731,168	1,095,098,457
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,190,403,213	21,672,045	1,168,731,168	1,095,098,457

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	472,158	180,631	291,527	766,882
2302. Equities and deposits in pools and associations	3,180,631		3,180,631	1,737,523
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,652,789	180,631	3,472,158	2,504,405

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	419,941,207	388,852,348
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	21,809,536	19,974,129
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	96,103,400	89,221,011
4. Commissions payable, contingent commissions and other similar charges	15,491,661	14,314,137
5. Other expenses (excluding taxes, licenses and fees)	15,158,262	11,066,757
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	9,437,353	7,602,125
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	11,755,212	5,344,642
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 \$ 57,025,706 and including warranty reserves of \$ 0 )	224,190,545	209,492,751
10. Advance premium	1,047,688	843,287
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	94,801	196,456
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	256,508	
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		7,221
19. Payable to parent, subsidiaries and affiliates	6,968,329	6,854,320
20. Payable for securities	363,032	11,477,163
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	33,693,231	50,362,706
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	856,310,765	815,609,053
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	856,310,765	815,609,053
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	2,600,000	2,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	221,633,333	221,633,333
33. Unassigned funds (surplus)	88,187,070	55,256,071
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)	312,420,403	279,489,404
36. TOTALS (Page 2, Line 26, Col. 3)	1,168,731,168	1,095,098,457

<b>DETAILS OF WRITE-INS</b>		
2301. Other liabilities	4,160,837	4,017,936
2302. Collateral held for securities loaned	29,532,394	46,344,770
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	33,693,231	50,362,706
2701.		
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)		
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
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4)	477,069,626	454,104,658
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	244,982,900	246,504,570
3. Loss expenses incurred (Part 3, Line 25, Column 1)	54,070,708	54,251,918
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	169,962,767	151,965,125
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	469,016,375	452,721,613
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	8,053,251	1,383,045
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	42,054,246	39,025,598
10. Net realized capital gains (losses) less capital gains tax of \$ 75,915 (Exhibit of Capital Gains (Losses))	140,985	(582,940)
11. Net investment gain (loss) (Lines 9 + 10)	42,195,231	38,442,658
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 8,198 amount charged off \$ 984,254 )	(976,056)	(677,941)
13. Finance and service charges not included in premiums	642,829	631,374
14. Aggregate write-ins for miscellaneous income	(146,814)	725,436
15. Total other income (Lines 12 through 14)	(480,041)	678,869
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	49,768,441	40,504,572
17. Dividends to policyholders	1,148,151	1,283,655
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)	48,620,290	39,220,917
19. Federal and foreign income taxes incurred	16,147,105	21,631,757
20. Net income (Line 18 minus Line 19) (to Line 22)	32,473,185	17,589,160
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	279,489,404	287,254,083
22. Net income (from Line 20)	32,473,185	17,589,160
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (1,220,972)	1,182,536	2,922,042
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	2,305,028	9,051,566
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(3,029,750)	(8,929,140)
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		(28,725,000)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		326,693
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	32,930,999	(7,764,679)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	312,420,403	279,489,404

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)	(146,814)	725,436
1402.		
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)	(146,814)	725,436
3701. Other changes in surplus		326,693
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)		326,693

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	488,627,062	448,490,927
2. Net investment income	40,856,465	37,845,174
3. Miscellaneous income	(1,666,642)	173,198
4. Total (Lines 1 through 3)	527,816,885	486,509,299
5. Benefit and loss related payments	212,084,311	113,469,004
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	210,046,828	178,635,570
8. Dividends paid to policyholders	1,249,806	1,087,199
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	9,812,449	21,168,825
10. Total (Lines 5 through 9)	433,193,394	314,360,598
11. Net cash from operations (Line 4 minus Line 10)	94,623,491	172,148,701
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	73,421,684	102,067,628
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		(6,851)
12.7 Miscellaneous proceeds		4,842,646
12.8 Total investment proceeds (Lines 12.1 to 12.7)	73,421,684	106,903,423
13. Cost of investments acquired (long-term only):		
13.1 Bonds	156,342,588	236,514,583
13.2 Stocks	7,309,530	3,051,708
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	6,094,155	
13.7 Total investments acquired (Lines 13.1 to 13.6)	169,746,273	239,566,291
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)	(96,324,589)	(132,662,868)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		28,725,000
16.6 Other cash provided (applied)	(15,346,032)	26,326,365
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(15,346,032)	(2,398,635)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(17,047,130)	37,087,198
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	75,547,187	38,459,989
19.2 End of year (Line 18 plus Line 19.1)	58,500,057	75,547,187

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	3,723,312	2,350,805	2,321,848	3,752,269
2. Allied lines	4,022,684	2,028,443	2,056,016	3,995,111
3. Farmowners multiple peril	4,879,858	2,145,095	2,490,887	4,534,066
4. Homeowners multiple peril	39,199,517	18,929,819	21,487,922	36,641,414
5. Commercial multiple peril	150,425,918	69,388,993	71,791,345	148,023,566
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	15,379,410	6,157,450	6,572,765	14,964,095
10. Financial guaranty				
11.1 Medical malpractice - occurrence	(861)		(546)	(315)
11.2 Medical malpractice - claims-made				
12. Earthquake	1,873,614	866,174	939,801	1,799,987
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	98,780,340	25,647,585	28,801,022	95,626,903
17.1 Other liability - occurrence	27,268,073	12,298,659	13,023,836	26,542,896
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	733,458	315,555	369,108	679,905
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	38,062,882	15,213,185	18,426,219	34,849,848
19.3, 19.4 Commercial auto liability	61,347,758	29,312,317	29,342,123	61,317,952
21. Auto physical damage	46,142,336	20,289,628	22,466,505	43,965,459
22. Aircraft (all perils)				
23. Fidelity	15,284	21,869	17,286	19,867
24. Surety	134,769	138,434	76,646	196,557
26. Burglary and theft	59,022	26,719	26,854	58,887
27. Boiler and machinery	111,196	67,274	77,311	101,159
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	492,158,570	205,198,004	220,286,948	477,069,626

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	2,321,848				2,321,848
2. Allied lines	2,056,016				2,056,016
3. Farmowners multiple peril	2,490,887				2,490,887
4. Homeowners multiple peril	21,487,922				21,487,922
5. Commercial multiple peril	72,796,611		(1,012,729)	7,463	71,791,345
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	6,572,765				6,572,765
10. Financial guaranty					
11.1 Medical malpractice - occurrence	(546)				(546)
11.2 Medical malpractice - claims-made					
12. Earthquake	939,801				939,801
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	30,987,950		(2,161,471)	(25,457)	28,801,022
17.1 Other liability - occurrence	13,735,242		(703,942)	(7,463)	13,023,837
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	369,108				369,108
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	18,426,219				18,426,219
19.3, 19.4 Commercial auto liability	29,342,123				29,342,123
21. Auto physical damage	22,466,505				22,466,505
22. Aircraft (all perils)					
23. Fidelity	152	17,134			17,286
24. Surety	60,247	16,399			76,646
26. Burglary and theft	26,854				26,854
27. Boiler and machinery	77,311				77,311
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	224,157,015	33,533	(3,878,142)	(25,457)	220,286,949
35. Accrued retrospective premiums based on experience					25,457
36. Earned but unbilled premiums					3,878,142
37. Balance (Sum of Line 34 through 36)					224,190,548

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

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



**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	344,124	3,723,312		344,124		3,723,312
2. Allied lines	291,910	4,022,684		291,910		4,022,684
3. Farmowners multiple peril		4,879,858				4,879,858
4. Homeowners multiple peril		39,199,517				39,199,517
5. Commercial multiple peril	70,849,373	150,425,918		70,849,373		150,425,918
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	428,540	15,379,410		428,540		15,379,410
10. Financial guaranty						
11.1 Medical malpractice - occurrence		(861)				(861)
11.2 Medical malpractice - claims-made						
12. Earthquake	940,256	1,873,614		940,256		1,873,614
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	43	98,780,340		43		98,780,340
17.1 Other liability - occurrence	22,873,453	27,268,073		22,873,453		27,268,073
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	30,811	733,458		30,811		733,458
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability		38,062,882				38,062,882
19.3, 19.4 Commercial auto liability	10,366,053	61,347,758		10,366,053		61,347,758
21. Auto physical damage	3,570,062	46,142,336		3,570,062		46,142,336
22. Aircraft (all perils)						
23. Fidelity		15,284				15,284
24. Surety		134,769				134,769
26. Burglary and theft	1,861	59,022		1,861		59,022
27. Boiler and machinery	20,993	111,196		20,993		111,196
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	109,717,479	492,158,570		109,717,479		492,158,570

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 [X]  
 If yes: 1. The amount of such installment premiums \$ 0  
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

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

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	24,434	2,486,085	24,434	2,486,085	911,640	910,556	2,487,169	66.284
2. Allied lines	147,462	1,458,738	147,462	1,458,738	602,071	505,045	1,555,764	38.942
3. Farmowners multiple peril	46	2,485,985	46	2,485,985	1,198,333	954,958	2,729,360	60.197
4. Homeowners multiple peril	14,977	18,500,843	14,977	18,500,843	8,182,560	8,139,154	18,544,249	50.610
5. Commercial multiple peril	26,459,449	60,971,950	26,459,449	60,971,950	109,094,451	100,466,068	69,600,333	47.020
6. Mortgage guaranty								
8. Ocean marine		957		957		2,702	(1,745)	
9. Inland marine	199,903	4,394,071	199,903	4,394,071	1,262,629	1,477,943	4,178,757	27.925
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake		924		924	211	762	373	0.021
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	20,145,262	47,210,356	22,819,730	44,535,888	170,189,537	155,357,068	59,368,357	62.083
17.1 Other liability - occurrence	6,095,889	5,743,172	6,095,889	5,743,172	38,902,831	30,255,259	14,390,744	54.217
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	50,000	61,148	50,000	61,148	970,218	685,959	345,407	50.802
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability		23,407,597		23,407,597	29,129,097	32,057,562	20,479,132	58.764
19.3, 19.4 Commercial auto liability	1,527,307	26,944,332	1,527,307	26,944,332	55,005,436	55,774,759	26,175,009	42.687
21. Auto physical damage	920,307	22,834,849	920,307	22,834,849	1,879,116	1,144,987	23,568,978	53.608
22. Aircraft (all perils)								
23. Fidelity		(713)		(713)	11,173	29,750	(19,290)	(97.096)
24. Surety	(7,000)	45,736	(7,000)	45,736	2,494,038	332,960	2,206,814	1,122.735
26. Burglary and theft		3,062		3,062	1,566	3,225	1,403	2.383
27. Boiler and machinery	10,553		10,553		5,111	21,242	(16,131)	(15.946)
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X	19,417		19,417	101,189	732,388	(611,782)	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	55,588,589	216,568,509	58,263,057	213,894,041	419,941,207	388,852,347	244,982,901	51.352

**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		840,174		840,174	8,178	71,466	8,178	911,640	181,647
2. Allied lines		577,781		577,781	6,905	24,290	6,905	602,071	84,368
3. Farmowners multiple peril		1,039,197		1,039,197		159,136		1,198,333	197,731
4. Homeowners multiple peril	1,100	6,582,026	1,100	6,582,026		1,600,534		8,182,560	1,728,971
5. Commercial multiple peril	18,270,467	64,899,321	18,270,467	64,899,321	15,246,896	44,195,129	15,246,896	109,094,450	49,818,555
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	4,000	1,041,321	4,000	1,041,321	9,008	221,308	9,008	1,262,629	245,487
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake		211		211				211	2,168
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation	72,000,846	110,511,300	82,324,990	100,187,156	39,581,987	75,942,873	45,522,477	170,189,539	21,325,478
17.1 Other liability - occurrence	4,313,596	13,080,264	4,313,596	13,080,264	17,060,075	25,822,566	17,060,074	38,902,831	6,693,408
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	13,399	355,617	13,399	355,617	13,364	614,601	13,364	970,218	188,818
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability		21,527,632		21,527,632		7,601,464		29,129,096	5,640,750
19.3, 19.4 Commercial auto liability	1,958,918	32,320,818	1,958,918	32,320,818	1,842,188	22,684,618	1,842,188	55,005,436	9,706,612
21. Auto physical damage	79,637	1,876,615	79,637	1,876,615		2,501		1,879,116	288,477
22. Aircraft (all perils)									
23. Fidelity						11,172		11,172	897
24. Surety		2,258,150		2,258,150	41,299	235,889	41,299	2,494,039	(4,222)
26. Burglary and theft		89		89		1,477		1,566	2,009
27. Boiler and machinery					438	5,111	438	5,111	2,245
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	101,189		101,189	X X X			101,189	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	96,641,963	257,011,705	106,966,107	246,687,561	73,810,338	179,194,135	79,750,827	419,941,207	96,103,399

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	13,820,805			13,820,805
1.2 Reinsurance assumed	21,706,864			21,706,864
1.3 Reinsurance ceded	15,826,052			15,826,052
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	19,701,617			19,701,617
2. Commission and brokerage:				
2.1 Direct, excluding contingent		17,426,601		17,426,601
2.2 Reinsurance assumed, excluding contingent		67,492,336		67,492,336
2.3 Reinsurance ceded, excluding contingent		17,426,601		17,426,601
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		13,791,208		13,791,208
2.6 Contingent-reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		81,283,544		81,283,544
3. Allowances to manager and agents		140,398		140,398
4. Advertising	599,250	2,556,444	1,326	3,157,020
5. Boards, bureaus and associations	68,094	1,348,584	15	1,416,693
6. Surveys and underwriting reports	1	995,963	261	996,225
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	17,020,232	37,601,676	201,231	54,823,139
8.2 Payroll taxes	1,056,394	2,962,713	9,418	4,028,525
9. Employee relations and welfare	3,774,244	10,831,739	12,288	14,618,271
10. Insurance	2,888,718	190,884	1,912	3,081,514
11. Directors' fees	57	365		422
12. Travel and travel items	954,534	2,841,583	3,333	3,799,450
13. Rent and rent items	1,441,827	4,392,191	2,814	5,836,832
14. Equipment	773,531	2,688,578	3,589	3,465,698
15. Cost or depreciation of EDP equipment and software	849,526	1,210,929	1,080	2,061,535
16. Printing and stationery	232,679	736,593	498	969,770
17. Postage, telephone and telegraph, exchange and express	586,719	2,087,393	965	2,675,077
18. Legal and auditing	224,305	703,033	26,894	954,232
19. Totals (Lines 3 to 18)	30,470,111	71,289,066	265,624	102,024,801
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 136,978		11,852,437		11,852,437
20.2 Insurance department licenses and fees		318,771		318,771
20.3 Gross guaranty association assessments		(93,046)		(93,046)
20.4 All other (excluding federal and foreign income and real estate)		548,052		548,052
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		12,626,214		12,626,214
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	3,898,980	4,763,941	18,795	8,681,716
25. Total expenses incurred	54,070,708	169,962,765	284,419	(a) 224,317,892
26. Less unpaid expenses-current year	96,103,400	40,087,275		136,190,675
27. Add unpaid expenses-prior year	89,221,011	32,983,018		122,204,029
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	47,188,319	162,858,508	284,419	210,331,246

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	2,420,610			2,420,610
2402. Other expenses	1,478,370	4,763,941	18,795	6,261,106
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	3,898,980	4,763,941	18,795	8,681,716

(a) Includes management fees of \$ 284,419 to affiliates and \$ 0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 6,977,486	6,660,140
1.1 Bonds exempt from U.S. tax	(a) 8,068,355	9,564,321
1.2 Other bonds (unaffiliated)	(a) 21,015,248	20,989,374
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 85,140	85,140
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	3,315,704	3,315,704
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,545,407	1,580,086
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	143,900	143,900
10. Total gross investment income	41,151,240	42,338,665

11. Investment expenses		(g) 284,419
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)		284,419
17. Net investment income (Line 10 minus Line 16)		42,054,246

DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expenses)	143,900	143,900
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)	143,900	143,900
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 \$ 490,070 accrual of discount less \$ 479,714 amortization of premium and less \$ 545,314 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 \$ 129,661 accrual of discount less \$ 86 amortization of premium and less \$ 51,015 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	22,158		22,158		
1.1 Bonds exempt from U.S. tax	452		452		
1.2 Other bonds (unaffiliated)	194,291		194,291	(585,811)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)				(829,620)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				(2,073,060)	
2.21 Common stocks of affiliates				3,450,055	
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)	216,901		216,901	(38,436)	

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	998,950	671,289	(327,661)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	437,139	413,109	(24,030)
13.3 Accrued retrospective premiums	186,576	169,135	(17,441)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	19,660,920	16,465,178	(3,195,742)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	1,063	2,920	1,857
19. Furniture and equipment, including health care delivery assets	206,766	570,750	363,984
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	180,631	349,913	169,282
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	21,672,045	18,642,294	(3,029,751)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	21,672,045	18,642,294	(3,029,751)

<b>DETAILS OF WRITE-INS</b>			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	180,631	349,913	169,282
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	180,631	349,913	169,282

## 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 California Insurance Commissioner, the accompanying financial statements of Golden Eagle 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, except that investments in stocks of subsidiaries and affiliates are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or 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 carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. The Company does not own any joint ventures, 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.

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**NOTES TO FINANCIAL STATEMENTS**


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## 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. 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.

**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	53,169,000	52,687,000	482,000
Total of deferred tax liabilities	(9,965,000)	(13,009,000)	3,044,000
Net deferred tax asset (liability)	43,204,000	39,678,000	3,526,000
Net deferred tax asset non-admitted	(19,660,920)	(16,465,178)	(3,195,742)
Net admitted deferred tax asset (liability)	23,543,080	23,212,822	330,258



## NOTES TO FINANCIAL STATEMENTS

- B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.
- C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2007	2006
Federal tax on operations	16,147,105	21,631,757
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	16,147,105	21,631,757
Tax on capital (losses) gains	75,915	(312,572)
Total income tax incurred	16,223,020	21,319,185

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, allowance for doubtful accounts, fixed asset depreciation differences 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)	2,305,028
Tax effect of unrealized (gains) losses	1,220,972
Total change in net deferred income tax	3,526,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to tax exempt income, partnership investments and statutory non-admitted assets.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$15,994,000 from the current year and \$20,289,000 from the preceding year.

The Company has 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 *
Globe American Casualty Company	Ohio Casualty of New Jersey, Inc *
Golden Eagle Insurance Corporation	Ohio Life Brokerage Services, Inc.*
Gulf States AIF, Inc.	Ohio Security Insurance Company *
Hawkeye-Security Insurance Company	Peerless Indemnity Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	Peerless Insurance Company
Helmsman Insurance Agency of Texas, Inc.	San Diego Insurance Company
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
LEXCO Limited	St. James Insurance Company
Liberty Assignment Corporation	Summit Consulting, Inc.

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**NOTES TO FINANCIAL STATEMENTS**


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Liberty Energy Canada, Inc. *	Summit Consulting, Inc. of Louisiana
Liberty Financial Services, Inc.	Summit Holding Southeast, Inc.
Liberty Hospitality Group, Inc.	The First Liberty Insurance Corporation
Liberty Insurance Company of America	The Midwestern Indemnity Company
Liberty Insurance Corporation	The National Corporation
Liberty Insurance Holdings, Inc.	The Netherlands Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty Life Assurance Company of Boston	Wausau Signature Agency, Inc.
Liberty Life Holdings, Inc.	Wausau Business Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau General Insurance Company
Liberty Management Services, Inc.	Wausau Underwriters Insurance Company
Liberty Mexico Holdings, Inc.	West American Insurance Company *
Liberty Mutual Fire Insurance Company	

\* 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. The Company owns 100% of the stock of San Diego Insurance Company ("SDIC").
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Note 25.
- D. At December 31, 2007, the Company reported \$6,968,329 due to 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. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company entered into a management services agreement, effective August 21, 1997, with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

The Company is party to a services agreement with SDIC effective August 21, 1997.

The Company entered into a services agreement (the "Agreement"), effective January 1, 2000, with Peerless Insurance Company ("PIC") and other affiliates. The Agreement allows all parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into investment management agreements, effective May 26, 1999 with LMIC, and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Effective December 19, 2007, the May 26, 1999 Investment Management Agreement with LMIC was terminated and a new agreement went into effect. Under these agreements, LMIC and LMIA provide investment management services to the Company.

The Company entered into a cash management agreement with LMIA effective January 28, 2000.

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which the Company may borrow up to \$50,000,000 from LMIC. Each loan will be for six months or less. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2007, there have been no drawings under this agreement.

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

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

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## NOTES TO FINANCIAL STATEMENTS

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L. Investments in downstream non-insurance holding companies

The Company does not hold investments in downstream non-insurance holding companies.

**Note 11- Debt**

- A. The Company has no capital notes.
- B. The Company has no outstanding borrowed money.

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

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

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

The Company has 26,000 shares authorized, issued, and outstanding as of December 31, 2007. All shares have a stated par value of \$100.

1. Preferred Stock  
Not applicable
2. Dividend restrictions  
There are no dividend restrictions.
3. The maximum amount of dividends which can be paid by California-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2008 is \$32,473,184.
4. The Company does not have restricted surplus.
5. The Company had no advances to surplus.
6. The Company did not hold stock for special purposes.
7. The Company does not have special surplus funds.
8. The portion of unassigned funds represented by cumulative unrealized gains and (losses) is \$5,449,483.
9. Surplus Notes  
Not applicable
10. Quasi re-organization (dollar impact)  
Not applicable
11. 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 or contingent commitments to affiliates except as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.

B. Assessments

The Company is subject to guaranty 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 \$2,965,671 that is offset by future premium tax credits of \$595,965. 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.

## NOTES TO FINANCIAL STATEMENTS

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

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$ 45,000

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       ( 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. The following is a schedule of the Company's minimum lease obligations under these agreements for the next five years:

Year(s)	Operating Lease Arrangements
2008	\$1,742,350
2009	1,560,524
2010	1,327,156
2011	1,021,048
2012	972,261
2013 & thereafter	2,411,130
Total	\$9,034,469

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 sell premium receivables.

B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans, therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the

## NOTES TO FINANCIAL STATEMENTS

Company against borrower defaults. Cash collateral is carried as a liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2007 the total market value of fixed maturities on loan was \$53,789,087 with corresponding collateral value of \$56,243,931 of which \$29,532,393 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

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. Assets in the amount of \$2,045,241 and \$9,750,018 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 currently owns the following securities meeting the NAIC definition of "Hybrid Securities" per SVO report 9B.

<u>CUSIP</u>	<u>Issuer</u>	<u>Description</u>	<u>Book/Adjusted Carrying Value</u>
05563RAA6	Bank of NY Capital	Redeemable Preferred	844,042

I. 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 which would require disclosure.

**Note 22- Reinsurance**

A. Excluding amounts arising pursuant to the PIC Inter-Company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.

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

C. Reinsurance Assumed & Ceded

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

## NOTES TO FINANCIAL STATEMENTS

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>
Affiliates	\$224,190,545	\$16,135,103	\$57,025,706	\$6,532,690	\$167,164,839	\$9,602,413
All Other	-	-	-	-	-	-
<b>Total</b>	<b>\$224,190,545</b>	<b>\$16,135,103</b>	<b>\$57,025,706</b>	<b>\$6,532,690</b>	<b>\$167,164,839</b>	<b>\$9,602,413</b>

Direct unearned premium reserve of \$ 57,025,674

2. 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:

Direct	\$0
Assumed	14,277,227
Ceded	0
<b>Net</b>	<b>\$14,277,227</b>

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

- D. The Company did not write off any uncollectible balances in 2007.
- E. The Company has not recorded any commutations in the current year.
- F. The Company does not have any retroactive reinsurance agreements.
- G. There are no contracts recorded as deposit accounting.

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

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

a. Total accrued retro premium	\$1,462,304
b. Less: Non-admitted amount	186,576
c. Admitted amount	<u>\$1,275,728</u>

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

Reserves for incurred loss and loss adjustment expenses attributed to insured events of prior years has decreased during 2007, primarily as a result of improving loss trends in the Commercial Multiple Peril, Commercial Auto Liability and Workers Compensation lines of business. Prior estimates are revised as additional information becomes known regarding individual claims.

### **Note 25- Inter-Company Pooling Arrangements**

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

		<u>NAIC Co. #</u>	<u>Pooling %</u>	<u>Lines of Business</u>
Lead Company	Peerless Insurance Company (PIC)	24198	70.93%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	0.30%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	13.25%	All Lines (Except WC)
	Indiana Insurance Company (IIC)	22659	12.25%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.27%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company	14486	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	Liberty Mutual Mid-Atlantic Insurance Company (fka Merchants & Business Men's Mutual Insurance Company) (LMMIAIC)	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	The Midwestern Indemnity Insurance Company (MWIC)	23515	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	National Insurance Association (NIA)	27944	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

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

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

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2008, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Fire and Casualty Company  
Avomark Insurance Company  
National Insurance Association  
Ohio Casualty of New Jersey, Inc.  
Ohio Security Insurance Company  
The Ohio Casualty Insurance Company  
West American Insurance Company

Effective January 1, 2008 Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company novated their 100% quota share agreements with Liberty Mutual Insurance Company to substitute PIC as the reinsurer.

Therefore, effective January 1, 2008, the PIC Amended and Restated Reinsurance Pooling Agreement consisted of the following affiliated companies:

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
Lead Company	Peerless Insurance Company (PIC)	24198	42.00%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	5.00%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	7.00%	All Lines (Except WC)
	Indiana Insurance Company (IIC)	22659	8.00%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.00%	All Lines
	American Fire and Casualty Company (AFCC)	24066	1.00%	All Lines
	The Ohio Casualty Insurance Company (OCIC)	24074	34.00%	All Lines
	Avomark Insurance Company (AIC)	10798	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	Liberty Mutual Mid-Atlantic Insurance Company (fka Merchants & Business Men's Mutual Insurance Company) (LMMMAIC)	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	The Midwestern Indemnity Insurance Company (MWIC)	23515	0.00%	All Lines
	National Insurance Association (NIA)	27944	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc. (OCNJ)	10937	0.00%	All Lines
	Ohio Security Insurance Company (OSIC)	24082	0.00%	All Lines
	West American Insurance Company (WAIC)	44393	0.00%	All Lines
			100.00%	
100% Quota Share				
Affiliated Companies:	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

### **Note 26- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$7,322,387 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 \$7,322,387 as of December 31, 2007.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

### **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**

The Company does not have high deductible policies.

### **Note 31- Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses**

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2007 liabilities of \$174,844,590 are carried at a discounted value of \$170,189,538 representing a discount of \$4,655,052.

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

### **Note 32 - Asbestos/Environmental Reserves**

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

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

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

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether



## NOTES TO FINANCIAL STATEMENTS

determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

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

### 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>
<b>Direct Basis</b>					
Beginning Reserves	2,015,091	2,284,282	2,396,435	2,386,413	2,643,910
Incurred losses and LAE	455,726	428,310	319,530	438,004	(1,000,787)
Calendar year payments	186,535	316,157	329,552	180,507	161,761
Ending Reserves	<u>2,284,282</u>	<u>2,396,435</u>	<u>2,386,413</u>	<u>2,643,910</u>	<u>1,481,362</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	177,222	125,695	39,883	39,883	39,883
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	51,527	85,812	-	-	-
Ending Reserves	<u>125,695</u>	<u>39,883</u>	<u>39,883</u>	<u>39,883</u>	<u>39,883</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	1,676,760	2,084,466	1,904,587	1,831,916	2,089,414
Incurred losses and LAE	645,768	158,034	256,881	358,504	(811,038)
Calendar year payments	238,062	337,913	329,552	101,006	161,761
Ending Reserves	<u>2,084,466</u>	<u>1,904,587</u>	<u>1,831,916</u>	<u>2,089,414</u>	<u>1,116,615</u>
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					951,266
Assumed Reinsurance Basis					39,883
Net of Ceded Reinsurance Basis					586,516
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					408,458
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					343,473

### Environmental:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Direct Basis</b>					
Beginning Reserves	1,753,242	1,721,315	1,849,416	2,323,400	1,711,348
Incurred losses and LAE	98,521	396,082	1,128,563	390,692	6,759,527
Calendar year payments	130,448	267,981	654,579	1,002,744	1,195,769
Ending Reserves	<u>1,721,315</u>	<u>1,849,416</u>	<u>2,323,400</u>	<u>1,711,348</u>	<u>7,275,106</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	99,734	742,713	688,868	704,624	642,880
Incurred losses and LAE	662,500	-	18,230	46,388	27,970
Calendar year payments	19,521	53,845	2,474	108,132	2,015
Ending Reserves	<u>742,713</u>	<u>688,868</u>	<u>704,624</u>	<u>642,880</u>	<u>668,835</u>

**NOTES TO FINANCIAL STATEMENTS**

<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	1,385,437	2,313,917	1,938,473	1,888,998	1,158,856
Incurring losses and LAE	1,035,870	25,653	573,992	181,922	7,347,305
Calendar year payments	107,390	401,097	623,467	912,064	980,242
Ending Reserves	2,313,917	1,938,473	1,888,998	1,158,856	7,525,919

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

Direct Basis	5,839,065
Assumed Reinsurance Basis	641,118
Net of Ceded Reinsurance Basis	6,299,795
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	187,658
Assumed Reinsurance Basis	-
Net of Ceded Reinsurance Basis	304,995

**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	43,106,991	4.509	43,106,991	4.509
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	39,071,651	4.087	39,071,651	4.087
1.22 Issued by U.S. government sponsored agencies	16,521,962	1.728	16,521,962	1.728
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	65,561,147	6.857	65,561,147	6.857
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	67,122,369	7.020	67,122,369	7.020
1.43 Revenue and assessment obligations	131,748,447	13.780	131,748,447	13.780
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	21,383,971	2.237	21,383,971	2.237
1.512 Issued or guaranteed by FNMA and FHLMC	92,791,799	9.705	92,791,799	9.705
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	92,693,536	9.695	92,693,536	9.695
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	10,811,705	1.131	10,811,705	1.131
1.523 All other	38,934,982	4.072	38,934,982	4.072
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	149,929,913	15.681	149,929,913	15.681
2.2 Unaffiliated foreign securities	18,446,444	1.929	18,446,444	1.929
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	59,994,151	6.275	59,994,151	6.275
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	3,154,042	0.330	3,154,042	0.330
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	63,236,101	6.614	63,236,101	6.614
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	82,463	0.009	82,463	0.009
8. Cash, cash equivalents and short-term investments	41,511,218	4.342	41,511,218	4.342
9. Other invested assets				
10. Total invested assets	956,102,892	100.000	956,102,892	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? California
- 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). 07/05/2006
- 3.4 By what department or departments? California Department of Insurance

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

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

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

1 Nationality	2 Type of Entity

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

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

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

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

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

- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
- |   |       |
|---|-------|
| 11.11 Name of real estate holding company | _____ |
| 11.12 Number of parcels involved          | 0     |
| 11.13 Total book/adjusted carrying value  | \$ 0  |

11.2 If yes, provide explanation

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? Yes [X] No [ ]

- 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.

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   | \$ 0 |
|  | 19.22 Borrowed from others | \$ 0 |
|  | 19.23 Leased from others   | \$ 0 |
|  | 19.24 Other                | \$ 0 |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 20.2 If answer is yes:
- |  |  |      |
|--|--|------|
|  | 20.21 Amount paid as losses or risk adjustment | \$ 0 |
|  | 20.22 Amount paid as expenses                  | \$ 0 |
|  | 20.23 Other amounts paid                       | \$ 0 |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] 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                                 | \$ 53,789,087 |
|  | 23.22 Subject to repurchase agreements                 | \$ 0          |
|  | 23.23 Subject to reverse repurchase agreements         | \$ 0          |
|  | 23.24 Subject to dollar repurchase agreements          | \$ 0          |
|  | 23.25 Subject to reverse dollar repurchase agreements  | \$ 0          |
|  | 23.26 Pledged as collateral                            | \$ 0          |
|  | 23.27 Placed under option agreements                   | \$ 0          |
|  | 23.28 Letter stock or securities restricted as to sale | \$ 0          |
|  | 23.29 On deposit with state or other regulatory body   | \$ 2,045,241  |
|  | 23.291 Other   | \$ 0          |

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 Chase Metro Tech Center, Brooklyn, NY 11245

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

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

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

27.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#-10-0	LMIA HIGH YIELD FUND	43,005,312
27.2999	Total	43,005,312

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
LMIA HIGH YIELD FUND	J.P. MORGAN PRIME-CAPITAL FUNDS	1,516,349	12/31/2007
LMIA HIGH YIELD FUND	ALLIED WASTE NORTH AMER	905,151	12/31/2007
LMIA HIGH YIELD FUND	CHESAPEAKE ENERGY CORP	835,493	12/31/2007
LMIA HIGH YIELD FUND	MULTIPLAN INC	818,145	12/31/2007
LMIA HIGH YIELD FUND	WILLIAMS PARTNERS LP/WIL	750,527	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	839,037,658	839,991,997	954,339
28.2 Preferred stocks	3,154,042	3,242,283	88,241
28.3 Totals	842,191,700	843,234,280	1,042,580

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  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? \$ 66,358

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
Insurance Services Office Inc.	\$ 51,738
	\$
	\$

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

**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

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

1 Name	2 Amount Paid
	\$
	\$
	\$

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	\$ 0	\$ 0
2.2 Premium Denominator	\$ 477,069,626	\$ 454,104,672
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 0	\$ 328
2.5 Reserve Denominator	\$ 762,044,687	\$ 707,540,238
2.6 Reserve Ratio (2.4/2.5)	0.00	0.00

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

4. For Mutual Reporting Entities and Reciprocal 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 Workers Compensation Catastrophe Reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,175m xs \$25m. A minimum of 75% was placed for each layer.
- 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 tracks aggregate property and WC exposure and reviews quarterly. It uses RiskLink from RMS and AIR from AIR for EQ and wind. It uses RiskLink for WC. Concentrations are in the Northeast for wind and New Madrid for EQ.
- 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? In 2007, the Company purchased Property Catastrophe Reinsurance, separately and/or with Liberty Mutual Group with limits of \$1,900m xs \$50m. The coverage is sufficient to protect against the Company's 250 year event.
- 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. 0
- 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 [ ] NO [X]
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   | \$ | 10,439,840 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 922,185    |
- 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? \$ 341,188
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [ ] NO [X] N/A [ ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |         |
|------------|---------|
| 12.41 From | 0.000 % |
| 12.42 To   | 0.000 % |
- 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 [ ] NO [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |    |   |
|----------------------------------|----|---|
| 12.61 Letters of Credit          | \$ | 0 |
| 12.62 Collateral and other funds | \$ | 0 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 3,312,500
- 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. 3
- 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 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
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	259,462,010	242,834,000	181,579,716	203,325,206	162,570,028
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	76,777,131	71,425,439	63,872,685	70,945,986	42,474,956
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	265,486,855	242,315,376	206,223,857	226,471,074	55,482,402
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	150,053	1,151,550	183,555	(2,047,788)	4,420,563
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)				(373,956)	5,535,484
6. Total (Line 34)	601,876,049	557,726,365	451,859,813	498,320,522	270,483,433
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	226,191,650	217,215,511	159,650,250	183,383,292	143,974,497
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	71,200,378	68,293,060	61,783,001	69,285,352	40,768,488
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	194,616,489	189,632,760	167,391,515	200,072,142	36,035,758
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	150,053	1,151,550	183,555	(2,047,788)	4,420,668
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)				(373,956)	5,535,484
12. Total (Line 34)	492,158,570	476,292,881	389,008,321	450,319,042	230,734,895
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	8,053,251	1,383,045	6,101,548	143,439	(21,858,941)
14. Net investment gain (loss) (Line 11)	42,195,231	38,442,658	33,425,966	34,391,670	36,722,471
15. Total other income (Line 15)	(480,041)	678,869	(555,064)	205,390	(5,641,860)
16. Dividends to policyholders (Line 17)	1,148,151	1,283,655	631,528	479,018	(60,034)
17. Federal and foreign income taxes incurred (Line 19)	16,147,105	21,631,757	23,248,363	10,224,164	(8,183,453)
18. Net income (Line 20)	32,473,185	17,589,160	15,092,559	24,037,317	17,465,157
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,168,731,168	1,095,098,457	894,098,559	752,251,616	770,675,974
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	23,176,477	32,010,669	46,267,263	17,162,216	22,135,043
20.2 Deferred and not yet due (Line 13.2)	152,074,798	140,018,495	102,757,225	98,836,764	38,504,971
20.3 Accrued retrospective premiums (Line 13.3)	1,275,728	1,522,213			19,914,856
21. Total liabilities excluding protected cell business (Page 3, Line 24)	856,310,765	815,609,053	606,844,476	488,364,368	535,691,248
22. Losses (Page 3, Line 1)	419,941,207	388,852,348	280,203,471	228,017,584	329,682,944
23. Loss adjustment expenses (Page 3, Line 3)	96,103,400	89,221,011	67,096,397	54,666,850	65,191,648
24. Unearned premiums (Page 3, Line 9)	224,190,545	209,492,751	186,991,678	179,590,789	95,881,514
25. Capital paid up (Page 3, Lines 28 & 29)	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	312,420,403	279,489,404	287,254,083	263,887,248	234,984,726
<b>Cash Flow</b> (Page 5)					
27. Net cash from operations (Line 11)	94,623,491	172,148,701	68,839,862	(67,564,220)	37,833,036
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	312,420,403	279,489,404	287,254,083	263,887,248	234,984,726
29. Authorized control level risk-based capital	46,700,558	41,442,052	36,486,937	27,380,153	32,392,384
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	82.4	79.5	80.9	79.2	79.2
31. Stocks (Lines 2.1 & 2.2)	11.4	11.4	13.5	16.2	13.3
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)	6.1	8.5	5.4	4.2	7.0
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)				0.3	0.5
37. Receivables for securities (Line 8)		0.6	0.1		
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 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)	63,236,101	59,786,046	57,136,198	55,611,846	50,857,597
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	63,236,101	59,786,046	57,136,198	55,611,846	50,857,597
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)	20.2	21.4	19.9	21.1	21.6

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
<b>Capital and Surplus Accounts</b> (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	1,182,536	2,922,042	347,430	5,303,600	9,899,113
49. Dividends to stockholders (Line 35)		(28,725,000)			
50. Change in surplus as regards policyholders for the year (Line 38)	32,930,999	(7,764,679)	23,366,835	28,902,522	28,089,737
<b>Gross Losses Paid</b> (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)	131,185,063	56,348,735	112,302,489	300,278,536	187,471,534
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	32,469,835	28,202,995	26,557,390	25,728,664	22,477,522
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	108,444,760	86,596,200	72,630,600	35,627,401	43,979,268
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	38,023	336,378	95,084	14,071,861	7,386,681
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	19,417	(69,421)		4,651,884	2,545,043
56. Total (Line 34)	272,157,098	171,414,887	211,585,563	380,358,346	263,860,048
<b>Net Losses Paid</b> (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)	100,692,137	17,291,274	69,928,453	233,243,542	85,089,048
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	31,177,729	27,381,668	25,185,487	24,322,338	19,057,459
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	81,959,735	73,969,217	60,227,288	12,446,049	14,855,654
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	45,023	265,144	95,084	14,071,861	7,386,681
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	19,417	(69,421)		4,651,884	2,545,043
62. Total (Line 34)	213,894,041	118,837,882	155,436,312	288,735,674	128,933,885
<b>Operating Percentages</b> (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)	51.4	54.3	49.3	53.6	66.4
65. Loss expenses incurred (Line 3)	11.3	11.9	13.2	12.9	19.1
66. Other underwriting expenses incurred (Line 4)	35.6	33.5	35.9	33.8	24.4
67. Net underwriting gain (loss) (Line 8)	1.7	0.3	1.6		(10.0)
<b>Other Percentages</b>					
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)	34.6	31.8	35.4	25.9	25.6
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	62.7	66.2	62.5	66.5	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)	157.5	170.4	135.4	170.6	98.2
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(35,749)	(7,123)	(8,214)	3,136	18,346
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(12.8)	(2.5)	(3.1)	1.3	8.9
<b>Two Year Loss Development (000 omitted)</b>					
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)	(29,855)	2,475	(2,308)	14,917	38,515
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)	(10.4)	0.9	(1.0)	7.2	20.3

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b> Governments (Including all obligations guaranteed by governments)	1. United States .....	120,084,580	121,678,241	120,047,563	119,967,206
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	120,084,580	121,678,241	120,047,563	119,967,206
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	65,561,149	66,190,274	65,554,198	65,895,000
	6. Canada .....				
	7. Other Countries .....				
	8. Totals	65,561,149	66,190,274	65,554,198	65,895,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....	67,122,370	67,454,867	67,089,156	67,600,000
	10. Canada .....				
	11. Other Countries .....				
	12. Totals	67,122,370	67,454,867	67,089,156	67,600,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	308,931,982	308,402,468	308,958,602	310,293,062
	14. Canada .....				
	15. Other Countries .....				
	16. Totals	308,931,982	308,402,468	308,958,602	310,293,062
Public Utilities (unaffiliated)	17. United States .....	13,914,888	13,733,155	13,901,660	14,000,000
	18. Canada .....				
	19. Other Countries .....	2,132,335	2,140,700	2,132,460	2,000,000
	20. Totals	16,047,223	15,873,855	16,034,120	16,000,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	194,063,504	193,366,966	195,179,436	194,545,597
	22. Canada .....	1,991,014	1,987,910	1,986,800	2,000,000
	23. Other Countries .....	14,323,095	14,124,675	14,173,780	14,500,000
	24. Totals	210,377,613	209,479,551	211,340,016	211,045,597
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	788,124,917	789,079,256	789,023,655	790,800,865
<b>PREFERRED STOCKS</b> 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 .....	3,154,042	3,242,283	3,983,662	
	36. Canada .....				
	37. Other Countries .....				
	38. Totals	3,154,042	3,242,283	3,983,662	
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>	3,154,042	3,242,283	3,983,662	
<b>COMMON STOCKS</b> 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 .....	43,005,312	43,005,312	43,975,814	
	50. Canada .....				
	51. Other Countries .....				
	52. Totals	43,005,312	43,005,312	43,975,814	
Parent, Subsidiaries and Affiliates	53. Totals	63,236,101	63,236,101	55,400,000	
	<b>54. Total Common Stocks</b>	106,241,413	106,241,413	99,375,814	
	55. Total Stocks	109,395,455	109,483,696	103,359,476	
	56. Total Bonds and Stocks	897,520,372	898,562,952	892,383,131	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year .....	807,101,116	7. Amortization of premium .....	479,714
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	163,652,118	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	490,070	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 .....	(586,496)	8.3 Column 16, Part 2, Section 2 .....	
4.2 Column 15 - 17, Part 2, Section 1 .....	(829,620)	8.4 Column 15, Part 4 .....	
4.3 Column 15, Part 2, Section 2 .....	1,376,995	9. Book/adjusted carrying value at end of current period .....	897,520,372
4.4 Column 11 - 13, Part 4 .....	685	10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....	216,902	11. Subtotal (Lines 9 plus 10) .....	897,520,372
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	73,421,684	12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	897,520,372

**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	2,785	938	770	124	350	4	13,577	2,839	X X X
2. 1998	288,987	52,872	236,115	194,003	48,692	15,127	3,173	23,570	5,579	10,153	175,256	X X X
3. 1999	267,843	39,483	228,360	190,658	34,924	14,004	2,223	23,228	4,137	10,220	186,606	X X X
4. 2000	254,547	31,541	223,006	180,961	29,025	13,763	1,392	20,694	2,416	9,826	182,585	X X X
5. 2001	273,163	37,022	236,141	172,727	28,319	14,092	1,064	19,938	2,605	9,786	174,769	X X X
6. 2002	373,060	89,013	284,047	206,802	46,033	14,949	2,980	18,178	3,730	11,093	187,186	X X X
7. 2003	429,439	73,601	355,838	201,521	39,525	14,698	2,291	27,981	4,667	12,089	197,717	X X X
8. 2004	441,263	41,211	400,052	179,786	14,949	10,000	822	24,808	1,812	12,632	197,011	X X X
9. 2005	463,952	27,593	436,359	179,229	17,839	8,933	872	26,973	1,198	11,019	195,226	X X X
10. 2006	478,669	24,564	454,105	159,513	6,454	5,166	155	27,159	1,943	7,880	183,286	X X X
11. 2007	490,065	12,995	477,070	108,402	2,404	2,335	28	21,116	104	3,435	129,317	X X X
12. Totals	X X X	X X X	X X X	1,776,387	269,102	113,837	15,124	233,995	28,195	111,710	1,811,798	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	27,750	2,488	7,126	1,878	381	1	1,112	390	1,932	71	32	33,473	X X X
2. 1998	7,297	3,350	2,080	1,466	170	134	648	374	554	274	23	5,151	X X X
3. 1999	7,470	2,653	2,331	1,572	68		756	347	601	267	35	6,387	X X X
4. 2000	6,975	2,098	2,643	1,542	80		868	255	639	203	48	7,107	X X X
5. 2001	11,288	1,811	3,162	1,548	160		1,199	189	665	138	81	12,788	X X X
6. 2002	11,839	2,921	4,771	1,452	348	11	1,987	139	809	78	268	15,153	X X X
7. 2003	11,966	2,174	9,350	1,538	212		3,605	112	1,373	2	420	22,680	X X X
8. 2004	18,537	1,560	15,205	2,245	180		5,166	195	2,145		711	37,233	X X X
9. 2005	28,969	1,475	24,405	4,015	250		8,763	328	3,891	4	1,147	60,456	X X X
10. 2006	49,724	2,060	47,149	7,501	382	8	15,579	626	7,776	4	1,895	110,411	X X X
11. 2007	87,953	491	79,833	46	645		20,917	7	16,404	6	4,575	205,202	X X X
12. Totals	269,768	23,081	198,055	24,803	2,876	154	60,600	2,962	36,789	1,047	9,235	516,041	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	30,510	2,963
2. 1998	243,449	63,042	180,407	84.242	119.235	76.406			13.250	4,561	590
3. 1999	239,116	46,123	192,993	89.275	116.817	84.513			13.250	5,576	811
4. 2000	226,623	36,931	189,692	89.030	117.089	85.061			13.250	5,978	1,129
5. 2001	223,231	35,674	187,557	81.721	96.359	79.426			13.250	11,091	1,697
6. 2002	259,683	57,344	202,339	69.609	64.422	71.234			13.250	12,237	2,916
7. 2003	270,706	50,309	220,397	63.037	68.354	61.937			13.250	17,604	5,076
8. 2004	255,827	21,583	234,244	57.976	52.372	58.553			13.250	29,937	7,296
9. 2005	281,413	25,731	255,682	60.656	93.252	58.594			13.250	47,884	12,572
10. 2006	312,448	18,751	293,697	65.274	76.335	64.676			13.250	87,312	23,099
11. 2007	337,605	3,086	334,519	68.890	23.748	70.119			13.250	167,249	37,953
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	419,939	96,102

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	135,721	132,493	130,057	126,016	130,525	131,265	130,571	134,559	135,071	140,391	5,320	5,832
2. 1998	159,714	158,022	157,426	157,756	157,137	157,645	159,859	161,511	161,660	162,323	663	812
3. 1999	X X X	159,323	161,992	163,428	165,865	167,276	169,319	170,652	171,636	173,757	2,121	3,105
4. 2000	X X X	X X X	154,982	161,730	164,018	167,136	166,621	167,791	169,195	171,160	1,965	3,369
5. 2001	X X X	X X X	X X X	160,301	158,468	160,855	163,479	163,344	164,333	170,007	5,674	6,663
6. 2002	X X X	X X X	X X X	X X X	188,094	192,329	191,794	190,039	190,990	187,409	(3,581)	(2,630)
7. 2003	X X X	X X X	X X X	X X X	X X X	193,266	189,103	186,981	188,861	195,993	7,132	9,012
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	242,448	234,252	233,924	209,563	(24,361)	(24,689)
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	257,541	243,879	226,213	(17,666)	(31,328)
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	273,903	260,888	(13,015)	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	297,662	X X X	X X X
12. Totals											(35,748)	(29,854)

**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	39,691	62,974	78,566	87,727	92,887	96,171	100,394	104,413	106,906	X X X	X X X
2. 1998	74,468	112,861	131,043	140,880	146,980	150,575	153,113	154,447	156,380	157,265	X X X	X X X
3. 1999	X X X	77,607	118,373	137,337	149,574	155,977	161,433	164,021	166,026	167,515	X X X	X X X
4. 2000	X X X	X X X	75,887	118,549	137,733	149,120	155,738	159,757	162,885	164,307	X X X	X X X
5. 2001	X X X	X X X	X X X	75,154	116,031	133,292	145,524	150,335	154,807	157,436	X X X	X X X
6. 2002	X X X	X X X	X X X	X X X	73,321	119,532	142,895	159,966	168,257	172,738	X X X	X X X
7. 2003	X X X	X X X	X X X	X X X	X X X	84,709	129,062	150,846	164,286	174,403	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	83,818	135,947	159,701	174,015	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	88,168	142,905	169,451	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	101,304	158,070	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	108,305	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	51,748	29,856	21,188	13,534	12,048	14,858	7,375	6,181	3,607	5,970
2. 1998	40,676	16,062	10,251	6,601	3,345	1,838	2,241	1,574	1,186	888
3. 1999	X X X	34,994	15,821	9,221	4,989	2,825	3,227	1,587	1,591	1,168
4. 2000	X X X	X X X	31,941	17,862	10,473	6,662	4,576	2,142	3,278	1,714
5. 2001	X X X	X X X	X X X	36,442	18,927	8,785	7,925	3,733	5,207	2,624
6. 2002	X X X	X X X	X X X	X X X	68,641	35,189	15,617	11,064	10,248	5,167
7. 2003	X X X	X X X	X X X	X X X	X X X	52,178	25,178	17,129	14,609	11,305
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	88,807	52,190	38,484	17,931
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	101,483	52,295	28,825
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	98,690	54,601
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	100,697

**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	NO							
2. Alaska	AK	NO							
3. Arizona	AZ	YES	1,264,309	1,374,854	645,991	935,137	1,192,106	5,598	
4. Arkansas	AR	NO							
5. California	CA	YES	108,453,166	94,706,304	54,942,598	30,072,706	169,260,194	480,166	
6. Colorado	CO	NO							
7. Connecticut	CT	NO							
8. Delaware	DE	NO							
9. Dist. Columbia	DC	NO							
10. Florida	FL	NO							
11. Georgia	GA	NO							
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	NO	4	4					
15. Indiana	IN	NO							
16. Iowa	IA	NO							
17. Kansas	KS	NO							
18. Kentucky	KY	NO							
19. Louisiana	LA	NO							
20. Maine	ME	NO							
21. Maryland	MD	NO							
22. Massachusetts	MA	NO							
23. Michigan	MI	NO							
24. Minnesota	MN	NO							
25. Mississippi	MS	NO							
26. Missouri	MO	NO							
27. Montana	MT	NO							
28. Nebraska	NE	NO							
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	NO							
32. New Mexico	NM	NO							
33. New York	NY	NO							
34. No. Carolina	NC	NO							
35. No. Dakota	ND	NO							
36. Ohio	OH	NO							
37. Oklahoma	OK	NO							
38. Oregon	OR	NO							
39. Pennsylvania	PA	NO							
40. Rhode Island	RI	NO							
41. So. Carolina	SC	NO							
42. So. Dakota	SD	NO							
43. Tennessee	TN	NO							
44. Texas	TX	NO							
45. Utah	UT	NO							
46. Vermont	VT	NO							
47. Virginia	VA	NO							
48. Washington	WA	NO							
49. West Virginia	WV	NO							
50. Wisconsin	WI	NO							
51. Wyoming	WY	NO							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X							
59. Totals	(a) 2		109,717,479	96,081,162	55,588,589	31,007,843	170,452,300	485,764	

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

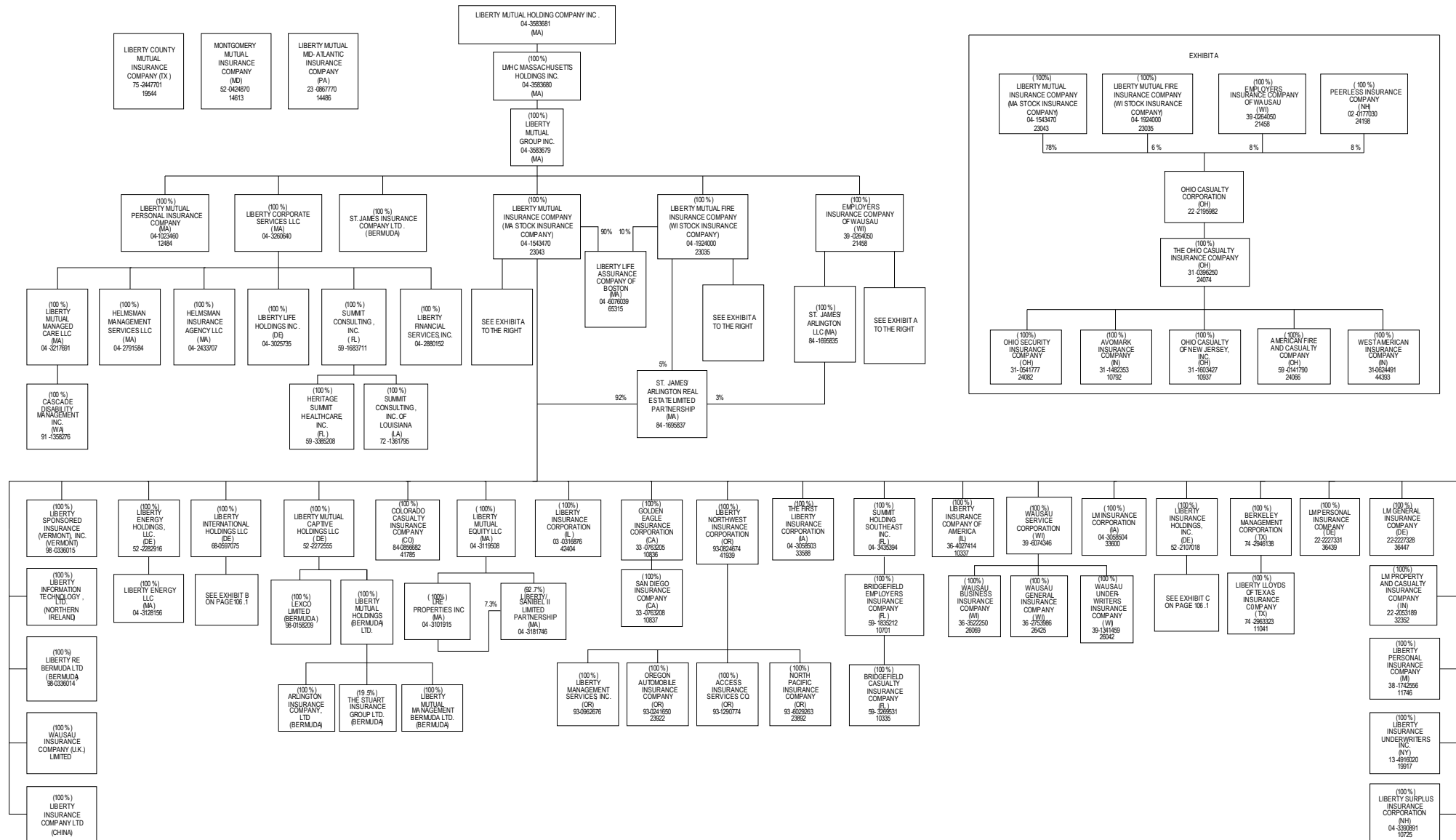
**Explanation of basis of allocation of premiums by states, etc.**

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

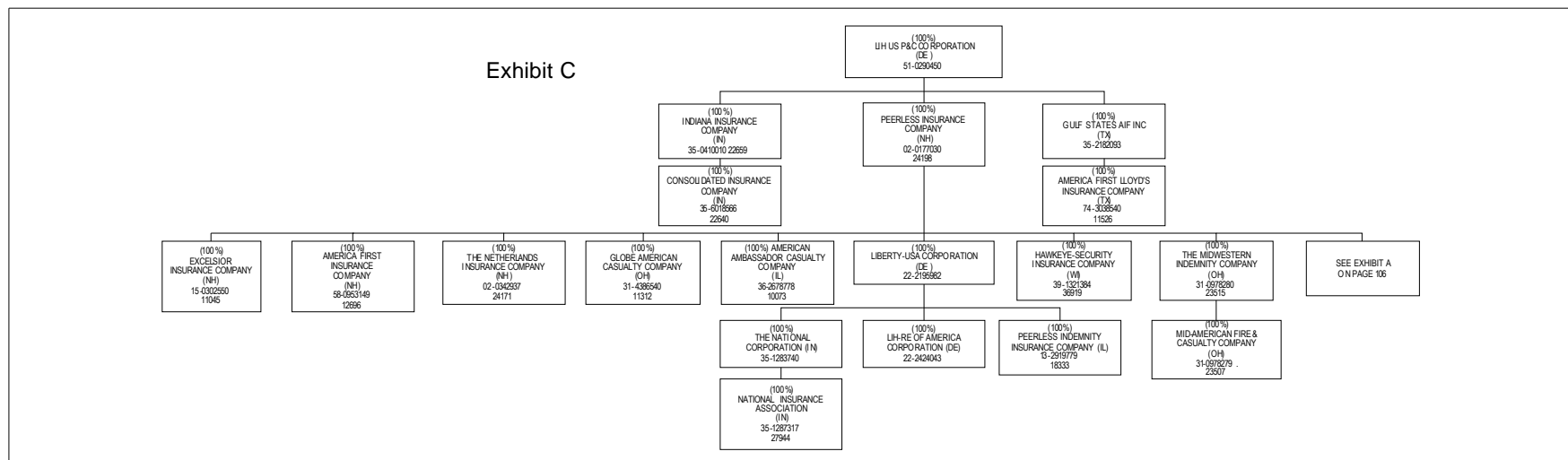
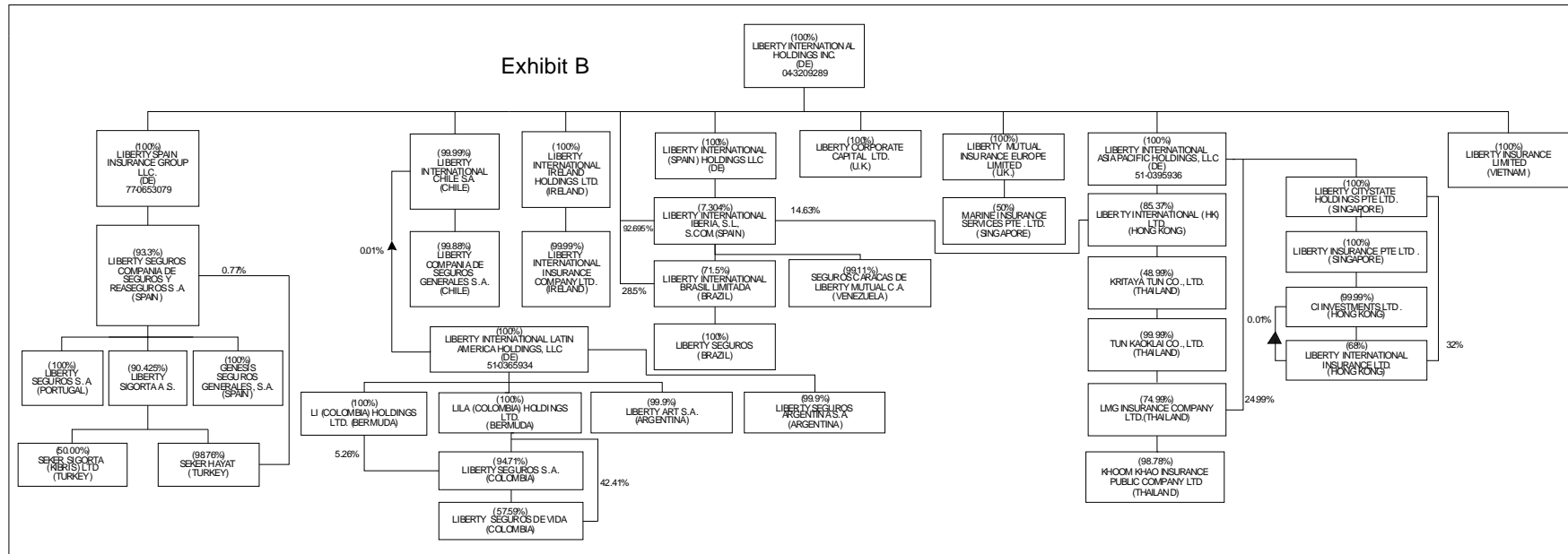
(a) Insert the number of yes responses except for Canada and Other Alien.

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

### PART 1 - ORGANIZATIONAL CHART



**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**



**OVERFLOW PAGE FOR WRITE-INS**

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