

ANNUAL STATEMENT

OF THE

INSURANCE COMPANY OF ILLINOIS

of **HOFFMAN ESTATES**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2009

PROPERTY AND CASUALTY

2009

ANNUAL STATEMENT

For the Year Ended December 31, 2009
OF THE CONDITION AND AFFAIRS OF THE
Insurance Company of Illinois



26700200920100100

NAIC Group Code	0111 (Current Period)	0111 (Prior Period)	NAIC Company Code	26700	Employer's ID Number	36-2690333
Organized under the Laws of	Illinois			State of Domicile or Port of Entry		Illinois
Country of Domicile	United States of America					
Incorporated/Organized:	March 9, 1970			Commenced Business: March 20, 1970		
Statutory Home Office:	2800 West Higgins Road, Suite 1000 (Street and Number)			Hoffman Estates, IL 60169 (City or Town, State and Zip Code)		
Main Administrative Office:	1001 Fourth Avenue, Safeco Plaza (Street and Number)			206-545-5000 (Area Code) (Telephone Number)		
	Seattle, WA 98154 (City or Town, State and Zip Code)			617-357-9500 (Area Code) (Telephone Number)		
Mail Address:	175 Berkeley Street (Street and Number or P.O. Box)			Boston, MA 02116 (City or Town, State and Zip Code)		
Primary Location of Books and Records:	175 Berkeley Street (Street and Number)			Boston, MA 02116 617-357-9500 (City or Town, State and Zip Code) (Area Code) (Telephone Number)		
Internet Web Site Address:	WWW.SAFECO.COM					
Statutory Statement Contact:	Joanne Connolly (Name)			617-357-9500 x44393 (Area Code) (Telephone Number) (Extension)		
	Statutory.Compliance@LibertyMutual.com (E-Mail Address)			617-574-5955 (Fax Number)		

OFFICERS
Chairman of the Board
Gary Richard Gregg

	Name	Title
1.	Gary Richard Gregg	President and Chief Executive Officer
2.	Dexter Robert Legg	Secretary
3.	Michael Joseph Fallon	Chief Financial Officer and Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Anthony Alexander Fontanes	Chief Investment Officer and EVP	Joseph Anthony Gilles	Executive Vice President
Scott Rhodes Goodby	Chief Operating Officer and EVP		

DIRECTORS OR TRUSTEES

Deborah Lucille Michel #	Stephen Douglas Hylka #	Gary Richard Gregg	Mary Ann Thaman
John Derek Doyle #	Michael Joseph Fallon #	Joseph Anthony Gilles #	Scott Rhodes Goodby #
Christopher Charles Mansfield #			

State of Massachusetts

County of Suffolk ss

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

(Signature) Gary Richard Gregg	(Signature) Dexter Robert Legg	(Signature) Michael Joseph Fallon
(Printed Name) 1. President and Chief Executive Officer	(Printed Name) 2. Secretary	(Printed Name) 3. Chief Financial Officer and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
1st day of February, 2010, by

a. Is this an original filing? [X] Yes [] No

b. If no:

1. State the amendment number

2. Date filed

3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	41,573,979		41,573,979	32,194,548
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 (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 320,450, Schedule E - Part 1), cash equivalents (\$ 124,588, Schedule E - Part 2), and short-term investments (\$ 3,639,355, Schedule DA)	4,084,393		4,084,393	12,019,414
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				11,844
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	45,658,372		45,658,372	44,225,806
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	366,962		366,962	342,953
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	24,565		24,565	340,781
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	596,720	11,820	584,900	53,753
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	12,132		12,132	437,027
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets				2,690
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	46,658,751	11,820	46,646,931	45,403,010
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	46,658,751	11,820	46,646,931	45,403,010

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Other assets				2,690
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)				2,690

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)		
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	100,050	78,381
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 199,699 and including warranty reserves of \$ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	23,521	20,000
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		
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		
19. Payable to parent, subsidiaries and affiliates	14,407	336,116
20. Payable for securities		154
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	451,719	684,613
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	589,697	1,119,264
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	589,697	1,119,264
27. Aggregate write-ins for special surplus funds	362,970	
28. Common capital stock	3,000,000	3,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	13,500,000	13,500,000
33. Unassigned funds (surplus)	29,194,264	27,783,746
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)	46,057,234	44,283,746
36. Totals (Page 2, Line 26, Col. 3)	46,646,931	45,403,010

DETAILS OF WRITE-IN LINES		
2301. Collateral held for securities loaned	451,719	684,613
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)	451,719	684,613
2701. SSAP 10R incremental change	362,970	
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)	362,970	
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 35, Column 4)		
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)		
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,490,776	1,863,653
10. Net realized capital gains (losses) less capital gains tax of \$ (17,170) (Exhibit of Capital Gains (Losses))	(31,887)	(162,835)
11. Net investment gain (loss) (Lines 9 + 10)	1,458,889	1,700,818
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	(111)	
15. Total other income (Lines 12 through 14)	(111)	
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,458,778	1,700,818
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	1,458,778	1,700,818
19. Federal and foreign income taxes incurred	180,120	326,074
20. Net income (Line 18 minus Line 19) (to Line 22)	1,278,658	1,374,744
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	44,283,746	42,626,254
22. Net income (from Line 20)	1,278,658	1,374,744
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (12,920)	(23,994)	(55,937)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(113,806)	(384,797)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	269,660	723,482
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	362,970	
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,773,488	1,657,492
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	46,057,234	44,283,746

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Other income/(expense)	(111)	
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(111)	
3701. SSAP 10R incremental change	362,970	
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	362,970	

CASH FLOW

		1	2
Cash from Operations		Current Year	Prior Year
1.	Premiums collected net of reinsurance	3,521	(111,728)
2.	Net investment income	1,605,402	2,020,084
3.	Miscellaneous income	(111)	
4.	Total (Lines 1 through 3)	1,608,812	1,908,356
5.	Benefit and loss related payments	(316,216)	97,461
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions		
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	141,280	273,449
10.	Total (Lines 5 through 9)	(174,936)	370,910
11.	Net cash from operations (Line 4 minus Line 10)	1,783,748	1,537,446
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	10,492,224	10,666,256
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		22,000
12.6	Net gains (or losses) on cash, cash equivalents and short-term investments	(408)	400
12.7	Miscellaneous proceeds		3,214
12.8	Total investment proceeds (Lines 12.1 to 12.7)	10,491,816	10,691,870
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	20,095,854	6,871,373
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		18,700
13.6	Miscellaneous applications	153	249,849
13.7	Total investments acquired (Lines 13.1 to 13.6)	20,096,007	7,139,922
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(9,604,191)	3,551,948
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	(114,578)	1,014,436
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(114,578)	1,014,436
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)	(7,935,021)	6,103,830
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	12,019,414	5,915,584
19.2	End of year (Line 18 plus Line 19.1)	4,084,393	12,019,414

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

20.0001		
20.0002		
20.0003		

NONE Underwriting and Investment Exhibit - Part 1

NONE Underwriting and Investment Exhibit - Part 1A

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)				
6	1. Fire	483,765		483,765					
	2. Allied lines	82,861		82,861					
	3. Farmowners multiple peril								
	4. Homeowners multiple peril	18,749		18,749					
	5. Commercial multiple peril								
	6. Mortgage guaranty								
	8. Ocean marine								
	9. Inland marine								
	10. Financial guaranty								
	11.1 Medical professional liability—occurrence								
	11.2 Medical professional liability—claims-made								
	12. Earthquake								
	13. Group accident and health								
	14. Credit accident and health (group and individual)								
	15. Other accident and health								
	16. Workers' compensation								
	17.1 Other liability—occurrence	21,437,836		21,437,836					
	17.2 Other liability—claims-made								
	17.3 Excess Workers' Compensation								
	18.1 Products liability—occurrence								
	18.2 Products liability—claims-made								
	19.1,19.2 Private passenger auto liability	1,278,909		1,278,909					
	19.3,19.4 Commercial auto liability								
	21. Auto physical damage	12,849		12,849					
	22. Aircraft (all perils)								
	23. Fidelity								
	24. Surety								
	26. Burglary and theft								
	27. Boiler and machinery								
	28. Credit								
	29. International								
	30. Warranty								
	31. Reinsurance-Nonproportional Assumed Property	X X X							
	32. Reinsurance-Nonproportional Assumed Liability	X X X							
	33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
	34. Aggregate write-ins for other lines of business								
	35. TOTALS	23,314,969		23,314,969					
DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498.	Sum. of remaining write-ins for Line 34 from overflow page								
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)								

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

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	462,095		462,095		4,897		4,897		
2. Allied lines	1,627		1,627		1,366		1,366		
3. Farmowners multiple peril									
4. Homeowners multiple peril	32,000		32,000		1,497		1,497		
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine					103		103		
10. Financial guaranty									
11.1 Medical professional liability—occurrence									
11.2 Medical professional liability—claims-made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation									
17.1 Other liability—occurrence	62,578,241		62,578,241		25,336,213		25,336,213		
17.2 Other liability—claims-made									
17.3 Excess Workers' Compensation					1,040		1,040		
18.1 Products liability—occurrence									
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	1,472,835		1,472,835		128,999		128,999		
19.3,19.4 Commercial auto liability									
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	64,546,798		64,546,798		25,474,115		25,474,115		
DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum. of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	7,285			7,285
1.2 Reinsurance assumed				
1.3 Reinsurance ceded	7,285			7,285
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		62,107		62,107
2.2 Reinsurance assumed, excluding contingent				
2.3 Reinsurance ceded, excluding contingent		62,107		62,107
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed				
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)				
3. Allowances to manager and agents				
4. Advertising			56	56
5. Boards, bureaus and associations			2	2
6. Surveys and underwriting reports			58	58
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			10,440	10,440
8.2 Payroll taxes			597	597
9. Employee relations and welfare			579	579
10. Insurance			121	121
11. Directors' fees				
12. Travel and travel items			190	190
13. Rent and rent items			189	189
14. Equipment			167	167
15. Cost or depreciation of EDP equipment and software			86	86
16. Printing and stationery			27	27
17. Postage, telephone and telegraph, exchange and express			344	344
18. Legal and auditing			345	345
19. Totals (Lines 3 to 18)			13,201	13,201
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			1,873	1,873
25. Total expenses incurred			15,074	(a) 15,074
26. Less unpaid expenses—current year				
27. Add unpaid expenses—prior year				
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)			15,074	15,074

DETAILS OF WRITE-IN LINES				
2401. Other Expenses			1,873	1,873
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			1,873	1,873

(a) Includes management fees of \$ 15,074 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 529,555	603,809
1.1 Bonds exempt from U.S. tax	(a) 553,414	551,388
1.2 Other bonds (unaffiliated)	(a) 333,712	291,384
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 59,428	53,538
7. Derivative instruments	(f)	
8. Other invested assets	335	335
9. Aggregate write-ins for investment income	5,396	5,396
10. Total gross investment income	1,481,840	1,505,850
11. Investment expenses		(g) 15,074
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		15,074
17. Net investment income (Line 10 minus Line 16)		1,490,776

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense)		5,396	5,396
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)		5,396	5,396
1501.	NONE		
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 \$ 29,589 accrual of discount less \$ 168,226 amortization of premium and less \$ 36,591 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 1,574 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	1,032		1,032		
1.1 Bonds exempt from U.S. tax	327		327	(118,532)	
1.2 Other bonds (unaffiliated)	(36,521)	(13,487)	(50,008)	81,619	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	1,105	(1,513)	(408)		
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(34,057)	(15,000)	(49,057)	(36,913)	

DETAILS OF WRITE-IN LINES					
0901.	NONE				
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

EXHIBIT OF NONADMITTED ASSETS

	1	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			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
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	11,820	643,854	632,034
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets		596	596
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	11,820	644,450	632,630
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	11,820	644,450	632,630

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets		596	596
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)		596	596

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

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. The Company does not own common stocks.
4. The Company does not own preferred stocks.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled or affiliated entities.
8. The Company does not own any joint ventures, partnerships, and limited liability companies.
9. Derivative Securities, refer to Note 8.
10. Refer to Note 29.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2009.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

Pursuant to the approval of the Illinois Department of Insurance, effective September 17, 2009, Liberty Insurance Company of America was merged into the Company. The Company was the surviving entity. The merger was accounted for under the statutory merger method. In accordance with the National Association of Insurance Commissioner’s Annual Statement Instructions, the Company’s prior year amounts were update to reflect the merger.

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in Mortgage Loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. Not used.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. Not used.
4. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009:

	1 Amortized Cost Basis Before Other-than-Temporary Impairment	2 Other-than-Temporary Impairment Recognized in Loss	3 Fair Value (C1-C2)
Aggregate Intent to Sell			
Aggregate Intent & Ability	119,961	31,375	88,586

5. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2009:

1 CUSIP	2 Book/Adj Carrying Value Amortized cost before current period OTTI	3 Projected Cash Flows	4 Recognized other-than-tempor ary impairment	5 Amortized cost after other-than-tempor ary impairment	6 Fair Value
59023XAB2	44,319	38,766	5,553	38,766	38,824
59023XAB2	29,389	20,439	8,950	20,439	20,306
61749BAB9	46,252	29,380	16,873	29,380	28,200

6. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2009

	1 Less Than 12 Months	2 Greater Than 12 Months
Gross Unrealized Loss	(47,793)	(6,213)

7. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e)

NOTES TO FINANCIAL STATEMENTS

general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

8. Not used.

E. Repurchase Agreements

1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.

a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.

b) The Company has not pledged any of its assets as collateral.
3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	135,317	143,091	117,483	55,828	451,719

4. Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short-term securities. The Company does not reinvest securities received as collateral.

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies.
- B. Impairments on joint ventures, partnerships, and limited liability companies.

Not Applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2009.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross DTAs	606,705	54,925	661,630	917,321	(255,691)
Total gross DTLs	(685)	(64,225)	(64,910)	(219,713)	154,803
Net DTA (DTL)	606,020	(9,300)	596,720	697,608	(100,888)
Net DTA non-admitted			(11,820)	(643,854)	632,034
Net Admitted DTA (DTL)			584,900	53,754	531,146

NOTES TO FINANCIAL STATEMENTS

Effective September 17, 2009, Liberty Insurance Company of America was merged into the Insurance Company of Illinois. All 2008 balances have been updated to reflect the merger.

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election was not available at December 31, 2008. A statutory valuation allowance adjustment, as described in SSAP No. 10R, paragraph 6e, is not required. Accordingly, total adjusted gross DTAs equal total gross DTAs.

The increased amount, by tax character, of net admitted DTAs resulting from paragraph 10e:

Ordinary	362,970
Capital	0
Total increase in net admitted DTAs	362,970

The amount of each result or component of the calculation, by tax character, of paragraphs 10a., 10bi., 10bii., 10c.:

	December 31, 2009			December 31, 2008
	Ordinary	Capital	Total	Total
Recoverable through loss carrybacks (10a.)	149,000	4,000	153,000	218,753
Lesser of:				
Expected to be recognized within one year (10bi.)	68,930	0	68,930	0
10% of adjusted capital and surplus (10bii.)			4,497,200	4,385,423
Adj. gross DTAs offset against existing DTLs (10c.)	685	64,225	64,910	54,713

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

	December 31, 2009		
	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	149,000	4,000	153,000
Lesser of:			
Expected to be recognized within three years (10eiia.)	431,900	0	431,900
15% of adjusted capital and surplus (10eiib.)			6,745,800
Adj. gross DTAs offset against existing DTLs (10eiii.)	685	64,225	64,910

Risk-based capital level used in paragraph 10d:	December 31, 2009
Total adjusted capital	45,694,264
Authorized control level	344,386

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

	December 31, 2009
Admitted DTA	221,930
Admitted assets	46,283,961
Statutory surplus	45,694,264
Total adjusted capital	45,694,264

Admitted DTA, admitted assets and statutory surplus increased by \$362,970 resulting from the use of paragraph 10e.

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

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

	2009	2008
Federal	180,120	326,074
Foreign		
Realized capital gains	(17,170)	(87,680)
Federal and foreign income taxes incurred	162,950	238,394

The Company’s DTAs and DTLs result primarily from goodwill.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(113,808)
Change in tax effect of unrealized (gains) losses	12,920
Total change in net deferred income tax	(100,888)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest and goodwill.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$160,950 from the current year and \$125,300 from the preceding year.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

* This company joined the consolidated group in 2009 and its activity from the date it joined the group is included in the consolidated return.

NOTES TO FINANCIAL STATEMENTS

The method of federal income tax allocation is subject to a written agreement. Allocation is based upon separate return calculations with credit applied for losses as appropriate. The Company has the enforceable right to recoup prior year payments in the event of future losses.

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by LIH US P&C Corporation (“LIH US”), an insurance holding company incorporated in Delaware. LIH US is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is owned by Liberty Mutual Insurance Company (“LMIC” 93%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company (“LMFIC” 4%), a Wisconsin insurance company; and Employers Insurance Company of Wausau (“EICOW” 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Notes 10 F, 22 and 25.
- D. At December 31, 2009, the Company reported \$2,274 due to affiliates. In general, the terms of the intercompany 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 is a party to a services agreement (the “Agreement”) with Peerless Insurance Company (“PIC”) and other affiliates. The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company is a party to an investment management agreement with LMIC, an investment management agreement with Liberty Mutual Investment Advisors (“LMIA”) and a cash management agreement with LMIA. Under these agreements, LMIA and LMIC provide services to the Company.

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

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

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

Refer to 10 I
- K. Investment in foreign insurance subsidiaries.

Refer to 10 I
- L. Investment in downstream noninsurance holding companies.

Refer to 10 I

Note 11- Debt

- A. Capital Notes

Not applicable
- B. All Other Debt

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

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

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.

NOTES TO FINANCIAL STATEMENTS

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

- 1. Common Stock

The Company has 2,500,000 shares authorized, issued and outstanding as of December 31, 2009. All shares have a stated par value of \$1.20.
- 2. Preferred Stock

Not applicable
- 3. Dividend Restrictions

Not applicable
- 4. The Company did not pay a dividend to its parent during 2009.
- 5. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without the prior approval of the Insurance Director is 10% of surplus, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2010 is \$4,605,723.
- 6. The Company does not have restricted unassigned surplus.
- 7. The Company had no advances to surplus.
- 8. The Company did not hold stock for special purposes.
- 9. At December 31, 2009, the Company recorded special surplus funds of \$362,970 resulting from the increase in admitted adjusted gross Deferred Tax Assets, due to applying the revised guidance in SSAP No. 10R, Income Taxes.
- 10. The portion of unassigned funds (surplus) represented by cumulative unrealized loss is (\$85,682) after applicable deferred taxes of \$46,137.
- 11. Surplus Notes

Not applicable
- 12. Quasi re-organization (dollar impact)

Not applicable
- 13. Quasi re-organization (effective date)

Not applicable

Note 14- Contingencies

- A. Contingent Commitments

The Company has 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.

As a result of an inter-company reinsurance arrangement (see Note 25), all guaranty fund and other assessments liabilities are ceded to Peerless Insurance Company.
- C. Gain Contingencies

Not applicable
- D. Claims related extra contractual obligations and bad faith losses stemming from lawsuits

The Company did not have claims related extra contractual obligation losses and bad faith losses stemming from lawsuits in the current period.
- E. All other Contingencies

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

NOTES TO FINANCIAL STATEMENTS

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

Note 15- Leases

- A. The Company is not involved in material lease obligations.
- B. Leasing as a significant part of lessor's business activities

Not applicable

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

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

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

- A. Transfers of Receivables reported as sales

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

- B. Transfers and servicing of financial assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The company does not participate in term loans; therefore, the company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2009 the total fair value of securities on loan was \$3,883,036, with corresponding collateral value of \$3,998,629 of which \$451,719 represents cash collateral.

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Not applicable

- B. Administrative Services Contract (ASC) Plans

In 2008, Safeco Insurance Company of America and its affiliated property and casualty insurance companies agreed to become a participating insurer of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As a participating insurer of the CEA, Safeco and its affiliates act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the Company for commissions and claims paid on behalf of the CEA. The Company also receives an administrative fee equal to 3.43% of premium and 9% of claims paid. In 2009, the Company recorded CEA administrative fees of \$1.04M.

- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20- Other Items

- A. The Company has no extraordinary items to report.

- B. Troubled Debt Restructuring for Debtors

Not applicable

NOTES TO FINANCIAL STATEMENTS

C. Other Disclosures

- 1) Assets in the amount of \$4,960,895 and \$4,984,497 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.
- 2) Interrogatory 6.1

In 2009, as a member of an inter-company reinsurance pooling arrangement, the Company had the benefit of Workers' Compensation Catastrophe reinsurance with limits of \$1,038,000 part of \$1,175,000 xs \$25,000,000 purchased by Peerless Insurance Company, the lead company of the inter-company reinsurance pool, individually or with affiliates within the Liberty Mutual Group covering workers' compensation business ceded to the pool.

Interrogatory 6.3

As a member of the inter-company pooling arrangement in which Peerless Insurance Company is the lead company, the Company has the benefit of \$825,000,000 xs \$500,000,000 of traditional XOL reinsurance covering its business ceded to the pool. In December 2008, Peerless Insurance Company purchased a 31.725% QS treaty for its direct and assumed from affiliates US Homeowners portfolio, which includes business assumed from the Company.

- D. As a result of the PIC Amended and Restated Reinsurance Pooling Agreement (see Note 25), the Company has no net exposure to uncollectible premium receivable balances.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. Sub-Prime Lending

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

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other Than Temporary Impairments Recognized</u>
\$102,311	\$102,311	\$84,909	\$11,753

4. The Company does not have underwriting exposure to sub-prime mortgage risk.

Note 21- Events Subsequent

- A. The Company evaluated subsequent events through February 24th, 2010, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2009 that would require disclosure.

Note 22- Reinsurance

- A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, the following are the unsecured reinsurance recoverables of an individual reinsurer which exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceed 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2009.

	<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	-	-	199,699	27,958	(199,699)	(27,958)
All Other	-	-	-	-	-	-
Total	-	-	199,699	27,958	(199,699)	(27,958)

Direct Unearned Premium Reserve of \$199,699

NOTES TO FINANCIAL STATEMENTS

2. There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business.
3. The Company does not use protected cells as an alternative to traditional reinsurance.
- D. The Company did not write off any uncollectible balances in 2009.
- E. The Company did not commute any reinsurance treaties in the current year.
- F. The Company does not have any retroactive reinsurance agreements.
- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2009.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not have net accrued retrospective premiums (See Note 25).

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

The Company has no net exposure to changes in incurred losses and loss adjustment expenses (see Note 25).

Note 25- Intercompany Pooling Arrangements

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

		NAIC Company Number	2009 Pooling Percentage
Lead Company	Peerless Insurance Company ("PIC")	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%
	Safeco Insurance Company of America ("SICOA")	24740	15.20%
	General Insurance Company of America ("GICA")	24732	9.20%
	American States Insurance Company ("ASIC")	19704	7.60%
	American Economy Insurance Company ("AEIC")	19690	5.60%
	Indiana Insurance Company ("IIC")	22659	4.80%
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%
	The Netherlands Insurance Company ("NIC")	24171	1.80%
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%
	First National Insurance Company of America ("FNICA")	24724	0.80%
	American Fire and Casualty Company ("AFCIC")	24066	0.60%
	America First Insurance Company ("AFIC")	12696	0.00%
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%
	American States Insurance Company of Texas ("ASICT")	19712	0.00%
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%
	Avomark Insurance Company ("AVOIC")	10792	0.00%
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%
	Consolidated Insurance Company ("CIC")	22640	0.00%
	Excelsior Insurance Company ("EIC")	11045	0.00%
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%
	Insurance Company of Illinois ("ICIL")	26700	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%
Share	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%
Affiliated	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
Companies	North Pacific Insurance Company ("NPIC")	23892	0.00%
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company.

NOTES TO FINANCIAL STATEMENTS

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

Affiliate:	Amount:
Peerless Insurance Company	\$1,043

During 2009, American Ambassador Insurance Company, Globe American Insurance Company and Ohio Casualty of New Jersey merged with Peerless Indemnity Insurance Company, The Midwestern Indemnity Company, and Ohio Casualty Insurance Company, respectively. Peerless Indemnity Insurance Company, The Midwestern Indemnity Company and Ohio Casualty Insurance Company were the surviving entities.

During 2009, ICIL merged with an affiliate, Liberty Insurance Company of America (LICA). ICIL became the surviving entity. Concurrent with the merger, ICIL entered into a Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company (LMIC), covering the business written by LICA. ICIL continued as a participant in the Peerless Amended and Restated Reinsurance Agreement. Effective January 1, 2010, ICIL terminated the Quota Share Reinsurance Agreement with LMIC and became a participant in the Liberty Mutual inter-company Pool, with a 0.00% participation in the Pool. As a participant in the Liberty Mutual inter-company Reinsurance Agreement, ICIL cedes the business of LICA to the Pool. Concurrent with entering into the Liberty Mutual inter-company Reinsurance Agreement, ICIL terminated its participation in the Peerless Amended and Restated Reinsurance Agreement and entered into a Quota Share Reinsurance Agreement with PIC, covering the business written by ICIL.

Effective January 1, 2010, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company canceled their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Reinsurance Agreements with Liberty Mutual Insurance Company.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2010, the Peerless Insurance Company Pool structure was revised as follows:

		NAIC Company Number	2010 Pooling Percentage
Lead Company	Peerless Insurance Company (“PIC”)	24198	25.20%
Affiliated Pool Companies	The Ohio Casualty Insurance Company (“OCIC”)	24074	20.40%
	Safeco Insurance Company of America (“SICOA”)	24740	15.20%
	General Insurance Company of America (“GICA”)	24732	9.20%
	American States Insurance Company (“ASIC”)	19704	7.60%
	American Economy Insurance Company (“AEIC”)	19690	5.60%
	Indiana Insurance Company (“IIC”)	22659	4.80%
	Golden Eagle Insurance Corporation (“GEIC”)	10836	3.00%
	Peerless Indemnity Insurance Company (“PIIC”)	18333	3.00%
	Safeco Insurance Company of Illinois (“SICIL”)	39012	2.00%
	The Netherlands Insurance Company (“NIC”)	24171	1.80%
	American States Preferred Insurance Company (“ASPCO”)	37214	0.80%
	First National Insurance Company of America (“FNICA”)	24724	0.80%
	American Fire and Casualty Company (“AFCIC”)	24066	0.60%
	America First Insurance Company (“AFIC”)	12696	0.00%
	America First Lloyd’s Insurance Company (“AFLIC”)	11526	0.00%
	American States Insurance Company of Texas (“ASICT”)	19712	0.00%
	American States Lloyds Insurance Company (“ASLCO”)	31933	0.00%
	Avomark Insurance Company (“AVOIC”)	10792	0.00%
	Colorado Casualty Insurance Company (“CCIC”)	41785	0.00%
	Consolidated Insurance Company (“CIC”)	22640	0.00%
	Excelsior Insurance Company (“EIC”)	11045	0.00%
	Hawkeye-Security Insurance Company (“HSIC”)	36919	0.00%
	Liberty Mutual Mid-Atlantic Insurance Company (“LMMAIC”)	14486	0.00%

NOTES TO FINANCIAL STATEMENTS

	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%
	National Insurance Association ("NIA")	27944	0.00%
	Ohio Security Insurance Company ("OSIC")	24082	0.00%
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%
	Safeco National Insurance Company ("SNIC")	24759	0.00%
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%
	West American Insurance Company ("WAIC")	44393	0.00%
			100.00%
100% Quota	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%
Share	North Pacific Insurance Company ("NPIC")	23892	0.00%
Affiliated	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%
Companies			

Note 26- Structured Settlements

- A. The Company has no net exposure to contingent liabilities from the purchase of annuities (see Note 25).
- B. Not applicable

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

As of December 31, 2009, the Company had no liabilities related to premium deficiency reserves.

Note 30- High Dollar Deductible Policies

The Company does not have any high deductible policies.

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

The Company has no net loss and loss adjustment expense reserves.

Note 32 - Asbestos/Environmental Reserves

The Company has no net exposure to asbestos and environmental claims (see Note 25).

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop Insurance

Not applicable

Note 35 – Financial Guarantee Insurance Contracts

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ 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 ☒ No ☐ N/A ☐

1.3 State Regulating?

Illinois

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 ☐

2.2 If yes, date of change:

09/17/2009

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

12/31/2005

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

12/31/2005

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

07/05/2007

3.4 By what department or departments?
Illinois Department of Financial and Professional Regulation, Division of Insurance
.
.
.
.

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes ☒ No ☐ N/A ☐

3.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

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 ☒

4.22 renewals?

Yes ☐ No ☒

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☒ No ☐

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
Liberty Insurance Company of America	10337	IL
	00000	
	00000	

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

.....

.....

.....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]

7.2 If yes,

- 7.21 State the percentage of foreign control. _____
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1	2
Nationality	Type of Entity
.....	
.....	

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

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

.....

.....

.....

.....

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

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

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

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

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

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

11.11 Name of real estate holding company	_____
11.12 Number of parcels involved	0
11.13 Total book/adjusted carrying value	\$ 0

11.2 If yes, provide explanation:

.....

.....

.....

.....

GENERAL INTERROGATORIES

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

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

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes ☐ No ☒

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes ☐ No ☒

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes ☐ No ☐ N/A ☒

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 ☒ 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 ☐

13.21 If the response to 13.2 is yes, provide information related to amendment(s).

Safeco companies changed from Safeco Code of Conduct to Liberty Mutual Group Code of Conduct as of 1/1/2009

13.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes ☐ No ☒

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 ☒ 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 ☒ 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 ☒ 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 ☒

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers	\$	0
18.12 To stockholders not officers	\$	0
18.13 Trustees, supreme or grand (Fraternal only)	\$	0

GENERAL INTERROGATORIES

18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

18.22 To stockholders not officers

18.23 Trustees, supreme or grand (Fraternal only)

\$

0

\$

0

\$

0

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes ☐ No ☒

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

19.21 Rented from others

19.22 Borrowed from others

19.23 Leased from others

19.24 Other

\$

0

\$

0

\$

0

\$

0

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes ☐ No ☒

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

20.22 Amount paid as expenses

20.23 Other amounts paid

\$

0

\$

0

\$

0

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ☒ No ☐

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

\$

0

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes ☒ No ☐

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)
Please reference Note 17B

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes ☒ No ☐ N/A ☐

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

\$

3,998,629

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

\$

0

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.)

Yes ☒ No ☐

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

23.21 Subject to repurchase agreements

23.22 Subject to reverse repurchase agreements

23.23 Subject to dollar repurchase agreements

23.24 Subject to reverse dollar repurchase agreements

23.25 Pledged as collateral

23.26 Placed under option agreements

23.27 Letter stock or securities restricted as to sale

23.28 On deposit with state or other regulatory body

23.29 Other

\$

0

\$

0

\$

0

\$

0

\$

0

\$

0

\$

4,960,896

\$

0

15.3

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	3 Chase Metro Tech Center, Brooklyn NY 11245

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

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

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

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
The Bank of New York Mellon	JP Morgan Chase	01/02/2009	Transfer to Liberty Mutual Custodian

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Insurance Company	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley Street, Boston, MA 02116

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [] No [X]

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
		0
		0
		0
27.2999 TOTAL		0

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
		0	
		0	
		0	

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	45,337,922	46,168,953	831,031
28.2 Preferred stocks	0	0	0
28.3 Totals	45,337,922	46,168,953	831,031

28.4 Describe the sources or methods utilized in determining the fair values:
The primary source is published unit prices from the NAIC Securities Valuation Office. The secondary source is the pricing vendor, Interactive Data Corporation, followed by backfill from Bloomberg. Lastly, management determines fair value based on quoted market prices of similar financial instruments or by using industry recognized valuation techniques.

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No [X]

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

The Company reviews the pricing methodology of its vendors on an annual basis. The company has also established acceptable price change and tolerance guidelines. Vendor prices falling outside the guidelines are furthered reviewed by management on a monthly basis. All prices determined internally by the insurer are reviewed and signed off by the Chief Investment Officer.

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

30.2 If no, list exceptions:

OTHER

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

GENERAL INTERROGATORIES

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
	0
	0
	0

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

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

1 Name	2 Amount Paid
	0
	0
	0

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2 If yes, indicate premium earned on U.S. business only.

\$ 0

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

\$ 0

1.31 Reason for excluding

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

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

0

All years prior to most current three years:

1.64 Total premium earned

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

0

2. Health Test:

1

2

Current Year

Prior Year

2.1 Premium Numerator

\$ 0

\$ 0

2.2 Premium Denominator

\$ 0

\$ 0

2.3 Premium Ratio (2.1/2.2)

0.00

0.00

2.4 Reserve Numerator

\$ 0

\$ 0

2.5 Reserve Denominator

\$ 0

\$ 0

2.6 Reserve Ratio (2.4/2.5)

0.00

0.00

3.1 Does the reporting entity issue both participating and non-participating policies?

Yes [] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies

\$ 0

3.22 Non-participating policies

\$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies?

Yes [] No [X]

4.2 Does the reporting entity issue non-assessable policies?

Yes [] No [X]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders?

0

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

\$ 0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents?

Yes [] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation

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

5.22 As a direct expense of the exchange

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

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

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?

Yes [] No [X]

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:

See Note 20C

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GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v9.0 from RMS and AIR Clasic/2 v11.0. For WC, Liberty Mutual utilizes RiskLink v9.0 from RMS.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
See Note 20C

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?

Yes ☒ No ☐

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes ☐ 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 32 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes ☐ No ☒

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
(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
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

Yes ☐ No ☒

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

Yes ☐ No ☐ N/A ☒

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force:

Yes ☐ No ☒

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

\$ 0

12.12 Unpaid underwriting expenses (including loss adjustment expenses)

\$ 0

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?

\$ 0

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 ☐ N/A ☒

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

12.41 From

0.00

12.42 To

0.00

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?

Yes ☐ No ☒

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):

\$ 0

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 ☒

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

1

14.1 Is the company a cedant in a multiple cedant reinsurance contract?

Yes ☐ No ☒

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?

Yes ☐ No ☒

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

Yes ☒ 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 ☒

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business?

Yes ☐ No ☒

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5.

Yes [] No [X]

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

17.11 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5

\$ 0

17.12 Unfunded portion of Interrogatory 17.11

\$ 0

17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11

\$ 0

17.14 Case reserves portion of Interrogatory 17.11

\$ 0

17.15 Incurred but not reported portion of Interrogatory 17.11

\$ 0

17.16 Unearned premium portion of Interrogatory 17.11

\$ 0

17.17 Contingent commission portion of Interrogatory 17.11

\$ 0

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

17.18 Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5

\$ 0

17.19 Unfunded portion of Interrogatory 17.18

\$ 0

17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18

\$ 0

17.21 Case reserves portion of Interrogatory 17.18

\$ 0

17.22 Incurred but not reported portion of Interrogatory 17.18

\$ 0

17.23 Unearned premium portion of Interrogatory 17.18

\$ 0

17.24 Contingent commission portion of Interrogatory 17.18

\$ 0

18.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$ 0

18.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

18.4 If yes, please provide the balance of the funds adminstered as of the reporting date.

\$ 0

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2009	2008	2007	2006	2005
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	(2,971,748)	(1,361,754)	3,227,860	7,400,499	7,803,620
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	302,455	773,516	2,303,234	4,752,246	5,154,021
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	47,388	9,236	815,610	1,021,867	918,387
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	(2,621,905)	(579,002)	6,346,704	13,174,612	13,876,028
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)					
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)					
14. Net investment gain (loss) (Line 11)	1,458,889	1,700,818	1,616,703	1,498,366	1,534,014
15. Total other income (Line 15)	(111)				
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	180,120	326,074	169,031	205,867	(730,976)
18. Net income (Line 20)	1,278,658	1,374,744	1,447,672	1,292,499	2,264,990
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	46,646,931	45,403,010	31,608,926	31,631,067	30,911,596
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)					
20.2 Deferred and not yet due (Line 13.2)					
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	589,697	1,119,264	301,885	1,309,178	981,676
22. Losses (Page 3, Line 1)					
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	46,057,234	44,283,746	31,307,041	30,321,889	29,929,920
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	1,783,748	1,537,446	1,652,949	1,487,546	1,553,746
Risk-Based Capital Analysis					
28. Total adjusted capital	46,057,234	44,283,746	31,307,041	30,321,889	29,929,920
29. Authorized control level risk-based capital	344,737	189,240	183,052	404,934	400,418
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)	91.1	72.8	90.6	99.0	98.8
31. Stocks (Lines 2.1 & 2.2)				0.9	1.2
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	8.9	27.2	9.3		
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)		0.0	0.0	0.0	
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45					
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE – YEAR HISTORICAL DATA
(Continued)

	1	2	3	4	5
	2009	2008	2007	2006	2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(23,994)	(55,937)	(4,935)	(815)	
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	1,773,488	1,657,492	985,152	391,969	2,264,023
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,	22,716,745	32,775,582	4,204,134	4,925,946	3,030,220
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	579,475	417,771	1,746,895	3,198,787	3,049,236
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	18,749	183,602	1,468,254	551,386	295,149
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
56. Total (Line 35)	23,314,969	33,376,955	7,419,283	8,676,119	6,374,605
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,					
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
62. Total (Line 35)					
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)					
65. Loss expenses incurred (Line 3)					
66. Other underwriting expenses incurred (Line 4)					
67. Net underwriting gain (loss) (Line 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 35 x 100.0					
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)					
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)					
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)					
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)					
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)					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [X] No []

If no, please explain:

NONE Schedule P - Part 1 - Summary

NONE Schedule P - Part 2, 3, 4 - Summary

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

States, Etc.		1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
			2	3						
		Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	N								
2. Alaska	AK	N								
3. Arizona	AZ	L								
4. Arkansas	AR	N								
5. California	CA	L								
6. Colorado	CO	L								
7. Connecticut	CT	N								
8. Delaware	DE	L								
9. District of Columbia	DC	L								
10. Florida	FL	N								
11. Georgia	GA	N								
12. Hawaii	HI	N								
13. Idaho	ID	N								
14. Illinois	IL	L	(2,676,616)	(2,615,577)		22,664,619	(1,798,141)	89,739,407	4,098	
15. Indiana	IN	L								
16. Iowa	IA	L								
17. Kansas	KS	L								
18. Kentucky	KY	N								
19. Louisiana	LA	N								
20. Maine	ME	N								
21. Maryland	MD	L								
22. Massachusetts	MA	N								
23. Michigan	MI	L								
24. Minnesota	MN	N								
25. Mississippi	MS	N								
26. Missouri	MO	L								
27. Montana	MT	N								
28. Nebraska	NE	L								
29. Nevada	NV	L								
30. New Hampshire	NH	N								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N								
34. North Carolina	NC	N								
35. North Dakota	ND	N								
36. Ohio	OH	L					(2,833)			
37. Oklahoma	OK	N								
38. Oregon	OR	N								
39. Pennsylvania	PA	N								
40. Rhode Island	RI	N								
41. South Carolina	SC	N								
42. South Dakota	SD	L								
43. Tennessee	TN	N								
44. Texas	TX	N								
45. Utah	UT	N								
46. Vermont	VT	N								
47. Virginia	VA	L	54,710	107,164		650,349	123,445	281,506	693	
48. Washington	WA	N								
49. West Virginia	WV	N								
50. Wisconsin	WI	L								
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	X X X								
59. Totals	(a) 18		(2,621,906)	(2,508,413)		23,314,968	(1,677,529)	90,020,913	4,791	

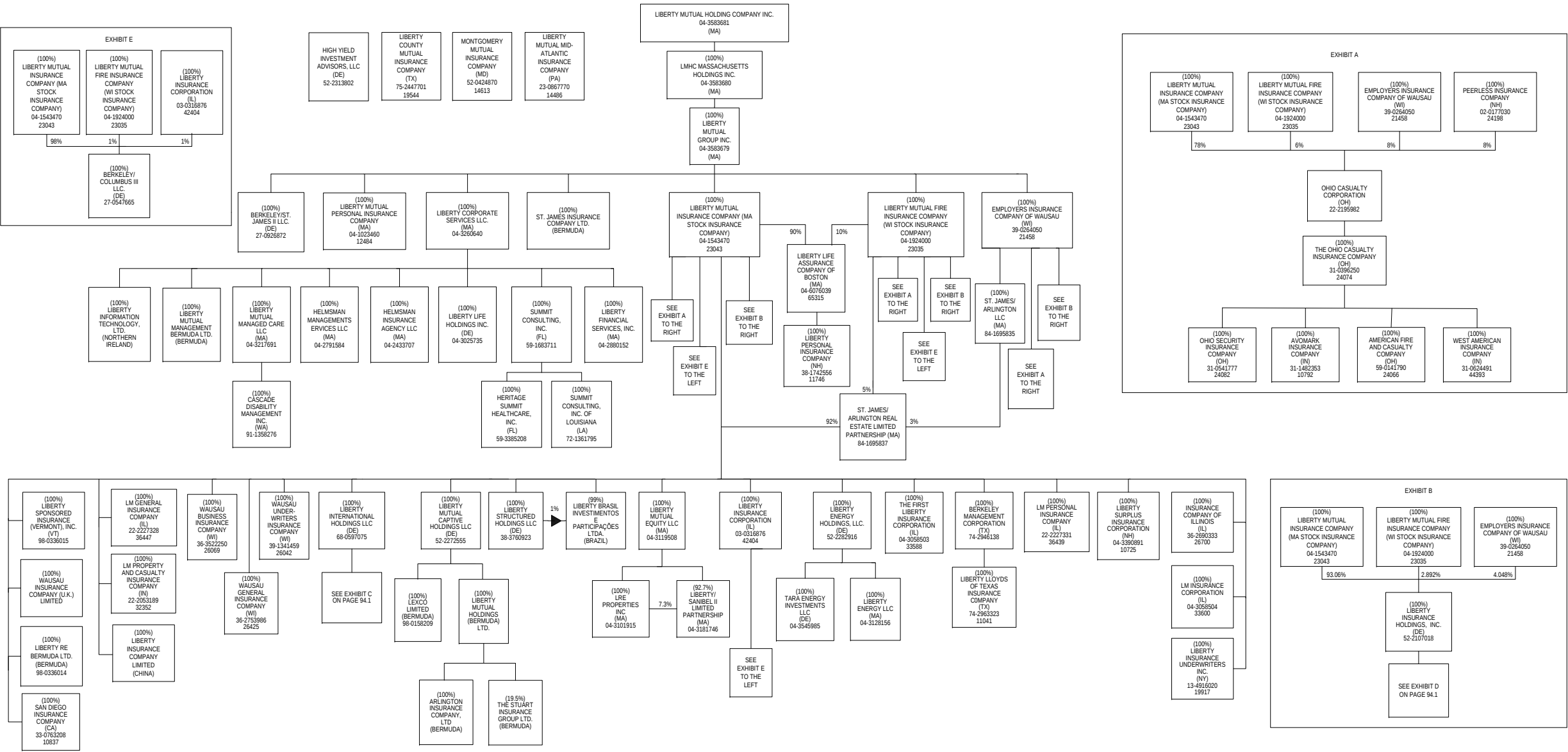
DETAILS OF WRITE-INS									
5801.		X X X							
5802.		X X X							
5803.		X X X							
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X							
5899.	Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X							

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

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

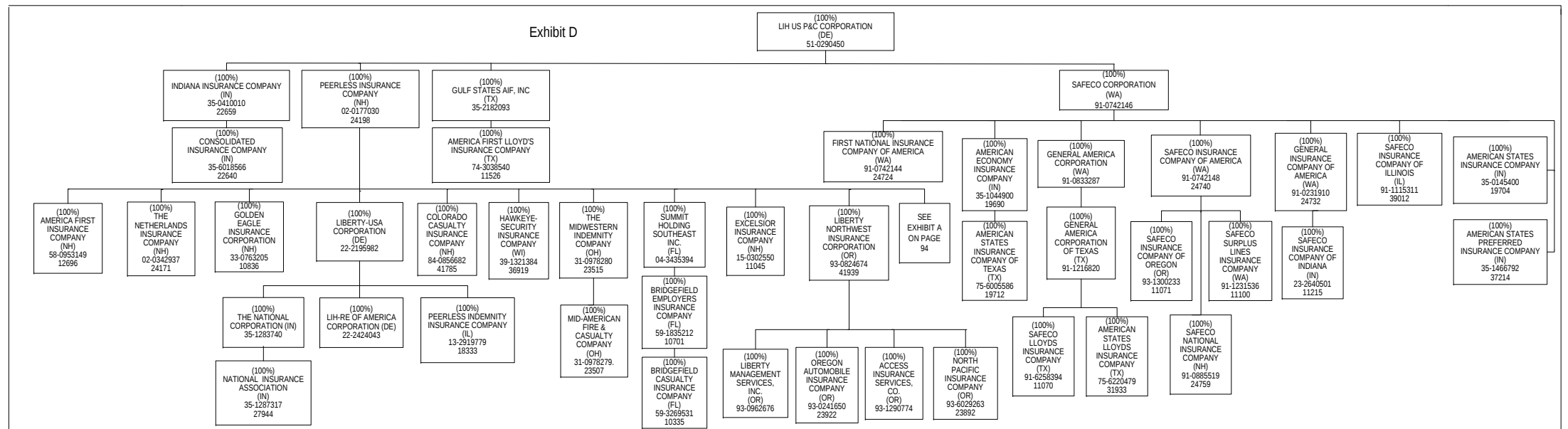
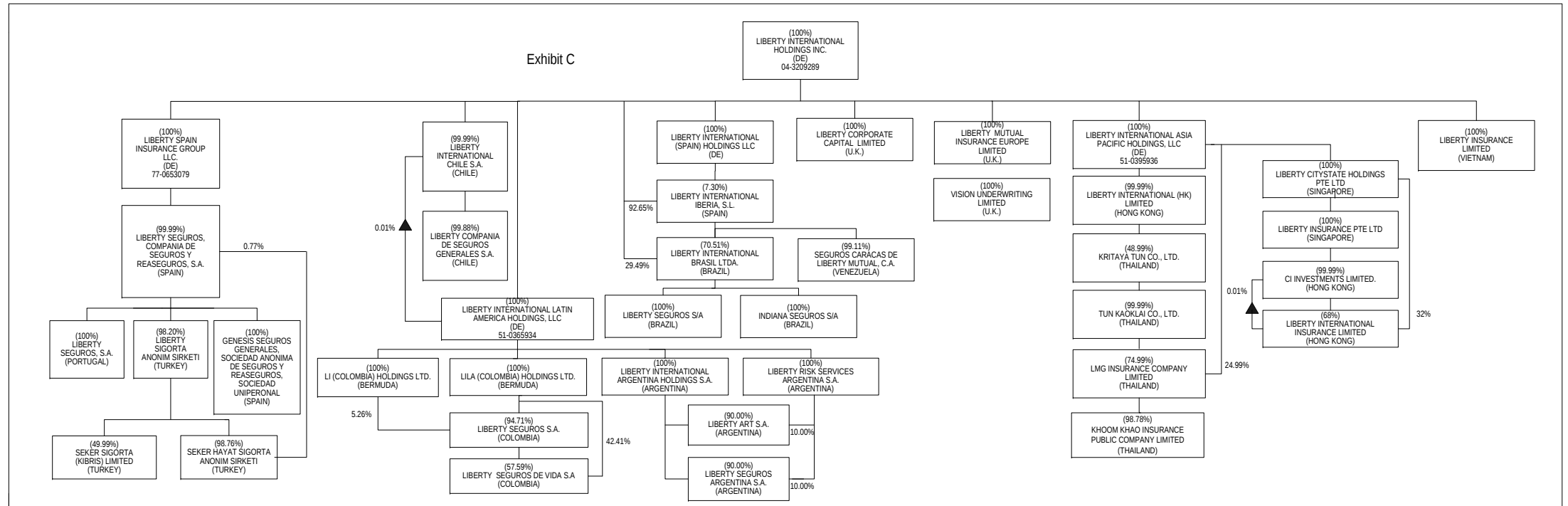
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

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