

ANNUAL STATEMENT

OF THE

Indiana Insurance Company

of **Indianapolis**

in the state of **Indiana**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2007



22659200720100100

ANNUAL STATEMENT
For the Year Ended December 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
Indiana Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 22659 Employer's ID Number 35-0410010

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

Country of Domicile United States of America

Incorporated/Organized: February 13, 1851 Commenced Business: February 13, 1851

Statutory Home Office: 350 East 96th Street Indianapolis, IN 46240

Main Administrative Office: 350 East 96th Street Indianapolis, IN 46240 317-581-6400

Mail Address: 175 Berkeley Street Boston, MA 02116

Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02116 617-357-9500

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, Kevin John Kirschner.

State of Massachusetts
County of Suffolk ss

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

(Signature) Gary Richard Gregg (Printed Name) 1. President and Chief Executive Officer (Title)
(Signature) Edmund Campion Kenealy (Printed Name) 2. Secretary (Title)
(Signature) James Francis Dore (Printed Name) 3. Treasurer and Chief Financial Officer (Title)

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)	744,832,548		744,832,548	666,648,530
2. Stocks (Schedule D):				
2.1 Preferred stocks	2,310,000		2,310,000	2,016,000
2.2 Common stocks	60,544,420		60,544,420	57,786,688
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)	21,029,277		21,029,277	15,248,347
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 42,403,883, Schedule E-Part 1), cash equivalents (\$ 24,543,938, Schedule E-Part 2) and short-term investments (\$ 9,015,162, Schedule DA)	75,962,984		75,962,984	82,556,426
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	1,091,611		1,091,611	1,093,319
8. Receivables for securities	2,597		2,597	7,200,023
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	905,773,437		905,773,437	832,549,333
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	8,162,482		8,162,482	7,246,292
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	22,350,865	923,558	21,427,307	29,594,768
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,585,452 earned but unbilled premiums)	141,001,602	404,147	140,597,455	129,451,062
13.3 Accrued retrospective premiums	1,351,942	172,495	1,179,447	1,407,329
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	37,810,000	15,271,842	22,538,158	21,918,964
17. Guaranty funds receivable or on deposit	550,986		550,986	674,825
18. Electronic data processing equipment and software				92
19. Furniture and equipment, including health care delivery assets (\$ 0)	59,747	59,747		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	129,600		129,600	151,391
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	3,355,938	166,998	3,188,940	1,863,314
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,120,546,599	16,998,787	1,103,547,812	1,024,857,370
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	1,120,546,599	16,998,787	1,103,547,812	1,024,857,370

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	415,354	166,998	248,356	256,925
2302. Equities and deposits in pools and associations	2,940,584		2,940,584	1,606,389
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,355,938	166,998	3,188,940	1,863,314

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	388,247,531	359,505,001
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	20,163,533	18,466,648
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	88,850,313	82,487,349
4. Commissions payable, contingent commissions and other similar charges	14,322,479	13,233,824
5. Other expenses (excluding taxes, licenses and fees)	14,014,242	10,231,530
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	8,725,100	7,028,379
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	10,761,764	3,672,210
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 \$ 138,141,185 and including warranty reserves of \$ 0)	207,270,504	193,681,977
10. Advance premium	968,617	779,643
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	87,646	181,629
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	237,149	255,575
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		6,676
19. Payable to parent, subsidiaries and affiliates	9,244,636	7,556,891
20. Payable for securities		6,552,647
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	38,608,536	52,457,549
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	801,502,050	756,097,528
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	801,502,050	756,097,528
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	4,000,000	4,000,000
29. Preferred capital stock	1,850,000	1,850,000
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	45,442,432	45,442,432
33. Unassigned funds (surplus)	250,753,329	217,467,410
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)	302,045,761	268,759,842
36. TOTALS (Page 2, Line 26, Col. 3)	1,103,547,811	1,024,857,370

DETAILS OF WRITE-INS		
2301. Other liabilities	4,865,321	4,253,599
2302. Collateral held for securities loaned	33,743,215	48,203,950
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	38,608,536	52,457,549
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
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	441,064,371	419,832,621
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	226,493,624	227,900,451
3. Loss expenses incurred (Part 3, Line 25, Column 1)	49,989,900	50,157,434
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	157,135,388	140,496,059
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	433,618,912	418,553,944
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	7,445,459	1,278,677
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	39,910,978	73,937,820
10. Net realized capital gains (losses) less capital gains tax of \$ 32,444 (Exhibit of Capital Gains (Losses))	60,253	(669,006)
11. Net investment gain (loss) (Lines 9 + 10)	39,971,231	73,268,814
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 7,579 amount charged off \$ 909,972)	(902,391)	(626,775)
13. Finance and service charges not included in premiums	594,314	583,723
14. Aggregate write-ins for miscellaneous income	5,720	888,635
15. Total other income (Lines 12 through 14)	(302,357)	845,583
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	47,114,333	75,393,074
17. Dividends to policyholders	1,061,498	1,186,775
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)	46,052,835	74,206,299
19. Federal and foreign income taxes incurred	10,585,086	16,546,282
20. Net income (Line 18 minus Line 19) (to Line 22)	35,467,749	57,660,017
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	268,759,842	352,454,048
22. Net income (from Line 20)	35,467,749	57,660,017
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (1,082,380)	(219,778)	(32,992,200)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	4,475,620	8,495,056
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(5,329,021)	(7,552,873)
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	(1,108,651)	(109,606,250)
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		302,044
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	33,285,919	(83,694,206)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	302,045,761	268,759,842

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)	5,720	888,635
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)	5,720	888,635
3701. Other surplus adjustments		302,044
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)		302,044

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	451,749,548	400,186,955
2. Net investment income	39,965,006	73,452,795
3. Miscellaneous income	(1,654,977)	(7,713,458)
4. Total (Lines 1 through 3)	490,059,577	465,926,292
5. Benefit and loss related payments	196,060,885	87,459,818
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	194,194,237	165,153,640
8. Dividends paid to policyholders	1,155,481	1,005,146
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	3,527,976	15,093,930
10. Total (Lines 5 through 9)	394,938,579	268,712,534
11. Net cash from operations (Line 4 minus Line 10)	95,120,998	197,213,758
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	84,594,337	174,899,173
12.2 Stocks	2,000,000	13,980,368
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	644,779	6,565,969
12.8 Total investment proceeds (Lines 12.1 to 12.7)	87,239,116	195,445,510
13. Cost of investments acquired (long-term only):		
13.1 Bonds	163,511,301	251,020,508
13.2 Stocks	5,944,140	3,526,995
13.3 Mortgage loans		
13.4 Real estate	6,333,548	
13.5 Other invested assets		
13.6 Miscellaneous applications		9,703,461
13.7 Total investments acquired (Lines 13.1 to 13.6)	175,788,989	264,250,964
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)	(88,549,873)	(68,805,454)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	1,108,651	109,606,250
16.6 Other cash provided (applied)	(12,055,916)	5,465,437
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(13,164,567)	(104,140,813)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(6,593,442)	24,267,491
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	82,556,426	58,288,935
19.2 End of year (Line 18 plus Line 19.1)	75,962,984	82,556,426

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	3,442,307	2,173,385	2,146,614	3,469,078
2. Allied lines	3,719,085	1,875,353	1,900,845	3,693,593
3. Farmowners multiple peril	4,511,567	1,983,201	2,302,896	4,191,872
4. Homeowners multiple peril	36,241,063	17,501,154	19,866,192	33,876,025
5. Commercial multiple peril	139,073,019	64,152,088	66,373,131	136,851,976
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	14,218,699	5,692,737	6,076,707	13,834,729
10. Financial guaranty				
11.1 Medical malpractice - occurrence	(796)		(505)	(291)
11.2 Medical malpractice - claims-made				
12. Earthquake	1,732,209	800,803	868,872	1,664,140
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	91,325,220	23,711,918	26,627,360	88,409,778
17.1 Other liability - occurrence	25,210,105	11,370,458	12,040,905	24,539,658
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	678,103	291,740	341,251	628,592
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	35,190,212	14,065,020	17,035,561	32,219,671
19.3, 19.4 Commercial auto liability	56,717,738	27,100,066	27,127,623	56,690,181
21. Auto physical damage	42,659,895	18,758,336	20,770,920	40,647,311
22. Aircraft (all perils)				
23. Fidelity	14,131	20,218	15,982	18,367
24. Surety	124,598	127,986	70,861	181,723
26. Burglary and theft	54,568	24,702	24,827	54,443
27. Boiler and machinery	102,804	62,196	71,476	93,524
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	455,014,527	189,711,361	203,661,518	441,064,370

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	2,146,614				2,146,614
2. Allied lines	1,900,845				1,900,845
3. Farmowners multiple peril	2,302,896				2,302,896
4. Homeowners multiple peril	19,866,192				19,866,192
5. Commercial multiple peril	67,302,527		(936,296)	6,900	66,373,131
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	6,076,707				6,076,707
10. Financial guaranty					
11.1 Medical malpractice - occurrence	(505)				(505)
11.2 Medical malpractice - claims-made					
12. Earthquake	868,872				868,872
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	28,649,236		(1,998,341)	(23,536)	26,627,359
17.1 Other liability - occurrence	12,698,620		(650,815)	(6,900)	12,040,905
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	341,251				341,251
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	17,035,561				17,035,561
19.3, 19.4 Commercial auto liability	27,127,623				27,127,623
21. Auto physical damage	20,770,920				20,770,920
22. Aircraft (all perils)					
23. Fidelity	140	15,841			15,981
24. Surety	55,700	15,161			70,861
26. Burglary and theft	24,827				24,827
27. Boiler and machinery	71,476				71,476
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	207,239,502	31,002	(3,585,452)	(23,536)	203,661,516
35. Accrued retrospective premiums based on experience					23,536
36. Earned but unbilled premiums					3,585,452
37. Balance (Sum of Line 34 through 36)					207,270,504

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	1,936,628	3,442,307		1,936,628		3,442,307
2. Allied lines	1,829,229	3,719,085		1,829,229		3,719,085
3. Farmowners multiple peril	4,082,861	4,511,567		4,082,861		4,511,567
4. Homeowners multiple peril	52,425,752	36,241,063		52,425,752		36,241,063
5. Commercial multiple peril	43,824,260	139,073,019		43,824,260		139,073,019
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	4,876,945	14,218,699		4,876,945		14,218,699
10. Financial guaranty						
11.1 Medical malpractice - occurrence		(796)				(796)
11.2 Medical malpractice - claims-made						
12. Earthquake	2,850,193	1,732,209		2,850,193		1,732,209
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	30,592,215	91,325,220		30,592,215		91,325,220
17.1 Other liability - occurrence	34,500,852	25,210,105		34,500,852		25,210,105
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	168,902	678,103		168,902		678,103
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	43,985,827	35,190,212		43,985,827		35,190,212
19.3, 19.4 Commercial auto liability	19,126,412	56,717,738		19,126,412		56,717,738
21. Auto physical damage	37,040,872	42,659,895		37,040,872		42,659,895
22. Aircraft (all perils)						
23. Fidelity		14,131				14,131
24. Surety	3,502	124,598		3,502		124,598
26. Burglary and theft	6,162	54,568		6,162		54,568
27. Boiler and machinery		102,804				102,804
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	277,250,612	455,014,527		277,250,612		455,014,527

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	363,628	2,298,456	363,628	2,298,456	842,837	841,835	2,299,458	66.284
2. Allied lines	1,015,501	1,348,645	1,015,501	1,348,645	556,632	466,928	1,438,349	38.942
3. Farmowners multiple peril	2,052,950	2,298,363	2,052,950	2,298,363	1,107,893	882,886	2,523,370	60.197
4. Homeowners multiple peril	32,456,089	17,104,553	32,456,089	17,104,553	7,565,008	7,524,878	17,144,683	50.610
5. Commercial multiple peril	28,985,352	56,370,293	28,985,352	56,370,293	100,860,907	92,883,723	64,347,477	47.020
6. Mortgage guaranty								
8. Ocean marine		884		884		2,498	(1,614)	
9. Inland marine	1,832,020	4,062,443	1,832,020	4,062,443	1,167,336	1,366,400	3,863,379	27.925
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake		854		854	195	705	344	0.021
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	16,371,192	41,174,689	16,371,192	41,174,689	157,345,044	143,632,006	54,887,727	62.083
17.1 Other liability - occurrence	12,219,820	5,309,725	12,219,820	5,309,725	35,966,768	27,971,844	13,304,649	54.217
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	6,488	56,533	6,488	56,533	896,994	634,188	319,339	50.802
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	30,977,909	21,640,986	30,977,909	21,640,986	26,930,674	29,638,123	18,933,537	58.764
19.3, 19.4 Commercial auto liability	10,420,001	24,910,798	10,420,001	24,910,798	50,854,083	51,565,344	24,199,537	42.687
21. Auto physical damage	17,971,541	21,111,465	17,971,541	21,111,465	1,737,296	1,058,573	21,790,188	53.608
22. Aircraft (all perils)								
23. Fidelity	(280)	(659)	(280)	(659)	10,329	27,505	(17,835)	(97.104)
24. Surety		42,285		42,285	2,305,809	307,831	2,040,263	1,122.732
26. Burglary and theft		2,831		2,831	1,447	2,982	1,296	2.380
27. Boiler and machinery	57,695		57,695		4,725	19,639	(14,914)	(15.947)
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X	17,952		17,952	93,552	677,114	(565,610)	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	154,729,906	197,751,096	154,729,906	197,751,096	388,247,529	359,505,002	226,493,623	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	136,947	776,764	136,947	776,764	45	66,072	45	842,836	167,938
2. Allied lines	55,651	534,175	55,651	534,175	31	22,456	31	556,631	78,000
3. Farmowners multiple peril	690,417	960,767	690,417	960,767		147,126		1,107,893	182,808
4. Homeowners multiple peril	5,980,070	6,085,269	5,980,070	6,085,269	701,287	1,479,739	701,287	7,565,008	1,598,482
5. Commercial multiple peril	35,080,942	60,001,259	35,080,942	60,001,259	54,034,228	40,859,648	54,034,228	100,860,907	46,058,664
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	1,100,837	962,730	1,100,837	962,730	87	204,606	87	1,167,336	226,959
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake		195		195				195	2,004
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation	32,606,062	92,625,862	32,606,062	92,625,862	14,826,035	64,719,184	14,826,035	157,345,046	19,716,008
17.1 Other liability - occurrence	27,673,826	12,093,075	27,673,826	12,093,075	37,229,744	23,873,693	37,229,744	35,966,768	6,188,245
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	68,160	328,778	68,160	328,778	764,029	568,216	764,029	896,994	174,568
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability	23,161,286	19,902,905	23,161,286	19,902,905	5,187,854	7,027,769	5,187,854	26,930,674	5,215,033
19.3, 19.4 Commercial auto liability	16,047,422	29,881,511	16,047,422	29,881,511	10,621,334	20,972,571	10,621,334	50,854,082	8,974,038
21. Auto physical damage	1,411,565	1,734,984	1,411,565	1,734,984		2,312		1,737,296	266,705
22. Aircraft (all perils)									
23. Fidelity						10,329		10,329	829
24. Surety		2,087,723		2,087,723	435	218,086	435	2,305,809	(3,904)
26. Burglary and theft		82		82		1,365		1,447	1,858
27. Boiler and machinery						4,725		4,725	2,076
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	93,552		93,552	X X X			93,552	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	144,013,185	228,069,631	144,013,185	228,069,631	123,365,109	160,177,897	123,365,109	388,247,528	88,850,311

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	5,842,209			5,842,209
1.2 Reinsurance assumed	18,214,702			18,214,702
1.3 Reinsurance ceded	5,842,209			5,842,209
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	18,214,702			18,214,702
2. Commission and brokerage:				
2.1 Direct, excluding contingent		38,674,789		38,674,789
2.2 Reinsurance assumed, excluding contingent		62,398,575		62,398,575
2.3 Reinsurance ceded, excluding contingent		38,674,789		38,674,789
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		12,750,363		12,750,363
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)		75,148,938		75,148,938
3. Allowances to manager and agents		129,802		129,802
4. Advertising	554,023	2,363,505	1,326	2,918,854
5. Boards, bureaus and associations	62,955	1,246,804	15	1,309,774
6. Surveys and underwriting reports	1	920,795	261	921,057
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	15,735,686	34,763,814	201,154	50,700,654
8.2 Payroll taxes	976,666	2,739,113	9,415	3,725,194
9. Employee relations and welfare	3,489,396	10,014,249	12,283	13,515,928
10. Insurance	2,670,701	176,478	1,911	2,849,090
11. Directors' fees	52	337		389
12. Travel and travel items	882,494	2,627,123	3,332	3,512,949
13. Rent and rent items	1,333,010	4,060,706	2,813	5,396,529
14. Equipment	715,152	2,485,667	3,588	3,204,407
15. Cost or depreciation of EDP equipment and software	785,411	1,119,538	1,080	1,906,029
16. Printing and stationery	215,118	681,001	498	896,617
17. Postage, telephone and telegraph, exchange and express	542,438	1,929,854	964	2,473,256
18. Legal and auditing	207,377	649,974	26,883	884,234
19. Totals (Lines 3 to 18)	28,170,480	65,908,760	265,523	94,344,763
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 126,640		10,957,913		10,957,913
20.2 Insurance department licenses and fees		294,713		294,713
20.3 Gross guaranty association assessments		(86,023)		(86,023)
20.4 All other (excluding federal and foreign income and real estate)		506,690		506,690
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		11,673,293		11,673,293
21. Real estate expenses			1,188,133	1,188,133
22. Real estate taxes			274,186	274,186
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	3,604,717	4,404,398	18,787	8,027,902
25. Total expenses incurred	49,989,899	157,135,389	1,746,629 (a)	208,871,917
26. Less unpaid expenses-current year	88,850,313	37,061,821		125,912,134
27. Add unpaid expenses-prior year	82,487,349	30,493,734		112,981,083
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)	43,626,935	150,567,302	1,746,629	195,940,866

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	2,237,922			2,237,922
2402. Other expenses	1,366,795	4,404,398	18,787	5,789,980
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	3,604,717	4,404,398	18,787	8,027,902

(a) Includes management fees of \$ 284,311 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) 7,900,909	7,359,284
1.1 Bonds exempt from U.S. tax	(a) 8,713,251	10,079,728
1.2 Other bonds (unaffiliated)	(a) 17,109,196	17,168,872
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 160,813	160,813
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	2,795,949	2,795,949
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 2,634,443	2,634,443
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,751,721	1,783,384
7. Derivative instruments	(f)	
8. Other invested assets	57,042	57,042
9. Aggregate write-ins for investment income	170,710	170,710
10. Total gross investment income	41,294,034	42,210,225
11. Investment expenses		(g) 1,746,629
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) 552,618
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		2,299,247
17. Net investment income (Line 10 minus Line 16)		39,910,978
DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	170,710	170,710
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)	170,710	170,710
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 \$ 441,443 accrual of discount less \$ 857,336 amortization of premium and less \$ 468,130 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 \$ 2,634,443 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 141,708 accrual of discount less \$ 0 amortization of premium and less \$ 12,931 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 \$ 552,618 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	37,934		37,934		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	188,971		188,971	(543,958)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	(45,160)		(45,160)	(800,460)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	(89,048)		(89,048)	(1,748,096)	
2.21 Common stocks of affiliates				1,790,356	
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)	92,697		92,697	(1,302,158)	

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	923,558	620,626	(302,932)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	404,147	381,931	(22,216)
13.3 Accrued retrospective premiums	172,495	156,370	(16,125)
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	15,271,842	10,333,036	(4,938,806)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets	59,747	8,197	(51,550)
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	166,998	169,605	2,607
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	16,998,787	11,669,765	(5,329,022)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	16,998,787	11,669,765	(5,329,022)

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	166,998	169,605	2,607
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)	166,998	169,605	2,607

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost adjusted where appropriate for amortization of premium or discount, or 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 No97, *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, including Mezzanine Real Estate Loans.

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

- B. Statutory Mergers

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

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

F. Real Estate

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

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

B. Impairments, partnerships and limited liability companies.

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2007.

Note 8- Derivative Instruments

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

NOTES TO FINANCIAL STATEMENTS**Note 9 - Income Taxes**

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

	December 31, 2007	December 31, 2006	Change
Total of gross deferred tax assets	39,389,000	37,918,000	1,471,000
Total of deferred tax liabilities	(1,579,000)	(5,666,000)	4,087,000
Net deferred tax asset (liability)	37,810,000	32,252,000	5,558,000
Net deferred tax asset non-admitted	(15,271,842)	(10,333,036)	(4,938,806)
Net admitted deferred tax asset (liability)	22,538,158	21,918,964	619,194

- 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	10,585,086	16,546,282
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	10,585,086	16,546,282
Tax on capital (losses) gains	32,444	(357,032)
Total income tax incurred	10,617,530	16,189,250

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, investment impairments 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)	4,475,620
Tax effect of unrealized (gains) losses	1,082,380
Total change in net deferred income tax	5,558,000

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, dividends-received deductions, goodwill, partnership investments and statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$12,564,000 from the current year and \$12,479,000 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 *

NOTES TO FINANCIAL STATEMENTS

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.
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. The Company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in the state of Delaware. All of the outstanding shares of LIH US P&C Corporation are owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in the state of Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts company. LMIC is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Notes 10F and 25.
- D. At December 31, 2007, the Company reported \$9,115,035 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 services agreement (the "Agreement"), effective January 1, 1999, with Peerless Insurance Company ("PIC") and other affiliates. The Agreement allows 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 January 1, 2007 with LMIC, and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). 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 is party to a Federal Tax Sharing Agreement between LMIC and affiliates (see Note 9F).

The Company entered into a management services agreement, effective December 15, 2001, 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 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 on this agreement.

NOTES TO FINANCIAL STATEMENTS

- 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 that exceed 10% of its 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.
- L. Investments in downstream non-insurance holding companies
The company does not hold investments in downstream non-insurance holding companies.

Note 11- Debt

Not applicable.

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 agreements as described in note 10 F.

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

1. Common Stock

The Company has 4,800,000 shares authorized, and 3,200,000 shares issued and outstanding as of December 31, 2007. All shares have a stated par value of \$1.25.

2. Preferred Stock

The Company has 4,500,000 shares authorized, and 925,000 shares issued and outstanding as of December 31, 2007. All shares have a stated par value of \$2.00

The dividend rate is equal to the yield on 5 year Treasury Notes as of the issue date, adjusted every five years. Dividends are paid on the last business day of each calendar quarter. The Company paid \$223,850 in dividends on the last business day of each calendar quarter. The stock is redeemable at \$20 per share with 30 days notice. In the event of liquidation, holders of the preferred stock are entitled to receive an amount equal to \$20 per share.

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Indiana-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 \$35,467,747.

5. The Company does not have restricted unassigned surplus.

6. The Company had no advances to surplus.

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

8. The Company had no changes in special surplus funds.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$16,574,464.

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

13. Refer to Note 13-2.

NOTES TO FINANCIAL STATEMENTS

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$2,741,847 that is offset by future premium tax credits of \$550,986. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2007.

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

C. Gain Contingencies

Not applicable

D. Claims related extra contractual obligation 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	\$ 13,009

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

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

(f) Per Claim (g) Per Claimant

D. All other Contingencies

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

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

Note 15- Leases

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

The 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	\$1,610,852
2009	1,442,749
2010	1,226,993
2011	943,988
2012	898,882
2013 & thereafter	2,229,158
Total	<u>\$8,352,622</u>

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

Not applicable

NOTES TO FINANCIAL STATEMENTS

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 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 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 \$32,854,037 with corresponding collateral value of \$34,340,838 of which \$9,341,002 represents cash collateral.

C. Wash Sales

The company did not have any wash sale transactions during the year

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

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 \$1,701,621 and \$1,693,800 as of December 31, 2007 and 2006, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

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

H. Hybrid Securities

The Company does not hold hybrid securities.

NOTES TO FINANCIAL STATEMENTS

I. Sub-Prime Lending

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

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Type of Investment</u>
\$459,192	\$458,842	\$455,989	Residential mortgage backed securities

4. The company does not have underwriting exposure to sub-prime mortgage 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 26, 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.

	<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	\$207,270,504	\$14,917,359	\$138,141,185	\$14,530,672	\$69,129,319	\$386,687
All Other	0	0	0	0	0	0
Total	\$207,270,504	\$14,917,359	\$138,141,185	\$14,530,672	\$69,129,319	\$386,687

Direct unearned premium reserve of \$138,141,185

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

Direct	\$0
Assumed	13,199,701
Ceded	<u>0</u>
Net	<u>\$13,199,701</u>

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 does not have ceded commutations.
- F. The Company does not have any retroactive reinsurance agreements.
- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2007.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features see Schedule P - Part 7A.

NOTES TO FINANCIAL STATEMENTS

- D. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, retrospectively Rated contracts, has been non-admitted.

a. Total accrued retro premium	\$1,351,942
b. Less: Non-admitted amount	172,495)
c. Admitted amount	\$1,179,447

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</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>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 (fka Merchants & Business Men's Mutual Insurance Company) (LMMAIC)	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.

NOTES TO FINANCIAL STATEMENTS

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
	Liberty Mutual Mid-Atlantic Insurance Company (fka Merchants & Business Men's Mutual Insurance Company) (LMMAIC)	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 \$6,769,754 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 \$6,769,754 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

NOTES TO FINANCIAL STATEMENTS

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 any high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2007, liabilities of \$161,648,772 are carried at a discounted value of \$157,345,044 representing a discount of \$4,303,728.

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

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

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.

NOTES TO FINANCIAL STATEMENTS**Asbestos:**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Direct Basis					
Beginning Reserves	1,863,009	2,111,885	2,215,573	2,206,308	2,444,370
Incurred losses and LAE	421,332	395,984	295,415	404,947	(925,255)
Calendar year payments	172,456	292,296	304,680	166,885	149,553
Ending Reserves	<u>2,111,885</u>	<u>2,215,573</u>	<u>2,206,308</u>	<u>2,444,370</u>	<u>1,369,562</u>
Assumed Reinsurance Basis					
Beginning Reserves	163,846	116,208	36,872	36,872	36,872
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	47,638	79,336	-	-	-
Ending Reserves	<u>116,208</u>	<u>36,872</u>	<u>36,872</u>	<u>36,872</u>	<u>36,872</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,550,212	1,927,148	1,760,845	1,693,659	1,931,723
Incurred losses and LAE	597,031	146,107	237,494	331,447	(749,827)
Calendar year payments	220,095	312,410	304,680	93,383	149,553
Ending Reserves	<u>1,927,148</u>	<u>1,760,845</u>	<u>1,693,659</u>	<u>1,931,723</u>	<u>1,032,343</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					879,472
Assumed Reinsurance Basis					36,872
Net of Ceded Reinsurance Basis					542,250
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					377,631
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					317,551

Environmental:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Direct Basis					
Beginning Reserves	1,620,922	1,591,404	1,709,837	2,148,048	1,582,189
Incurred losses and LAE	91,085	366,189	1,043,388	361,206	6,249,374
Calendar year payments	120,603	247,756	605,177	927,065	1,105,523
Ending Reserves	<u>1,591,404</u>	<u>1,709,837</u>	<u>2,148,048</u>	<u>1,582,189</u>	<u>6,726,040</u>
Assumed Reinsurance Basis					
Beginning Reserves	92,206	686,658	636,877	651,445	594,361
Incurred losses and LAE	612,500	-	16,855	42,887	25,859
Calendar year payments	18,048	49,781	2,287	99,971	1,862
Ending Reserves	<u>686,658</u>	<u>636,877</u>	<u>651,445</u>	<u>594,361</u>	<u>618,358</u>
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,280,876	2,139,282	1,792,172	1,746,431	1,071,395
Incurred losses and LAE	957,691	23,716	530,672	168,192	6,792,791
Calendar year payments	99,285	370,826	576,413	843,228	906,262
Ending Reserves	<u>2,139,282</u>	<u>1,792,172</u>	<u>1,746,431</u>	<u>1,071,395</u>	<u>6,957,924</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					5,398,381
Assumed Reinsurance Basis					592,731
Net of Ceded Reinsurance Basis					5,824,338
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					173,495
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					281,976

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	66,015,342	7.288	66,015,342	7.288
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	60,255,501	6.652	60,255,501	6.652
1.22 Issued by U.S. government sponsored agencies	17,083,373	1.886	17,083,373	1.886
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	67,947,768	7.502	67,947,768	7.502
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	28,652,783	3.163	28,652,783	3.163
1.43 Revenue and assessment obligations	161,410,150	17.820	161,410,150	17.820
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	3,078,333	0.340	3,078,333	0.340
1.512 Issued or guaranteed by FNMA and FHLMC	74,855,879	8.264	74,855,879	8.264
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	74,157,765	8.187	74,157,765	8.187
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	14,744,894	1.628	14,744,894	1.628
1.523 All other	30,062,333	3.319	30,062,333	3.319
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	142,131,781	15.692	142,131,781	15.692
2.2 Unaffiliated foreign securities	4,436,646	0.490	4,436,646	0.490
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	41,751,502	4.609	41,751,502	4.609
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	2,310,000	0.255	2,310,000	0.255
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	24,280,439	2.681	24,280,439	2.681
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	21,029,277	2.322	21,029,277	2.322
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	2,597		2,597	
8. Cash, cash equivalents and short-term investments	70,475,463	7.781	70,475,463	7.781
9. Other invested assets	1,091,611	0.121	1,091,611	0.121
10. Total invested assets	905,773,437	100.000	905,773,437	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? Indiana
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [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). 07/26/2006
- 3.4 By what department or departments? Indiana 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 | | | 0 |
| 11.12 Number of parcels involved | | | 0 |
| 11.13 Total book/adjusted carrying value | | | 0 |

11.2 If yes, provide explanation

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

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

- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 c. Compliance with applicable governmental laws, rules and regulations;
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 e. Accountability for adherence to the code. Yes [X] No []

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

- 13.2 Has the code of ethics for senior managers been amended? Yes [] No [X]
 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]
 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
 15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
 16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

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

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

- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|---|--|--|---|
| 18.21 To directors or other officers | | | 0 |
| 18.22 To stockholders not officers | | | 0 |
| 18.23 Trustees, supreme or grand (Fraternal only) | | | 0 |

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- | | | |
|----------------------------|--|-------------|
| 19.21 Rented from others | | \$ <u>0</u> |
| 19.22 Borrowed from others | | \$ <u>0</u> |
| 19.23 Leased from others | | \$ <u>0</u> |
| 19.24 Other | | \$ <u>0</u> |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 20.2 If answer is yes:
- | | | |
|--|--|-------------|
| 20.21 Amount paid as losses or risk adjustment | | \$ <u>0</u> |
| 20.22 Amount paid as expenses | | \$ <u>0</u> |
| 20.23 Other amounts paid | | \$ <u>0</u> |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []
- 22.2 If no, give full and complete information, relating thereto
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1). Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- | | | |
|--|--|----------------------|
| 23.21 Loaned to others | | \$ <u>63,726,284</u> |
| 23.22 Subject to repurchase agreements | | \$ <u>0</u> |
| 23.23 Subject to reverse repurchase agreements | | \$ <u>0</u> |
| 23.24 Subject to dollar repurchase agreements | | \$ <u>0</u> |
| 23.25 Subject to reverse dollar repurchase agreements | | \$ <u>0</u> |
| 23.26 Pledged as collateral | | \$ <u>0</u> |
| 23.27 Placed under option agreements | | \$ <u>0</u> |
| 23.28 Letter stock or securities restricted as to sale | | \$ <u>0</u> |
| 23.29 On deposit with state or other regulatory body | | \$ <u>1,701,621</u> |
| 23.291 Other | | \$ <u>0</u> |

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
- If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 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	36,263,981
27.2999	Total	36,263,981

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	JP MORGAN PRIME-CAPITAL FUND	1,278,653	12/31/2007
LMIA HIGH YIELD	ALLIED WASTE NORTH AMER	763,263	12/31/2007
LMIA HIGH YIELD	CHESAPEAKE ENERGY CORP	704,525	12/31/2007
LMIA HIGH YIELD	MULTIPLAN INC	689,896	12/31/2007
LMIA HIGH YIELD	WILLIAM PARTNERS LP/WIL	632,877	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	778,391,648	781,314,143	2,922,495
28.2 Preferred stocks	2,310,000	2,310,000	
28.3 Totals	780,701,648	783,624,143	2,922,495

28.4 Describe the sources or methods utilized in determining the fair values: SVO, FTID CORP, BLOOMBERG, 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? \$ 77,830

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
Indiana Compensation Rating Bureau	\$ 33,596
NCCI Holdings, Inc.	\$ 24,355
	\$

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?

\$ 5,600

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
Ohio Dept of Insurance	\$ 5,600
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 0	\$ 0
2.2 Premium Denominator	\$ 441,064,371	\$ 419,832,621
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 0	\$ 302
2.5 Reserve Denominator	\$ 704,531,881	\$ 654,140,974
2.6 Reserve Ratio (2.4/2.5)	0.00	

3.1 Does the reporting entity issue both participating and non-participating policies? YES [X] NO []
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$ 2,931,110
 3.22 Non-participating policies \$ 274,319,503

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 fo \$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 the 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 [X] NO []
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES [X] NO [] N/A []
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES [] NO [X]
- 11.2 If yes, give full information
-
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | |
|---|--------------|
| 12.11 Unpaid losses | \$ 9,651,928 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ 852,586 |
- 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? \$ 315,438
- 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): \$ 3,062,500
- 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
Direct Losses
Incurred | 2
Direct Losses
Unpaid | 3
Direct Written
Premium | 4
Direct Premium
Unearned | 5
Direct Premium
Earned |
|------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.12 Products | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.13 Automobile | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 16.14 Other* | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

* Disclose type of coverage: _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5. YES [] NO [X]

Incurred but not reported losses on contracts not in force prior to July 1, 1984 and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

17.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	<u>0</u>
17.12	Unfunded portion of Interrogatory 17.11	\$	<u>0</u>
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	<u>0</u>
17.14	Case reserves portion of Interrogatory 17.11	\$	<u>0</u>
17.15	Incurred but not reported portion of Interrogatory 17.11	\$	<u>0</u>
17.16	Unearned premium portion of Interrogatory 17.11	\$	<u>0</u>
17.17	Contingent commission portion of Interrogatory 17.11	\$	<u>0</u>

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

17.18	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	<u>0</u>
17.19	Unfunded portion of Interrogatory 17.18	\$	<u>0</u>
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	<u>0</u>
17.21	Case reserves portion of Interrogatory 17.18	\$	<u>0</u>
17.22	Incurred but not reported portion of Interrogatory 17.18	\$	<u>0</u>
17.23	Unearned premium portion of Interrogatory 17.18	\$	<u>0</u>
17.24	Contingent commission portion of Interrogatory 17.18	\$	<u>0</u>

FIVE-YEAR HISTORICAL DATA

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

	1 2007	2 2006	3 2005	4 2004	5 2003
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	337,494,790	320,151,677	281,446,764	224,920,663	420,206,744
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	114,366,792	108,758,710	110,747,048	94,312,512	195,321,866
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	280,261,326	282,762,687	289,742,433	231,410,376	421,107,338
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	142,231	1,070,051	175,079	69,678	551,086
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					(3,043)
6. Total (Line 34)	732,265,139	712,743,125	682,111,324	550,713,229	1,037,183,991
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	209,120,582	200,821,887	147,601,173	76,734,250	258,774,105
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	65,826,763	63,138,868	57,120,133	28,101,589	119,820,902
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	179,928,453	175,320,853	154,758,194	78,588,666	249,484,599
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	138,729	1,064,641	169,702	63,009	544,671
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					(3,043)
12. Total (Line 34)	455,014,527	440,346,249	359,649,202	183,487,514	628,621,234
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	7,445,459	1,278,677	5,641,052	133,278	33,554,549
14. Net investment gain (loss) (Line 11)	39,971,231	73,268,814	32,852,645	46,811,677	31,191,083
15. Total other income (Line 15)	(302,357)	845,583	(96,314)	1,107,194	(2,221,596)
16. Dividends to policyholders (Line 17)	1,061,498	1,186,775	583,865	442,866	1,082,095
17. Federal and foreign income taxes incurred (Line 19)	10,585,086	16,546,282	11,947,049	(4,666,799)	20,589,639
18. Net income (Line 20)	35,467,749	57,660,017	25,866,469	52,276,082	40,852,302
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,103,547,812	1,024,857,370	959,695,375	785,172,871	1,201,508,890
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	21,427,307	29,594,768	42,775,392	15,866,954	69,376,178
20.2 Deferred and not yet due (Line 13.2)	140,597,455	129,451,062	95,001,964	91,377,387	179,670,321
20.3 Accrued retrospective premiums (Line 13.3)	1,179,447	1,407,329			4,720,545
21. Total liabilities excluding protected cell business (Page 3, Line 24)	801,502,050	756,097,528	607,241,327	465,161,080	931,671,667
22. Losses (Page 3, Line 1)	388,247,531	359,505,001	259,056,039	210,808,710	363,411,762
23. Loss adjustment expenses (Page 3, Line 3)	88,850,313	82,487,349	62,032,517	50,541,044	75,838,424
24. Unearned premiums (Page 3, Line 9)	207,270,504	193,681,977	172,879,099	166,036,767	306,682,592
25. Capital paid up (Page 3, Lines 28 & 29)	5,850,000	5,850,000	5,850,000	5,850,000	5,850,000
26. Surplus as regards policyholders (Page 3, Line 35)	302,045,761	268,759,842	352,454,048	320,011,791	269,837,223
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	95,120,998	197,213,758	61,646,941	(158,160,224)	109,035,435
Risk-Based Capital Analysis					
28. Total adjusted capital	302,045,761	268,759,842	352,454,048	320,011,791	269,837,223
29. Authorized control level risk-based capital	43,146,376	37,941,806	33,902,454	37,182,967	49,058,846
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	82.2	80.1	76.8	73.6	75.3
31. Stocks (Lines 2.1 & 2.2)	6.9	7.2	13.4	15.8	9.6
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)	2.3	1.8	2.0	2.6	1.8
34. Cash, cash equivalents and short-term investments (Line 5)	8.4	9.9	7.6	7.6	12.7
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	0.1	0.1	0.1	0.4	0.7
37. Receivables for securities (Line 8)		0.9			
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	24,280,439	22,490,083	55,773,959	52,962,643	50,913,514
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	24,280,439	22,490,083	55,773,959	52,962,643	50,913,514
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)	8.0	8.4	15.8	16.6	18.9

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(219,778)	(32,992,200)	1,407,420	2,582,747	4,930,540
49. Dividends to stockholders (Line 35)	(1,108,651)	(109,606,250)	(851,000)	(850,998)	(851,000)
50. Change in surplus as regards policyholders for the year (Line 38)	33,285,919	(83,694,206)	32,442,257	50,174,568	50,852,919
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	163,088,141	89,373,049	147,349,457	268,747,344	210,612,464
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	50,007,384	48,964,317	45,512,963	50,720,260	84,048,134
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	139,326,179	169,556,727	135,846,946	158,829,915	187,407,592
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	41,346	244,813	87,391	249,660	197,501
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	17,952	(64,181)		872,584	201,088
56. Total (Line 34)	352,481,002	308,074,725	328,796,757	479,419,763	482,466,779
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	93,092,731	15,986,272	64,650,834	179,811,187	115,588,278
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	28,824,694	25,315,126	23,284,695	24,455,965	50,524,627
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	75,774,093	68,386,635	55,681,831	94,089,463	91,217,623
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	41,626	245,133	87,908	251,785	199,198
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	17,952	(64,181)		872,584	201,088
62. Total (Line 34)	197,751,096	109,868,985	143,705,268	299,480,984	257,730,814
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	51.4	54.3	49.3	53.6	51.3
65. Loss expenses incurred (Line 3)	11.3	11.9	13.2	12.9	8.0
66. Other underwriting expenses incurred (Line 4)	35.6	33.5	35.9	33.8	34.7
67. Net underwriting gain (loss) (Line 8)	1.7	0.3	1.6		5.8
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	34.6	31.7	35.3	58.2	32.3
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	59.3
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)	150.6	163.8	102.0	57.3	233.0
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(33,047)	(6,581)	(7,585)	2,899	(1,723)
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)	(12.3)	(1.9)	(2.4)	1.1	(0.8)
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	(27,596)	2,289	(2,119)	13,793	28,250
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)	(7.8)	0.7	(0.8)	6.3	12.9

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	146,432,545	148,374,837	147,089,734	144,852,219
	2. Canada				
	3. Other Countries				
	4. Totals	146,432,545	148,374,837	147,089,734	144,852,219
States, Territories and Possessions (Direct and guaranteed)	5. United States	67,947,770	68,450,729	67,924,510	68,505,000
	6. Canada				
	7. Other Countries				
	8. Totals	67,947,770	68,450,729	67,924,510	68,505,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	28,652,785	29,065,485	28,639,252	28,805,000
	10. Canada				
	11. Other Countries				
	12. Totals	28,652,785	29,065,485	28,639,252	28,805,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	315,935,883	317,116,467	316,061,877	317,580,025
	14. Canada				
	15. Other Countries				
	16. Totals	315,935,883	317,116,467	316,061,877	317,580,025
Public Utilities (unaffiliated)	17. United States	25,001,169	24,656,225	25,015,135	25,000,000
	18. Canada				
	19. Other Countries				
	20. Totals	25,001,169	24,656,225	25,015,135	25,000,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	156,425,749	155,491,020	157,964,411	182,545,756
	22. Canada				
	23. Other Countries	4,436,647	4,600,280	4,321,285	4,500,000
	24. Totals	160,862,396	160,091,300	162,285,696	187,045,756
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	744,832,548	747,755,043	747,016,204	771,788,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States	2,310,000	2,310,000	3,139,620	
	36. Canada				
	37. Other Countries				
	38. Totals	2,310,000	2,310,000	3,139,620	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	2,310,000	2,310,000	3,139,620	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States	36,263,981	36,263,981	36,933,917	
	50. Canada				
	51. Other Countries				
	52. Totals	36,263,981	36,263,981	36,933,917	
Parent, Subsidiaries and Affiliates	53. Totals	24,280,439	24,280,439	5,653,528	
	54. Total Common Stocks	60,544,420	60,544,420	42,587,445	
	55. Total Stocks	62,854,420	62,854,420	45,727,065	
	56. Total Bonds and Stocks	807,686,968	810,609,463	792,743,269	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	726,451,218	7. Amortization of premium	857,336
2. Cost of bonds and stocks acquired, Column 7, Part 3	169,455,441	8. Foreign Exchange Adjustment:	
3. Accrual of discount	441,443	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	(552,891)	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	42,260	9. Book/adjusted carrying value at end of current period	807,686,968
4.4 Column 11 - 13, Part 4	38,093	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	92,697	11. Subtotal (Lines 9 plus 10)	807,686,968
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	86,594,337	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	807,686,968

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	2,575	867	711	114	323	4	12,553	2,624	X X X
2. 1998	267,176	48,881	218,295	179,361	45,017	13,985	2,933	21,791	5,158	9,387	162,029	X X X
3. 1999	247,628	36,503	211,125	176,269	32,288	12,948	2,056	21,475	3,824	9,449	172,524	X X X
4. 2000	235,336	29,160	206,176	167,303	26,834	12,725	1,287	19,132	2,234	9,085	168,805	X X X
5. 2001	252,546	34,228	218,318	159,691	26,182	13,029	984	18,433	2,409	9,048	161,578	X X X
6. 2002	344,904	82,295	262,609	191,194	42,559	13,821	2,755	16,806	3,448	10,256	173,059	X X X
7. 2003	397,028	68,046	328,982	186,312	36,542	13,589	2,118	25,869	4,315	11,177	182,795	X X X
8. 2004	407,960	38,100	369,860	166,217	13,821	9,245	760	22,936	1,675	11,679	182,142	X X X
9. 2005	428,937	25,510	403,427	165,703	16,493	8,259	806	24,938	1,108	10,187	180,493	X X X
10. 2006	442,543	22,710	419,833	147,474	5,967	4,776	143	25,109	1,796	7,286	169,453	X X X
11. 2007	453,079	12,015	441,064	100,221	2,223	2,159	25	19,523	96	3,176	119,559	X X X
12. Totals	X X X	X X X	X X X	1,642,320	248,793	105,247	13,981	216,335	26,067	103,283	1,675,061	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	25,656	2,300	6,588	1,736	352	1	1,028	361	1,787	66	30	30,947	X X X
2. 1998	6,746	3,097	1,923	1,356	157	124	599	345	513	253	22	4,763	X X X
3. 1999	6,906	2,453	2,155	1,453	63		699	321	556	247	32	5,905	X X X
4. 2000	6,449	1,939	2,444	1,425	74		803	236	591	187	45	6,574	X X X
5. 2001	10,436	1,674	2,923	1,431	148		1,108	174	615	128	75	11,823	X X X
6. 2002	10,946	2,701	4,411	1,342	322	10	1,837	129	747	72	248	14,009	X X X
7. 2003	11,063	2,010	8,645	1,422	196		3,333	104	1,269	2	388	20,968	X X X
8. 2004	17,138	1,442	14,057	2,076	166		4,776	180	1,983		658	34,422	X X X
9. 2005	26,783	1,364	22,563	3,712	231		8,102	303	3,597	4	1,061	55,893	X X X
10. 2006	45,971	1,905	43,590	6,935	353	7	14,404	579	7,189	3	1,752	102,078	X X X
11. 2007	81,315	454	73,808	43	596		19,338	7	15,166	6	4,229	189,713	X X X
12. Totals	249,409	21,339	183,107	22,931	2,658	142	56,027	2,739	34,013	968	8,540	477,095	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	28,208	2,739
2. 1998	225,075	58,283	166,792	84.242	119.234	76.407			12.250	4,216	547
3. 1999	221,071	42,642	178,429	89.275	116.818	84.513			12.250	5,155	750
4. 2000	209,521	34,142	175,379	89.031	117.085	85.063			12.250	5,529	1,045
5. 2001	206,383	32,982	173,401	81.721	96.360	79.426			12.250	10,254	1,569
6. 2002	240,084	53,016	187,068	69.609	64.422	71.234			12.250	11,314	2,695
7. 2003	250,276	46,513	203,763	63.037	68.355	61.937			12.250	16,276	4,692
8. 2004	236,518	19,954	216,564	57.976	52.373	58.553			12.250	27,677	6,745
9. 2005	260,176	23,790	236,386	60.656	93.258	58.594			12.250	44,270	11,623
10. 2006	288,866	17,335	271,531	65.274	76.332	64.676			12.250	80,721	21,357
11. 2007	312,126	2,854	309,272	68.890	23.754	70.120			12.250	154,626	35,087
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	388,246	88,849

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	125,477	122,495	120,242	116,505	120,675	121,359	120,717	124,405	124,877	129,795	4,918	5,390
2. 1998	147,660	146,096	145,545	145,850	145,278	145,747	147,794	149,322	149,459	150,072	613	750
3. 1999	X X X	147,299	149,766	151,094	153,347	154,651	156,540	157,772	158,682	160,644	1,962	2,872
4. 2000	X X X	X X X	143,285	149,524	151,639	154,522	154,046	155,127	156,425	158,245	1,820	3,118
5. 2001	X X X	X X X	X X X	148,203	146,509	148,715	151,141	151,016	151,931	157,176	5,245	6,160
6. 2002	X X X	X X X	X X X	X X X	173,898	177,813	177,319	175,696	176,576	173,265	(3,311)	(2,431)
7. 2003	X X X	X X X	X X X	X X X	X X X	178,680	174,831	172,869	174,607	181,202	6,595	8,333
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	224,150	216,572	216,269	193,745	(22,524)	(22,827)
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	238,103	225,473	209,142	(16,331)	(28,961)
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	253,231	241,197	(12,034)	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	275,196	X X X	X X X
12. Totals											(33,047)	(27,596)

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	000	36,696	58,221	72,636	81,107	85,877	88,913	92,818	96,533	98,838	X X X	X X X
2. 1998	68,847	104,343	121,153	130,248	135,887	139,211	141,557	142,790	144,578	145,396	X X X	X X X
3. 1999	X X X	71,750	109,440	126,972	138,285	144,206	149,249	151,643	153,496	154,873	X X X	X X X
4. 2000	X X X	X X X	70,160	109,602	127,338	137,866	143,984	147,700	150,592	151,907	X X X	X X X
5. 2001	X X X	X X X	X X X	69,482	107,274	123,233	134,541	138,989	143,123	145,554	X X X	X X X
6. 2002	X X X	X X X	X X X	X X X	67,787	110,511	132,110	147,893	155,558	159,701	X X X	X X X
7. 2003	X X X	X X X	X X X	X X X	X X X	78,316	119,322	139,462	151,887	161,241	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	77,492	125,687	147,648	160,881	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	81,514	132,120	156,663	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	93,658	146,140	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	100,132	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	47,842	27,603	19,589	12,512	11,139	13,736	6,818	5,715	3,335	5,519
2. 1998	37,606	14,849	9,477	6,103	3,093	1,699	2,072	1,455	1,096	821
3. 1999	X X X	32,353	14,627	8,525	4,612	2,612	2,984	1,467	1,471	1,080
4. 2000	X X X	X X X	29,531	16,514	9,683	6,159	4,231	1,981	3,031	1,586
5. 2001	X X X	X X X	X X X	33,692	17,499	8,122	7,327	3,451	4,814	2,426
6. 2002	X X X	X X X	X X X	X X X	63,460	32,534	14,438	10,229	9,475	4,777
7. 2003	X X X	X X X	X X X	X X X	X X X	48,240	23,278	15,836	13,506	10,452
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	82,104	48,251	35,580	16,577
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	93,824	48,348	26,650
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	91,241	50,480
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	93,096

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	NO							
4. Arkansas	AR	NO	6,218	1,100				28	
5. California	CA	NO							
6. Colorado	CO	NO							
7. Connecticut	CT	NO							
8. Delaware	DE	NO							
9. Dist. Columbia	DC	NO							
10. Florida	FL	YES			289	(10,066)	3,875		
11. Georgia	GA	NO							
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	YES	49,394,106	49,434,372		27,149,553	25,362,941	64,564,799	218,688
15. Indiana	IN	YES	125,643,691	123,847,003	88,266	74,447,362	78,278,376	113,463,985	556,276
16. Iowa	IA	YES	24,683	30,973		74,883	(880,101)	854,355	109
17. Kansas	KS	NO							
18. Kentucky	KY	YES	36,864,113	36,115,411		21,376,103	25,624,999	32,098,100	163,213
19. Louisiana	LA	NO							
20. Maine	ME	NO							
21. Maryland	MD	NO							
22. Massachusetts	MA	NO			(1,431)	(1,431)			
23. Michigan	MI	YES	10,866,360	11,329,280	46,951	4,978,770	7,204,388	21,468,130	48,110
24. Minnesota	MN	YES	108,949	89,411		71,941	(134,665)	200,523	482
25. Mississippi	MS	NO							
26. Missouri	MO	NO	(393)	(393)					(2)
27. Montana	MT	NO							
28. Nebraska	NE	NO							
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	YES	13,008,270	11,504,004	206,862	2,566,580	5,623,312	7,728,971	57,593
32. New Mexico	NM	NO							
33. New York	NY	NO							
34. No. Carolina	NC	NO							
35. No. Dakota	ND	NO							
36. Ohio	OH	YES	4,372,655	4,261,133		1,134,106	(2,939,560)	5,453,629	19,360
37. Oklahoma	OK	NO							
38. Oregon	OR	NO							
39. Pennsylvania	PA	NO	116	21					1
40. Rhode Island	RI	NO							
41. So. Carolina	SC	NO							
42. So. Dakota	SD	NO							
43. Tennessee	TN	YES	36,187,467	34,502,454		19,089,102	11,453,635	18,475,158	160,217
44. Texas	TX	NO							
45. Utah	UT	NO							
46. Vermont	VT	NO							
47. Virginia	VA	NO							
48. Washington	WA	YES	6,623	6,615		2,753,811	904,622	1,802,307	29
49. West Virginia	WV	NO							
50. Wisconsin	WI	YES	767,753	802,808	76,534	1,088,838	(1,219,371)	1,264,455	3,399
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) 12		277,250,611	271,924,192	418,613	154,729,907	149,267,079	267,378,287	1,227,503

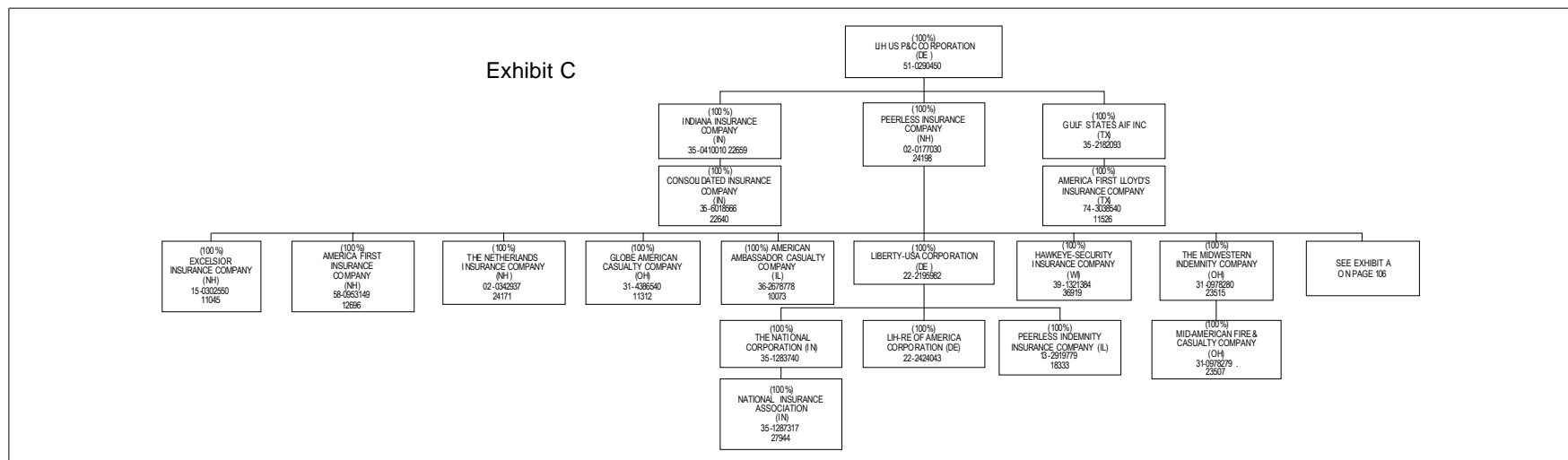
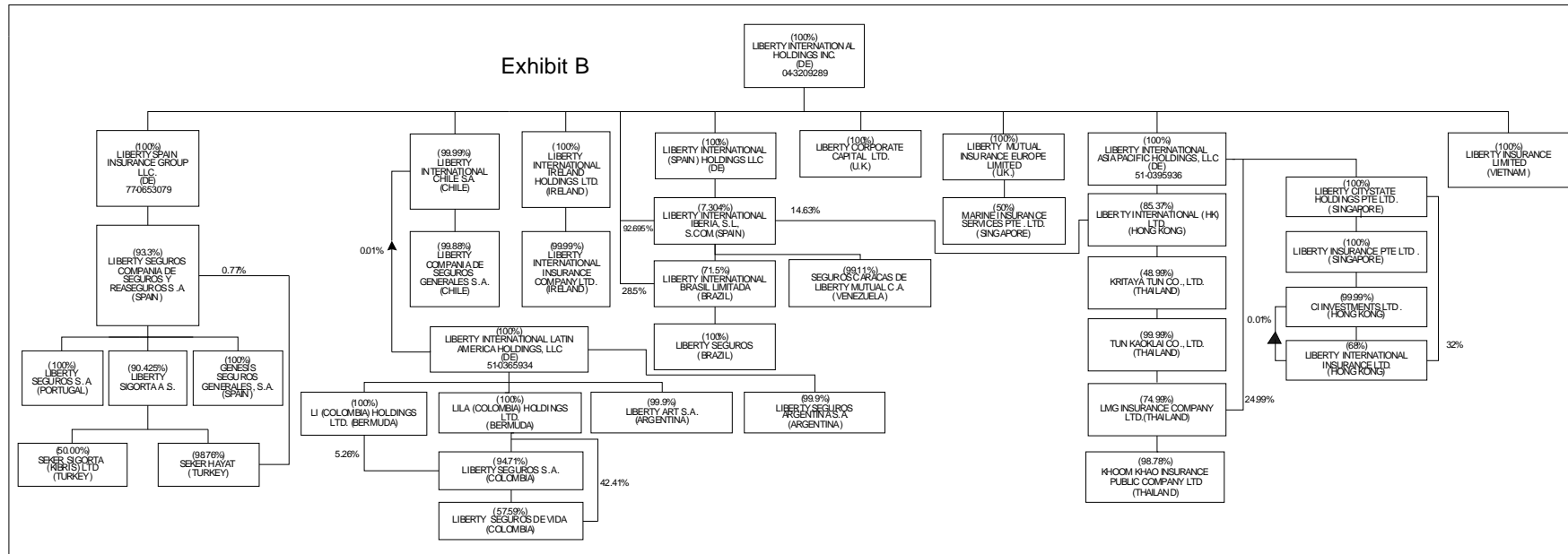
DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	X X X								

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



OVERFLOW PAGE FOR WRITE-INS

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