

ANNUAL STATEMENT

OF THE

EMPLOYERS INSURANCE COMPANY OF WAUSAU

of **WAUSAU**

in the state of **WISCONSIN**

TO THE

Insurance Department

OF THE

STATE OF

**FOR THE YEAR ENDED
December 31, 2004**

PROPERTY AND CASUALTY

2004



21458200420100100

ANNUAL STATEMENT

For the Year Ended December 31, 2004
OF THE CONDITION AND AFFAIRS OF THE

Employers Insurance Company of Wausau

NAIC Group Code 0111 0111 NAIC Company Code 21458 Employer's ID Number 39-0264050
Organized under the Laws of Wisconsin, State of Domicile or Port of Entry Wisconsin
Country of Domicile United States of America
Incorporated: August 21, 1911 Commenced Business: September 1, 1911
Statutory Home Office: 2000 Westwood Drive Wausau, WI 54401
Main Administrative Office: 2000 Westwood Drive Wausau, WI 54401 715-845-5211
Mail Address: Post Office Box 8017 Wausau, WI 54402-8017
Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500
Internet Website Address: www.wausau.com
Statutory Statement Contact: Steven Latham 617-357-9500 43660
Steven.Latham@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)
Policyowner Relations Contact: 2000 Westwood Drive Wausau, WI 54401 715-845-5211 6570

OFFICERS

Table with 2 columns: Name, Title. Rows include Joseph Anthony Gilles (President and Chief Operating Officer), James Stanley Hoffert (Vice President-General Counsel and Secretary), Laurance Henry Soyer Yahia (Vice President and Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Rows include Susan Marie Doyle, David Lee Lancaster, Richard Vincent Poirier, George Juzdan, Michael Lynn Parker, Mark Alan Steinberg.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows include Anthony Alexander Fontanes, Dennis James Langwell, Joseph Anthony Gilles, Christopher Charles Mansfield, Gary Richard Gregg, Stuart Michael McGuigan, Edmund Francis Kelly.

State of Wisconsin
County of Marathon 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) Joseph Anthony Gilles (Printed Name) 1. President and Chief Operating Officer (Title)
(Signature) James Stanley Hoffert (Printed Name) 2. Vice President-General Counsel and Secretary (Title)
(Signature) Laurance Henry Soyer Yahia (Printed Name) 3. Vice President and Treasurer (Title)

Subscribed and sworn to before me this day of April, 2005

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

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	3,341,408,657		3,341,408,657	2,846,425,476
2. Stocks (Schedule D):				
2.1 Preferred stocks	995,204		995,204	944,759
2.2 Common stocks	340,474		340,474	6,442,130
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)	20,676,155		20,676,155	19,888,528
4.2 Properties held for the production of income (less \$ 0 encumbrances)				2,107,164
4.3 Properties held for sale (less \$ 0 encumbrances)				7,958,523
5. Cash (\$ 22,770,495, Schedule E-Part 1), cash equivalents (\$ 0, Schedule E-Part 2) and short-term investments (\$ 22,465,779, Schedule DA)	45,236,274		45,236,274	29,477,479
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	75,622,640		75,622,640	58,924,038
8. Receivable for securities	45,892,678		45,892,678	11,818,569
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	3,530,172,082		3,530,172,082	2,983,986,666
11. Investment income due and accrued	36,188,359		36,188,359	33,859,963
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	172,926,750	5,844,133	167,082,617	175,902,061
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	306,845,242	320,712	306,524,530	246,431,816
12.3 Accrued retrospective premiums	136,415,654	13,722,975	122,692,679	127,455,084
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers	56,704,478		56,704,478	59,134,350
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans	606,574	606,574		
15.1 Current federal and foreign income tax recoverable and interest thereon	2,466,908		2,466,908	
15.2 Net deferred tax asset	244,920,000	158,336,100	86,583,900	69,173,900
16. Guaranty funds receivable or on deposit	9,005,006		9,005,006	7,326,950
17. Electronic data processing equipment and software				
18. Furniture and equipment, including health care delivery assets (\$ 0)	352,429	352,429		
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	27,343,099		27,343,099	171,052,010
21. Health care (\$ 0) and other amounts receivable				
22. Other assets nonadmitted	298,621	298,621		
23. Aggregate write-ins for other than invested assets	83,632,281	5,147,475	78,484,806	108,159,871
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	4,607,877,483	184,629,019	4,423,248,464	3,982,482,671
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	4,607,877,483	184,629,019	4,423,248,464	3,982,482,671

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 through 0903 + 0998) (Line 9 above)				
2301. Other assets	10,423,961	4,142,055	6,281,906	37,529,015
2302. Cash surrender value - life insurance	30,305,469		30,305,469	26,481,200
2303. Equities and deposits in pools and associations	4,830,513		4,830,513	7,700,592
2398. Summary of remaining write-ins for Line 23 from overflow page	38,072,338	1,005,420	37,066,918	36,449,064
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)	83,632,281	5,147,475	78,484,806	108,159,871

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	2,142,438,623	2,109,970,840
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6)	34,973,048	19,946,147
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	408,643,122	417,226,552
4. Commissions payable, contingent commissions and other similar charges	21,766,179	19,625,061
5. Other expenses (excluding taxes, licenses and fees)	78,516,561	63,893,866
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	48,569,366	57,324,061
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		14,006,714
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 430,173,308 and including warranty reserves of \$ 0)	645,427,117	613,641,688
10. Advance premium	6,000,285	6,133,673
11. Dividends declared and unpaid:		
11.1 Stockholders		561,306
11.2 Policyholders	1,761,834	
12. Ceded reinsurance premiums payable (net of ceding commissions)	36,185,777	19,163,033
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	49,300,100	19,106,268
14. Amounts withheld or retained by company for account of others	42,929,988	5,383,964
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	5,184,685	8,356,371
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	58,891,593	65,096,405
19. Payable to parent, subsidiaries and affiliates	9,766,732	9,345,469
20. Payable for securities	48,923,371	3,516,594
21. Liability for amounts held under uninsured accident and health plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(211,178,884)	(220,636,670)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	3,428,099,497	3,231,661,342
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	3,428,099,497	3,231,661,342
27. Aggregate write-ins for special surplus funds	182,299,236	178,495,468
28. Common capital stock	5,000,000	5,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes	220,000,000	220,000,000
32. Gross paid in and contributed surplus	120,000,000	
33. Unassigned funds (surplus)	467,849,731	347,325,861
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 38)	995,148,967	750,821,329
36. TOTALS (Page 2, Line 26, Col. 3)	4,423,248,464	3,982,482,671

DETAILS OF WRITE-INS		
2301. Other liabilities	34,334,212	37,464,468
2302. Retroactive reinsurance reserve	(353,626,508)	(345,080,114)
2303. Amounts held under uninsured plans	107,701,214	86,871,642
2398. Summary of remaining write-ins for Line 23 from overflow page	412,198	107,334
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(211,178,884)	(220,636,670)
2701. Special surplus from retroactive reinsurance	182,299,236	178,495,468
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)	182,299,236	178,495,468
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)		

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME	1	2
UNDERWRITING INCOME	Current Year	Prior Year
1. Premiums earned (Part 1, Line 34, Column 4)	1,552,027,819	1,401,417,413
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	1,031,818,266	930,864,357
3. Loss expenses incurred (Part 3, Line 25, Column 1)	253,238,877	267,986,801
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	386,287,396	342,356,138
5. Aggregate write-ins for underwriting deductions	(299,494)	107,334
6. Total underwriting deductions (Lines 2 through 5)	1,671,045,045	1,541,314,630
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(119,017,226)	(139,897,217)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	172,448,628	166,957,009
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	62,516,095	17,373,402
11. Net investment gain (loss) (Lines 9 + 10)	234,964,723	184,330,411
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 147,842 amount charged off \$ 7,622,461)	(7,474,620)	(7,406,187)
13. Finance and service charges not included in premiums	9,513,228	8,542,521
14. Aggregate write-ins for miscellaneous income	(31,586,463)	(38,456,835)
15. Total other income (Lines 12 through 14)	(29,547,855)	(37,320,501)
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15)	86,399,642	7,112,693
17. Dividends to policyholders	6,309,201	(384,217)
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	80,090,441	7,496,910
19. Federal and foreign income taxes incurred	(20,373,104)	(17,275,869)
20. Net income (Line 18 minus Line 19) (to Line 22)	100,463,545	24,772,779
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	750,821,329	700,692,958
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	100,463,545	24,772,779
23. Change in net unrealized capital gains or (losses)	2,073,140	24,270,907
24. Change in net unrealized foreign exchange capital gain (loss)	1,522,847	(3,781,274)
25. Change in net deferred income tax	(63,101,250)	(26,888,502)
26. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	76,877,081	28,878,312
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	3,171,686	1,439,811
28. Change in surplus notes		
29. Surplus (contributed to) withdrawn from protected cells		
30. Cumulative effect of changes in accounting principles		
31. Capital changes:		
31.1 Paid in		
31.2 Transferred from surplus (Stock Dividend)		
31.3 Transferred to surplus		
32. Surplus adjustments:		
32.1 Paid in	120,000,000	
32.2 Transferred to capital (Stock Dividend)		
32.3 Transferred from capital		
33. Net remittances from or (to) Home Office		
34. Dividends to stockholders		
35. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
36. Aggregate write-ins for gains and losses in surplus	3,320,589	1,436,338
37. Change in surplus as regards policyholders for the year (Lines 22 through 36)	244,327,638	50,128,371
38. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 37) (Page 3, Line 35)	995,148,967	750,821,329
DETAILS OF WRITE-INS		
0501. North Carolina Private Passenger Auto Escrow	(299,494)	107,334
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)	(299,494)	107,334
1401. Miscellaneous income / (expense)	(35,366,969)	(30,613,423)
1402. Retroactive reinsurance gain (loss)	3,780,506	(7,843,412)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	(31,586,463)	(38,456,835)
3601. Change in accumulated translation adjustment	1,913,750	1,436,338
3602. Other surplus items	1,406,839	
3603.		
3698. Summary of remaining write-ins for Line 36 from overflow page		
3699. Totals (Lines 3601 through 3603 plus Line 3698) (Line 36 above)	3,320,589	1,436,338

CASH FLOW Cash from Operations	1	2
	Current Year	Prior Year
1. Premiums collected net of reinsurance	1,549,473,740	1,422,928,302
2. Net investment income	181,222,227	176,597,842
3. Miscellaneous income	68,382,168	(32,099,474)
4. Total (Lines 1 through 3)	1,799,078,135	1,567,426,670
5. Benefit and loss related payments	987,820,693	772,855,658
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	639,987,734	576,028,048
8. Dividends paid to policyholders	5,108,673	8,107,037
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	(3,908,215)	(30,758,392)
10. Total (Lines 5 through 9)	1,629,008,885	1,326,232,351
11. Net cash from operations (Line 4 minus Line 10)	170,069,250	241,194,319
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	1,630,169,330	1,559,752,787
12.2 Stocks	13,679,813	6,875,380
12.3 Mortgage loans		
12.4 Real estate	12,671,282	
12.5 Other invested assets	21,174,777	8,826,033
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	11,332,667	34,888
12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,689,027,869	1,575,489,088
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,079,564,760	1,622,433,016
13.2 Stocks	3,666,535	4,886,154
13.3 Mortgage loans		
13.4 Real estate	1,365,023	1,050,720
13.5 Other invested assets	23,744,422	33,257,698
13.6 Miscellaneous applications		23,206,978
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,108,340,740	1,684,834,566
14. Net increase (decrease) in policy loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(419,312,871)	(109,345,478)
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	120,000,000	
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)	145,002,416	(173,091,990)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	265,002,416	(173,091,990)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)	15,758,795	(41,243,149)
19. Cash and short-term investments:		
19.1 Beginning of year	29,477,479	70,720,628
19.2 End of year (Line 18 plus Line 19.1)	45,236,274	29,477,479

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

20.0001.		
20.0002.		
20.0003.		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1- PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	28,561,952	12,414,150	14,924,664	26,051,438
2. Allied lines	9,412,957	5,049,561	5,457,754	9,004,764
3. Farmowners multiple peril	(608,286)	608,286		
4. Homeowners multiple peril	180,277,090	102,765,422	110,405,755	172,636,757
5. Commercial multiple peril	26,339,248	22,678,259	13,560,692	35,456,815
6. Mortgage guaranty				
8. Ocean marine	4,303,452	7,429,662	6,720,471	5,012,643
9. Inland marine	9,391,395	6,057,562	5,753,845	9,695,112
10. Financial guaranty				
11.1 Medical malpractice - occurrence	(2,978)	2,199	155	(934)
11.2 Medical malpractice - claims-made				
12. Earthquake	4,911,202	2,056,125	2,256,847	4,710,480
13. Group accident and health	(1,310,676)	186,940		(1,123,736)
14. Credit accident and health (group and individual)				
15. Other accident and health	22,555	317	1,401	21,471
16. Workers' compensation	500,191,206	(52,390,586)	(41,652,069)	489,452,689
17.1 Other liability - occurrence	77,025,050	20,832,443	24,627,813	73,229,680
17.2 Other liability - claims-made	14,973,445	11,057,920	10,514,968	15,516,397
18.1 Products liability - occurrence	6,168,940	(156,032)	1,410,078	4,602,830
18.2 Products liability - claims-made	378,009	8,607		386,616
19.1, 19.2 Private passenger auto liability	379,365,849	171,895,369	186,701,377	364,559,841
19.3, 19.4 Commercial auto liability	68,301,125	21,716,693	21,916,078	68,101,740
21. Auto physical damage	227,777,299	120,419,255	125,452,424	222,744,130
22. Aircraft (all perils)	10,229,942	1,767,696	2,990,650	9,006,988
23. Fidelity	598,487	324,901	294,628	628,760
24. Surety	22,561,324	15,337,618	15,886,517	22,012,425
26. Burglary and theft	61,602	48,656	46,906	63,352
27. Boiler and machinery	321,761	200,782	176,736	345,807
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	6,349,955	453,712	418,281	6,385,386
31. Reinsurance-Nonproportional Assumed Liability	13,003,380	1,987,152	1,145,492	13,845,040
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	1,588,605,285	472,752,669	509,011,463	1,552,346,491

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

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

(a) Gross premiums (less reinsurance) and unearned premiums on all unexpired risks and reserve for return premiums under rate credit or retrospective rating plans based upon experience, viz:

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (b)	2 Amount Unearned (Running More Than One Year from Date of Policy) (b)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	13,975,475	949,189			14,924,664
2. Allied lines	5,305,718	152,036			5,457,754
3. Farmowners multiple peril					
4. Homeowners multiple peril	110,404,854	901			110,405,755
5. Commercial multiple peril	13,336,732	223,960			13,560,692
6. Mortgage guaranty					
8. Ocean marine	6,720,442	29			6,720,471
9. Inland marine	5,741,207	12,637			5,753,844
10. Financial guaranty					
11.1 Medical malpractice - occurrence	155				155
11.2 Medical malpractice - claims-made					
12. Earthquake	2,140,590	116,257			2,256,847
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	1,402				1,402
16. Workers' compensation	69,345,298	8,827,896		(119,825,263)	(41,652,069)
17.1 Other liability - occurrence	25,722,030	6,089,943		(7,184,160)	24,627,813
17.2 Other liability - claims-made	10,514,968				10,514,968
18.1 Products liability - occurrence	1,359,919	2,998,211		(2,948,052)	1,410,078
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	186,701,377				186,701,377
19.3, 19.4 Commercial auto liability	28,653,457	215		(6,737,594)	21,916,078
21. Auto physical damage	125,406,622	46,180		(378)	125,452,424
22. Aircraft (all perils)	2,990,650				2,990,650
23. Fidelity	292,797	1,830			294,627
24. Surety	8,787,990	6,818,735		279,793	15,886,518
26. Burglary and theft	46,343	563			46,906
27. Boiler and machinery	152,680	24,056			176,736
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	418,281				418,281
31. Reinsurance-Nonproportional Assumed Liability	1,145,492				1,145,492
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	619,164,479	26,262,638		(136,415,654)	509,011,463
35. Accrued retrospective premiums based on experience					136,415,654
36. Earned but unbilled premiums					
37. Balance (Sum of Line 34 through 36)					645,427,117

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

- (a) By gross premiums is meant the aggregate of all the premiums written in the policies or renewals in force.
 Are they so returned in this statement? Yes [X] No []
- (b) State here basis of computation used in each case Daily pro rata.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees
Written and Renewed During Year

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	132,098,152	29,078,837	121,124	126,848,927	5,887,234	28,561,952
2. Allied lines	40,866,266	9,993,590	157,944	38,728,148	2,876,695	9,412,957
3. Farmowners multiple peril		(608,286)				(608,286)
4. Homeowners multiple peril		180,277,090		(11,352)	11,352	180,277,090
5. Commercial multiple peril	67,743,781	74,109,513	3,161,422	68,765,274	49,910,195	26,339,247
6. Mortgage guaranty						
8. Ocean marine	255,429	4,303,452		69,245	186,184	4,303,452
9. Inland marine	1,327,255	9,391,395		(5,795,051)	7,122,306	9,391,395
10. Financial guaranty						
11.1 Medical malpractice - occurrence		(2,978)				(2,978)
11.2 Medical malpractice - claims-made						
12. Earthquake	18,013,047	6,000,592		18,364,321	738,116	4,911,202
13. Group accident and health	10,155	(1,310,676)		10,155		(1,310,676)
14. Credit accident and health (group and individual)						
15. Other accident and health		22,555				22,555
16. Workers' compensation	435,790,294	886,941,984	91,541,297	811,053,619	103,028,748	500,191,208
17.1 Other liability - occurrence	39,818,084	110,936,737	4,304	57,244,304	16,489,771	77,025,050
17.2 Other liability - claims-made	1,102,753	14,973,445		304,308	798,445	14,973,445
18.1 Products liability - occurrence	6,800,301	16,757,535		17,140,357	248,539	6,168,940
18.2 Products liability - claims-made		378,009				378,009
19.1, 19.2 Private passenger auto liability	(1,139)	379,365,849	4	(1,135)		379,365,849
19.3, 19.4 Commercial auto liability	43,043,233	116,633,221	1,518,000	88,192,497	4,700,833	68,301,124
21. Auto physical damage	9,906,152	239,314,633	52,048	21,766,320	(270,786)	227,777,299
22. Aircraft (all perils)		10,229,942				10,229,942
23. Fidelity	117,032	603,675		122,220		598,487
24. Surety	215,553	22,561,564		215,793		22,561,324
26. Burglary and theft	115,671	67,284	267	(22,533)	144,153	61,602
27. Boiler and machinery	3,052,868	321,398		2,194,722	857,783	321,761
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	6,349,955				6,349,955
31. Reinsurance-Nonproportional Assumed Liability	X X X	13,003,380	25,888		25,888	13,003,380
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	800,274,887	2,129,693,695	96,582,298	1,245,190,139	192,755,456	1,588,605,285

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

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]
 If yes: 1. The amount of such installment premiums \$ 0
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

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

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	30,641,773	7,796,721	30,787,830	7,650,664	11,496,784	11,530,512	7,616,936	29.238
2. Allied lines	15,191,940	5,793,883	15,500,555	5,485,268	6,546,528	5,624,892	6,406,904	71.150
3. Farmowners multiple peril		468,967		468,967		468,967		
4. Homeowners multiple peril		104,236,633		104,236,633	49,473,701	42,621,195	111,089,139	64.348
5. Commercial multiple peril	38,208,174	49,264,390	56,833,202	30,639,362	40,856,598	60,062,469	11,433,491	32.246
6. Mortgage guaranty								
8. Ocean marine	(7,675)	3,337,918	(7,675)	3,337,918	10,242,627	9,074,253	4,506,292	89.899
9. Inland marine	1,279,577	4,047,721	1,265,289	4,062,009	6,859,137	6,713,624	4,207,522	43.398
10. Financial guaranty								
11.1 Medical malpractice - occurrence		11,985		11,985	17,629	24,994	4,620	(494.647)
11.2 Medical malpractice - claims - made								
12. Earthquake	1,931	18,840	1,931	18,840	205,796	1,171,724	(947,088)	(20.106)
13. Group accident and health	2,017,761	73,521,957	2,017,761	73,521,957	620,949	81,064,705	(6,921,799)	615.963
14. Credit accident and health (group and individual)								
15. Other accident and health		147,059		147,059	578,030	750,127	(25,038)	(116.613)
16. Workers' compensation	277,933,631	467,171,568	490,015,727	255,089,472	1,123,768,982	1,035,187,808	343,670,646	70.215
17.1 Other liability - occurrence	77,563,271	87,386,654	93,421,079	71,528,846	274,471,163	245,570,454	100,429,555	137.143
17.2 Other liability - claims - made	1,713,204	2,689,009	1,713,204	2,689,009	33,945,054	22,162,305	14,471,758	93.268
18.1 Products liability - occurrence	66,633,968	19,163,530	71,534,467	14,263,031	89,457,988	94,903,314	8,817,705	191.571
18.2 Products liability - claims - made	1,500	120,404	1,500	120,404	864,504	745,592	239,316	61.900
19.1, 19.2 Private passenger auto liability	(503)	260,224,610	(2,010)	260,226,117	319,141,886	348,488,476	230,879,527	63.331
19.3, 19.4 Commercial auto liability	36,231,228	85,148,612	75,586,608	45,793,232	96,223,854	101,168,380	40,848,706	59.982
21. Auto physical damage	4,248,866	111,045,933	8,386,045	106,908,754	(7,846,617)	(9,939,090)	109,001,227	48.936
22. Aircraft (all perils)		4,308,588		4,308,588	10,119,769	8,392,306	6,036,051	67.015
23. Fidelity	74,748	303,894	74,748	303,894	1,187,313	967,173	524,034	83.344
24. Surety	11,550	7,403,902	11,550	7,403,902	10,515,324	7,953,247	9,965,979	45.274
26. Burglary and theft	5,027	39,571	6,174	38,424	306,757	453,049	(107,868)	(170.268)
27. Boiler and machinery	50,414	38,815	51,231	37,998	16,655	263,423	(208,770)	(60.372)
28. Credit					2,397	14,251	(11,854)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	(8,451,049)		(8,451,049)	18,997,477	2,879,450	7,666,978	120.071
31. Reinsurance-Nonproportional Assumed Liability	X X X	42,713,268	33,516,861	9,196,407	44,069,605	31,434,255	21,831,757	157.686
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	50,163		50,163	298,732	218,985	129,910	
33. Aggregate write-ins for other lines of business								
34. TOTALS	551,800,385	1,328,003,546	880,716,077	999,087,854	2,142,438,622	2,109,970,840	1,031,555,636	66.451

DETAILS OF WRITE-INS

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	33,946,819	6,629,044	33,994,553	6,581,310	13,904,342	6,885,507	15,874,375	11,496,784	1,120,626
2. Allied lines	44,781,369	6,104,895	44,809,510	6,076,754	1,030,815	1,624,581	2,185,622	6,546,528	560,269
3. Farmowners multiple peril									14,150
4. Homeowners multiple peril	(1,200)	30,355,829	(1,200)	30,355,829		19,122,085	4,213	49,473,701	13,352,466
5. Commercial multiple peril	109,002,272	100,172,355	177,204,259	31,970,368	43,139,380	58,662,068	92,915,218	40,856,598	13,303,275
6. Mortgage guaranty									
8. Ocean marine	37,000	7,193,317	61,022	7,169,295	2,027,979	3,073,332	2,027,979	10,242,627	1,545,978
9. Inland marine	1,138,140	4,199,283	1,138,140	4,199,283	3,336,330	2,865,268	3,541,744	6,859,137	1,399,471
10. Financial guaranty									
11.1 Medical malpractice - occurrence	1,400,000	164,725	1,400,000	164,725	2,701,802	(101,770)	2,747,128	17,629	1,651
11.2 Medical malpractice - claims - made									
12. Earthquake	9,180	87,539	9,180	87,539	75,723	118,258	75,724	205,796	100,220
13. Group accident and health	10,464,723	780,750	10,464,723	780,750	15,000	(159,801)	15,000	(a) 620,949	48,320
14. Credit accident and health (group and individual)									
15. Other accident and health		155,066		155,066		422,964		(a) 578,030	21,980
16. Workers' compensation	1,093,409,264	1,426,497,851	1,709,723,973	810,183,142	348,792,597	583,003,849	618,210,606	1,123,768,982	138,089,874
17.1 Other liability - occurrence	118,547,253	230,378,425	158,712,142	190,213,536	551,156,991	124,435,187	591,334,551	274,471,163	83,685,908
17.2 Other liability - claims - made	10,486,903	10,837,024	10,486,903	10,837,024	1,162,584	23,108,030	1,162,584	33,945,054	11,636,511
18.1 Products liability - occurrence	193,272,560	81,493,400	212,639,258	62,126,702	46,037,818	37,484,045	56,190,577	89,457,988	40,424,131
18.2 Products liability - claims - made	165,600	380,485	165,600	380,485	83,795	484,019	83,795	864,504	497,948
19.1, 19.2 Private passenger auto liability	78	218,019,297	129,000	217,890,375		101,251,512	1	319,141,886	73,316,674
19.3, 19.4 Commercial auto liability	56,345,137	97,290,069	99,922,038	53,713,168	81,705,917	74,119,053	113,314,284	96,223,854	14,180,525
21. Auto physical damage		(51,075)	5,988	(57,063)		(7,700,601)	88,953	(7,846,617)	8,615,562
22. Aircraft (all perils)		7,374,421	34,214	7,340,207	57,787	2,779,562	57,787	10,119,769	2,081,363
23. Fidelity	81,792	210,263	81,792	210,263	2,028,972	1,214,437	2,266,359	1,187,313	310,144
24. Surety	2,099,274	2,810,576	2,099,274	2,810,576	(590,455)	7,704,739	(590,464)	10,515,324	3,035,994
26. Burglary and theft	2,348	47,891	2,392	47,847	494,957	279,248	515,295	306,757	35,726
27. Boiler and machinery	25,250	269,324	25,250	269,324	3,217,595	(187,968)	3,282,296	16,655	72,164
28. Credit						2,397		2,397	126
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	17,613,532	9,333,532	8,280,000	X X X	10,717,477		18,997,477	199,526
31. Reinsurance-Nonproportional Assumed Liability	X X X	167,275,489	137,020,305	30,255,184	X X X	414,226,592	400,412,171	44,069,605	992,542
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	303,423		303,423	X X X	(4,691)		298,732	(2)
33. Aggregate write-ins for other lines of business									
34. TOTALS	1,675,213,762	2,416,593,198	2,609,461,848	1,482,345,112	1,100,379,929	1,465,429,379	1,905,715,798	2,142,438,622	408,643,122

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

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

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	307,977,352			307,977,352
1.2 Reinsurance assumed	170,899,244			170,899,244
1.3 Reinsurance ceded	368,445,522			368,445,522
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	110,431,074			110,431,074
2. Commission and brokerage:				
2.1 Direct excluding contingent		54,063,508		54,063,508
2.2 Reinsurance assumed excluding contingent		59,568,616		59,568,616
2.3 Reinsurance ceded excluding contingent		105,939,683		105,939,683
2.4 Contingent-direct		1,335,886		1,335,886
2.5 Contingent-reinsurance assumed		6,148,543		6,148,543
2.6 Contingent-reinsurance ceded		1,335,886		1,335,886
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)		13,840,984		13,840,984
3. Allowances to manager and agents	207	591		798
4. Advertising	1,398,981	12,357,518	2,845	13,759,344
5. Boards, bureaus and associations	377,392	4,168,771	69	4,546,232
6. Surveys and underwriting reports	3,643	4,840,509	3	4,844,155
7. Audit of assureds' records	64	176		240
8. Salary and related items:				
8.1 Salaries	85,635,884	169,644,246	814,027	256,094,157
8.2 Payroll taxes	4,883,893	13,203,691	40,522	18,128,106
9. Employee relations and welfare	11,742,171	33,749,534	46,064	45,537,769
10. Insurance	7,622,041	1,956,015	1,429	9,579,485
11. Directors' fees	661	44,082	1	44,744
12. Travel and travel items	5,278,405	12,656,020	16,092	17,950,517
13. Rent and rent items	6,179,054	16,218,631	13,539	22,411,224
14. Equipment	5,303,481	12,029,381	18,946	17,351,808
15. Cost or depreciation of EDP equipment and software	1,356,917	2,335,784	12,183	3,704,884
16. Printing and stationery	1,415,628	3,432,902	3,928	4,852,458
17. Postage, telephone and telegraph, exchange and express	4,281,740	11,510,082	53,393	15,845,215
18. Legal and auditing	618,234	3,092,515	65,409	3,776,158
19. Totals (Lines 3 to 18)	136,098,396	301,240,448	1,088,450	438,427,294
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 1,823,008		57,649,535		57,649,535
20.2 Insurance department licenses and fees		1,468,196		1,468,196
20.3 Gross guaranty association assessments		977,673		977,673
20.4 All other (excluding federal and foreign income and real estate)		2,825,520		2,825,520
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		62,920,924		62,920,924
21. Real estate expenses			3,483,210	3,483,210
22. Real estate taxes			1,402,417	1,402,417
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	6,709,405	8,285,038	107,854	15,102,297
25. Total expenses incurred	253,238,875	386,287,394	6,081,931	(a) 645,608,200
26. Less unpaid expenses-current year	408,643,122	148,970,650	(118,543)	557,495,229
27. Add unpaid expenses-prior year	417,226,552	140,842,988		558,069,540
28. Amounts receivable relating to uninsured accident and health plans, prior year				
29. Amounts receivable relating to uninsured accident and health plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	261,822,305	378,159,732	6,200,474	646,182,511

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	(367,768)			(367,768)
2402. Other expenses	7,077,173	8,285,038	107,854	15,470,065
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	6,709,405	8,285,038	107,854	15,102,297

(a) Includes management fees of \$ 1,188,090 to affiliates and \$ 222,100 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 17,125,637	17,403,408
1.1 Bonds exempt from U.S. tax	(a) 2,127,649	2,638,627
1.2 Other bonds (unaffiliated)	(a) 155,482,477	156,957,993
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 241,038	241,038
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	1,580	1,580
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 7,064,707	7,064,707
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,109,620	1,153,046
7. Derivative instruments	(f)	
8. Other invested assets	1,541,284	1,541,284
9. Aggregate write-ins for investment income	2,668,463	2,668,463
10. Total gross investment income	187,362,455	189,670,146
11. Investment expenses		(g) 6,081,931
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 9,944,000
14. Depreciation on real estate and other invested assets		(i) 1,195,585
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		17,221,516
17. Net investment income (Line 10 minus Line 16)		172,448,630

DETAILS OF WRITE-INS			
0901. Miscellaneous Income/(Expense)		2,668,463	2,668,463
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)		2,668,463	2,668,463
1501.			
1502.			
1503.			
1598. Summary of remaining write-ins for Line 15 from overflow page			
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)			

- (a) Includes \$ 3,956,170 accrual of discount less \$ 4,297,617 amortization of premium and less \$ 12,985,525 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 \$ 5,735,765 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 251,191 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 \$ 9,944,000 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 1,195,585 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. Government bonds	2,727,836			2,727,836
1.1 Bonds exempt from U.S. tax	3,678,248			3,678,248
1.2 Other bonds (unaffiliated)	36,949,577		(86,780)	36,862,797
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)	(259,967)			(259,967)
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)	4,999,612	(942,676)	39,966	4,096,902
2.21 Common stocks of affiliates	313,453		(188,320)	125,133
3. Mortgage loans				
4. Real estate	3,223,784			3,223,784
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets	16,181,899	(4,354,792)	2,308,274	14,135,381
9. Aggregate write-ins for capital gains (losses)	(879)			(879)
10. Total capital gains (losses)	67,813,563	(5,297,468)	2,073,140	64,589,235

DETAILS OF WRITE-INS			
0901. Miscellaneous gains (losses)	(879)		(879)
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(879)		(879)

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. Receivable for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Investment income due and accrued			
12. Premiums and considerations:			
12.1 Uncollected premiums and agents' balances in the course of collection	5,844,133	2,114,753	(3,729,380)
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	320,712		(320,712)
12.3 Accrued retrospective premiums	13,722,975	13,433,936	(289,039)
13. Reinsurance:			
13.1 Amounts recoverable from reinsurers			
13.2 Funds held by or deposited with reinsured companies			
13.3 Other amounts receivable under reinsurance contracts			
14. Amounts receivable relating to uninsured plans	606,574	696,274	89,700
15.1 Current federal and foreign income tax recoverable and interest thereon			
15.2 Net deferred tax asset	158,336,100	238,847,350	80,511,250
16. Guaranty funds receivable or on deposit			
17. Electronic data processing equipment and software		33,174	33,174
18. Furniture and equipment, including health care delivery assets	352,429	583,009	230,580
19. Net adjustment in assets and liabilities due to foreign exchange rates			
20. Receivable from parent, subsidiaries and affiliates			
21. Health care and other amounts receivable			
22. Other assets nonadmitted	298,621	440,849	142,228
23. Aggregate write-ins for other than invested assets	5,147,475	5,356,755	209,280
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	184,629,019	261,506,100	76,877,081
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	184,629,019	261,506,100	76,877,081

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	4,142,055	4,139,702	(2,353)
2302. Amounts billed and receivable under high deductible policies	1,005,420	1,217,053	211,633
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	5,147,475	5,356,755	209,280

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

Effective December 31, 1998, the Company entered into a reinsurance treaty with Nationwide Indemnity Company, with Nationwide Mutual Insurance Company as guarantor of the recoverables ceded under the treaty. The Wisconsin Insurance Commissioner has issued a Permitted Practice Decision allowing the guarantee to be used as credit for reinsurance collateral, reducing the provision for reinsurance by \$55,352,083.

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 for direct business and are based on reports received from ceding companies for reinsurance assumed. 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. Investment grade short-term investments are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Investment grade bonds are carried at cost adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value.
4. Preferred stocks are carried at cost or market in accordance with the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage-backed/asset backed securities are stated at amortized value. Prepayment assumptions for single class mortgage-backed/asset backed securities and multi-class securities were obtained from internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all single class mortgage-backed/asset-backed securities and multi-class securities. Non-investment grade mortgage-backed/asset backed securities are stated at the lower of amortized value or fair value.
7. The Company has no investments in subsidiaries, controlled, and affiliated (SCA) companies.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative instruments, refer to note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property-Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2004.

Note 2- Accounting Changes and Correction of Errors

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

B. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Wisconsin. Effective January 1, 2001, the Wisconsin Insurance Commissioner required that insurance companies domiciled in Wisconsin prepare their statutory-basis financial statements in accordance with the NAIC APP Manual, effective January 1, 2001, subject to any deviations prescribed or permitted by the Wisconsin Insurance Commissioner.

NOTES TO FINANCIAL STATEMENTS

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

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

Not applicable

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available
2. Prepayment assumptions for single class and multi-class mortgages backed/asset-backed securities were based upon 1-month historical constant prepayment rates.
3. The Company used IDSI, Bloomberg, and Lehman Index data in determining the market value of the vast majority of its loan-backed securities. A small number of securities are priced in other ways, such as contacting brokers.
4. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

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

F. Real Estate

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

B. The Company invests in various limited partnerships that are reported in accordance with SSAP No. 48. The partnerships are valued using traditional private equity valuation metrics. Poor performance within the partnerships may lead to impairment losses being recognized by management. The Company realized impairment losses of \$4,365,715 during the year.

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2004.

NOTES TO FINANCIAL STATEMENTS**Note 8- Derivative Instruments**

The Company's investment strategy does not include derivative instruments. However, the Company does acquire fixed maturities which have derivative features embedded which are ancillary to the overall investment and immaterial to the underlying investment portfolio.

Note 9 - Income Taxes

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

	December 31, 2004	December 31, 2003	Change
Total of gross deferred tax assets	268,088,720	328,441,551	(60,352,831)
Total of deferred tax liabilities	(23,168,720)	(20,420,301)	(2,748,419)
Net deferred tax asset	244,920,000	308,021,250	(63,101,250)
Net deferred tax asset non-admitted	(158,336,100)	(238,847,350)	80,511,250
Net admitted deferred tax asset	86,583,900	69,173,900	17,410,000

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

	2004	2003
Federal	20,814,607	(2,149,021)
Net operating loss benefit	(41,002,500)	(15,126,848)
Foreign	(185,211)	0
Federal and foreign income tax incurred	(20,373,104)	(17,275,869)

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

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, non-deductible penalties, officer's life insurance, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$2,940,000 from the current year and \$915,737 from the preceding year.

The amount of net losses carried forward and available to offset future net income subject to Federal income taxes are as follows:

Year Generated	Amount	Expiration
2001	39,846,620	2020
1998	39,470,294	2017
1997	1,957,606	2011
1996	36,027,968	2010

The company also had a minimum tax credit of \$3,855,737 which does not expire.

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

Access Insurance Services, Co.	Liberty International Holdings, Inc.
ALM Services, Inc.	Liberty Life Assurance Company of Boston
Ambco Capital Corporation	Liberty Life Holdings, Inc.
America First Insurance Company	Liberty Lloyds of Texas Insurance Company
America First Lloyds Insurance Company	Liberty Management Services, Inc.
American Ambassador Casualty Company	Liberty Mexico Holdings, Inc.
Berkeley Management Corporation	Liberty Mutual Capital Corporation (Boston)
Bridgefield Casualty Insurance Company	Liberty Mutual Fire Insurance Company
Bridgefield Employers Insurance Company	Liberty Mutual Group Inc.
Capitol Agency, Inc. (Arizona corporation)	Liberty Mutual Holding Company, Inc.
Capitol Agency, Inc. (Ohio corporation)	Liberty Mutual Insurance Company
Capitol Agency, Inc. (Tennessee corporation)	Liberty Mutual Managed Care, Inc.
Cascade Disability Management, Inc.	Liberty Northwest Insurance Corporation
Colorado Casualty Insurance Company	Liberty Personal Insurance Company
Companies Agency Insurance Services of California	Liberty RE (Bermuda) Limited
Companies Agency of Alabama, Inc.	Liberty Real Estate Corporation
Companies Agency of Georgia, Inc.	Liberty Surplus Insurance Corporation
Companies Agency of Kentucky, Inc.	Liberty-USA Corporation
Companies Agency of Massachusetts, Inc.	LIH-Re of America Corporation
Companies Agency of Michigan, Inc.	LIH U.S. P&C Corporation
Companies Agency of New York, Inc.	LIIA Insurance Agency, Inc.
Companies Agency of Pennsylvania, Inc.	LIU Specialty Agency, Inc.
Companies Agency of Phoenix, Inc.	LLS Insurance Agency of Nevada, Inc.
Companies Agency, Inc.	LM Insurance Corporation
Companies Annuity Agency of Texas, Inc.	LMHC Massachusetts Holding, Inc.

NOTES TO FINANCIAL STATEMENTS

Consolidated Insurance Company	LRE Properties, Inc.
Copley Venture Capital, Inc.	Mid-American Agency, Inc.
Countrywide Services Corporation	Mid-American Fire and Casualty Company
Diversified Settlements, Inc.	Missouri Agency, Inc.
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	Oregon Automobile Insurance Company
First State Agency, Inc.	Peerless Indemnity Insurance Company
Florida State Agency, Inc.	Peerless Insurance Company
Globe American Casualty Company	LM Personal Insurance Company
Golden Eagle Insurance Corporation	LM General Insurance Company
Gulf States AIF, Inc.	LM Property and Casualty Insurance Company
Hawkeye-Security Insurance Company	San Diego Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	State Agency, Inc. (Indiana corporation)
Helmsman Insurance Agency of Texas, Inc.	State Agency, Inc. (Wisconsin corporation)
Heritage-Summit Healthcare of Florida, Inc.	St. James Insurance Company
Indiana Insurance Company	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty Assignment Corporation	Summit Holding Southeast, Inc.
Liberty Corporate Services, Inc.	The First Liberty Insurance Corporation
Liberty Energy Corporation	The Midwestern Indemnity Company
Liberty Financial Services, Inc.	The National Corporation
Liberty Hospitality Group, Inc.	The Netherlands Insurance Company
Liberty Insurance Company of America	Wausau (Bermuda) Ltd.
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Holdings, Inc.
Liberty International Aberdeen, Inc.	Wausau Service Corporation
Liberty International Asia Pacific Holdings, Inc.	Wausau Underwriters Insurance Company

* This company joined the consolidated group in 2004 and its activity from the date it joined the group is included in the consolidated return.

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group, Inc. ("LMGI"). LMGI is owned 100% by LMHC Massachusetts Holdings, Inc. ("LMHC MHI") and LMHC MHI is owned 100% by Liberty Mutual Holding Company, Inc. ("LMHCI").
- B. At the end of 2004, the Company sold its subsidiary, Wausau Holdings Inc to an affiliate, Liberty Mutual Insurance Company. The subsidiary was sold at its statutory book value, \$5,417,814. During 2004 the Company receive a \$120,000,000 capital contribution from its parent, LMGI.
- C. There were no material changes in the terms of any intercompany agreements.
- D. At December 31, 2004, the Company reported \$17,576,367 due from 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. See Note 26 for information regarding intercompany pooling arrangement.

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

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

Note 11- Debt

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

The Company 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 an intercompany cost-sharing arrangement as described in note 10(f).

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

1. The Company has 5,000,000 shares authorized, issued, and outstanding as of December 31, 2004. All shares have a stated par value of \$1.00.
2. Preferred Stock
Not applicable
3. Dividend Restrictions
There are no dividend restrictions.
4. The maximum amount of dividends which can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of policyholder surplus, or (b) adjusted net income. The maximum dividend payout which may be made without prior approval in 2005 is \$84,097,726.
5. As of December 31, 2004, the Company has restricted surplus of \$182,299,236 resulting from retroactive reinsurance contracts.
6. The Company had no advances to surplus.
7. Stock held for special purpose
The Company did not hold stock for special purposes.
8. The Company had changes in special surplus funds since December 31, 2001 resulting from retroactive reinsurance contracts.
9. The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

	Cumulative Increase (Decrease) in Surplus	Current Year Increase (Decrease) in Surplus
a. Unrealized gains/(losses)	\$1,381,205	\$2,073,140
b. Nonadmitted asset values	(184,629,019)	76,877,081
c. Provision for reinsurance	(5,184,685)	3,171,686
Total	(\$188,432,499)	\$82,121,907

10. Surplus Notes

(1) Date Issued	(2) Interest Rate	(3) Amount of Note(s)	(4) Carrying Value	(5) Interest Paid Current Year	(6) Total Interest Paid	(7) Unapproved Interest	(8) Date of Maturity
Dec. 31, 1998	4.52%	\$220,000,000	\$220,000,000	\$9,944,000	\$53,890,956	\$0	12/31/2005

The surplus debenture in the amount of \$220,000,000 listed in 13.10 was issued to Liberty Mutual Insurance Company (an affiliated company) in exchange for cash and securities.

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

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

NOTES TO FINANCIAL STATEMENTS

The Company has accrued a liability for guaranty fund and other assessments of \$39,747,586 that is offset by future premium tax credits of \$9,005,030. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2005.

During 2004 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

On October 3, 2001, the Company received notification of the insolvency of the Reliance Insurance Group. It is expected the insolvency will result in a guaranty fund assessment against the company of \$6,847,526 that has been charged to operations in the prior year, and any remaining unpaid balance is included in the liability above.

C. **Gain Contingencies**

Not applicable

D. **All other Contingencies**

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

Note 15- Leases

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

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2005	\$7,030,490	\$17,131,426
2006	6,852,997	13,912,488
2007	3,858,038	9,983,258
2008	3,532,946	6,579,355
2009	2,785,735	4,381,834
2010 & thereafter	17,360,695	27,184,475
Total	<u>\$41,420,901</u>	<u>\$79,172,836</u>

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

Not applicable

Note 16- Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

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

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

A. **Transfers of Receivables reported as sales:**

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

B. **Transfers and servicing of financial assets:**

The Company participates in Securities lending program to generate additional income, whereby certain fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties, via a lending agent. Borrowers of these securities provide collateral equal to or in excess of, 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 100% of the market value of the loaned securities. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company, however, the Company records a liability for the amount of collateral held, representing its obligation to return the collateral related to the loaned securities. At December 31, 2004, the total market value of fixed maturities loaned was \$875,069, with corresponding collateral value at \$892,577.

Wash Sales

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

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

A. **Administrative Services Only (ASO) Plans**

Net reimbursement for administrative expenses over actual expenses on uninsured plans and the net gain was \$88,865. Claim payment volume was \$4,410,479.

NOTES TO FINANCIAL STATEMENTS

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 – September 11 Events

The Company has material exposure to losses arising from the World Trade Center disaster of September 11, 2001. The exposure arises from the property, workers' compensation, auto, and surety policies and reinsurance contracts written by member companies of the Liberty Mutual Group. The Company shares in the losses via the inter-company pooling agreement. Although uncertainty about the final loss amount still exists, the losses are reasonably estimable and such estimate has been recorded. The Company believes that its reinsurers are financially sound and that reinsurance collectibility is not a significant issue or concern. The amounts recorded by the Company to date are as follows:

	Direct	Assumed	Gross	Ceded	Net
Paid Loss and ALAE	\$40,989,000	\$16,708,000	\$57,697,000	\$51,571,000	\$6,126,000
Loss and ALAE Reserves	\$17,907,000	\$4,101,000	\$22,008,000	\$11,313,000	\$10,695,000
Incurred Loss and ALAE	\$58,896,000	\$20,809,000	\$79,705,000	\$62,884,000	\$16,821,000

Note 21- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 and \$0 in 2004 and 2003, respectively.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$534,633 and \$491,717, in 2004 and 2003, respectively.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$1,010,112 and \$1,240,153, in 2004 and 2003, respectively.

2) Assets in the amount of \$404,456,058 and \$411,008,360 as of December 31, 2004 and 2003, respectively, were on deposit with government authorities or trustees as required by law.

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

E. Business Interruption Insurance Recoveries

There were no reported losses that exceeded the policy deductible.

Note 22- Events Subsequent

There were no events subsequent to December 31, 2004 which would require disclosure.

Note 23- Reinsurance

A. Excluding amounts arising pursuant to the intercompany pooling agreement, as described in Note 26, the unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus are listed below.

<u>Reinsurer</u>	<u>Naic No.</u>	<u>Federal ID No.</u>	<u>Recoverable Amount</u>
Nationwide Group, Group No. 140			
Nationwide Indemnity Insurance Company	10070	31-1399201	
Nationwide Mutual Insurance Company	23787	31-4177100	
National Casualty Company	11991	38-0865250	
Farmland Mutual Insurance Company	13838	42-0618271	
Total Nationwide Group, Group No. 140			1,581,905,000
National Workers' Compensation Reins Pool		AA-9992118	189,257,000
U.S. Aircraft Insurance Group		AA-9995043	158,758,000

NOTES TO FINANCIAL STATEMENTS

Swiss Re Group, Group No. 181			
Facility Insurance Corporation	10818	74-1194354	
Swiss Reinsurance Life and Health America	82627	06-0839705	
Swiss Reinsurance America Corporation	25364	13-1675535	
Total Swiss Re Group, Group No. 181			89,551,000
Minnesota WCRA		AA-9991423	84,451,000
Converium Reinsurance North America Incorporated	39136	06-1325038	47,827,000
General Reinsurance Corporation	22039	13-2673100	43,591,000
American Re - Insurance Company	10227	13-4924125	31,765,000

- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2004.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$812,858,825	\$54,913,631	\$381,499,050	\$25,772,616	\$431,359,775	\$29,141,015
All Other	27,292,904	8,733,729	48,674,258	10,221,594	(21,381,354)	(1,487,865)
Total	\$840,151,729	\$63,647,360	\$430,173,308	\$35,994,210	\$409,978,421	\$27,653,150

Direct Unearned Premium Reserve: \$235,448,696

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2004 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$4,000,000	\$5,458,531	\$4,000,000	\$5,458,531
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(31,200,000)	0	(31,200,000)
Totals	\$4,000,000	\$(25,741,469)	\$4,000,000	\$(25,741,469)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not reported any commutations in the current year.
- F. The Company has one assumed retroactive contract as a result of the intercompany pooling arrangement with Liberty Mutual Insurance Company.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$(342,318,886)	\$0
	2. Adjustment – Prior Year(s)	16,980,468	0
	3. Adjustment – Current Year	2,911,910	0
	4. Total	\$(322,426,508)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$(147,727,134)	\$0
	2. Adjustment – Prior Year(s)	(6,231,667)	0
	3. Adjustment – Current Year	-	0
	4. Total	\$(153,958,801)	\$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	\$1,584,565	\$0
	2. Adjustment – Prior Year(s)	(13,479,510)	0
	3. Adjustment – Current Year	(1,936,584)	0
	4. Total	\$(13,831,529)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$193,007,187	\$0
	2. Adjustment – Prior Year(s)	(9,732,625)	0
	3. Adjustment – Current Year	(975,326)	0
	4. Total	\$182,299,236	\$0
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(322,426,508)	\$0

NOTES TO FINANCIAL STATEMENTS

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

G. There are no contracts recorded as deposit accounting.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. Accrued retrospective premiums reported in Line 12.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.
- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated non-admitted and charged to surplus.

Total accrued retro premium	\$136,415,654
Less: Non-admitted amount	13,722,975
Admitted amount	\$122,692,679

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred loss and loss adjustment expenses attributed to insured events of prior years has increased during 2004 as a result of rising loss development trends in commercial lines including workers' compensation, general liability, and environmental exposures. Original estimates are revised as additional information becomes known regarding individual claims.

A portion of the unfavorable prior year loss development relates to retrospectively rated policies. Additional premium accruals of have been made that partially offset this adverse loss development.

Note 26- Intercompany Pooling Arrangements

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

		NAIC Co. #	Pooling %	Line of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	66.5%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	16.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	6.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LM Ins Corp)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FLIC)	33588	0.10%	All Lines
			100.00%	
100% Quota Share ("Fronted")	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
Affiliated Companies:	Liberty Lloyds of Texas Insurance Company (Lloyds)	11041	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC) (formerly Prudential Property and Casualty Insurance Company)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC) (formerly Prudential General Insurance Company)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC) (formerly Prudential Commercial Insurance Company)	36439	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the lead company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, all fronted companies cede its net underwriting activity to the lead company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.

NOTES TO FINANCIAL STATEMENTS

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

During 2004, the following changes were made to the pool:

Pursuant to the approval of the appropriate State Insurance Departments, effective January 1, 2004, Golden Eagle Insurance Corporation (GEIC) and Montgomery Mutual Insurance Company (MMU), cancelled its participation in the Liberty Mutual Inter-Company Reinsurance Agreement and concurrently became a member of the Liberty Insurance Holdings (LIH) Inter-Company Reinsurance Agreement.

Also effective January 1, 2004, Golden Eagle Insurance Company entered into a Fronting Agreement with Liberty Mutual Insurance Company (LMIC), the lead company in the Liberty Mutual Inter-Company Reinsurance Agreement, whereby it would continue to cede 100% of its workers’ compensation activity to LMIC.

Additionally, pursuant to the approval of the appropriate state insurance departments, effective January 1, 2004, Merchants & Business Men’s Mutual Insurance Company and Colorado Casualty Insurance Company cancelled its fronting agreements with LMIC and concurrently entered into Fronting Agreements with Peerless Insurance Company (PIC), the lead company in the LIH Inter-Company Reinsurance Agreement. Under the terms of the Fronting Agreements, after external reinsurance, each company would cede 100% of its direct underwriting activity to PIC.

The above transactions resulted in LMIC returning to the companies their in-force business as of January 1, 2004 (except for GEIC’s workers’ compensation business) and compensated the companies by a like amount. There were no gains or losses to surplus as a result.

Also effective January 1, 2004, LMIC’s Pool Participation percentage increased by 3.3% from 63.2 % to 66.5%. The pool percentages of remaining pool members did not change.

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$292,001,549 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$292,001,549 as of December 31, 2004.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders’ surplus and whereby the company has not obtained a release of liability from the claimant is as follows:

<u>Life Ins. Company and Location</u>	<u>Licensed in Company’s State of Domicile Yes/No</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$ 105,534,433
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 88,343,380
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$ 27,422,025

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 – Premium Deficiency Reserves

As of December 31, 2004, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

NOTES TO FINANCIAL STATEMENTS

Note 31- High Dollar Deductible Policies

As of December 31, 2004, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$608,587,186 and the amount billed and recoverable on paid claims was \$37,887,314.

Note 32- Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2004, liabilities include \$1,467,861,001 of liabilities carried at a discounted value of \$1,260,384,000 representing a discount of \$207,477,001.

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

Note 33 - Asbestos/Environmental Reserves

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

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

In recent years the Company, as well as the industry generally, has witnessed a significant increase in the number of asbestos claims being filed, due to a number of variables, including more intensive advertising by lawyers seeking asbestos claimants, and the increasing focus by plaintiffs on new and previously peripheral defendants, attempts to broaden the interpretation of compensable loss, and courts expanding the scope of the coverage.

Uncertainty Regarding Reserving Methodologies

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

During the fourth quarter of 2004, the Company completed a comprehensive ground-up study of its environmental reserves. The study was performed with the assistance of an independent actuarial firm, and focused on the implications of claim and litigation trends and other significant developments. The study encompassed the Company's liabilities with respect to both National Priority List (NPL) claims and direct site claims involving the presence of hazardous waste at sites owned or operated by the insured. As a result of the ground-up study, the Company increased net loss and ALAE reserves by \$50,557,744.

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

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

As a direct result of the significant uncertainties associated with estimating its asbestos and environmental exposures and establishing appropriate levels of reserves, the ultimate liability of the Company for asbestos and environmental exposures may vary materially from the reserves currently recorded. The Company and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue to expand

NOTES TO FINANCIAL STATEMENTS

the scope of the coverage provided, additional liabilities could emerge for amounts in excess of reserves held. This emergence, as well as the other uncertainties noted above, cannot now be reasonably estimated, but could have a material impact on the Company's future operating results, and financial condition.

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of all Liberty pooled companies. Net reserves for asbestos and environmental are allocated based on the Company's Intercompany Reinsurance Agreement as discussed in Note 26.

Asbestos:	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gross of Reinsurance Basis (all Liberty pooled companies)					
Beginning Reserves	\$1,263,028,000	\$1,394,737,000	\$1,465,333,000	\$1,666,019,000	\$1,840,688,000
Incurring losses and LAE	341,317,000	290,738,629	494,293,434	542,256,000	674,113,842
Calendar year payments	209,608,000	220,142,629	293,607,434	367,587,000	322,748,521
Ending Reserves	<u>\$1,394,737,000</u>	<u>\$1,465,333,000</u>	<u>\$1,666,019,000</u>	<u>\$1,840,688,000</u>	<u>\$2,192,053,321</u>
Net of Reinsurance Basis					
Beginning Reserves	\$112,792,640	\$124,638,400	\$134,874,080	\$153,602,240	\$179,934,240
Incurring losses and LAE	34,987,360	28,456,800	46,452,480	50,080,480	565,110
Calendar year payments	23,141,600	18,221,120	27,724,320	23,748,480	28,264,458
Ending Reserves	<u>\$124,638,400</u>	<u>\$134,874,080</u>	<u>\$153,602,240</u>	<u>\$179,934,240</u>	<u>\$152,234,892</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$1,050,100,011
Net of Reinsurance Basis:					\$55,218,711
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$501,539,904
Net of Reinsurance Basis:					\$27,194,351
Environmental:	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gross of Reinsurance Basis (all Liberty pooled companies)					
Beginning Reserves	\$1,060,390,000	\$829,472,000	\$681,226,000	\$564,371,000	\$377,622,000
Incurring losses and LAE	(114,622,000)	(89,983)	52,734,816	(111,199,000)	480,461,172
Calendar year payments	116,296,000	148,156,017	169,589,816	75,550,000	77,017,816
Ending Reserves	<u>\$829,472,000</u>	<u>\$681,226,000</u>	<u>\$564,371,000</u>	<u>\$377,622,000</u>	<u>\$781,065,356</u>
Net of Reinsurance Basis					
Beginning Reserves	\$106,448,000	\$71,591,040	\$68,062,880	\$49,033,440	\$41,238,080
Incurring losses and LAE	(21,120,480)	14,326,560	(1,742,240)	(1,280,000)	50,557,744
Calendar year payments	13,736,480	17,854,720	17,287,200	6,515,360	7,521,674
Ending Reserves	<u>\$71,591,040</u>	<u>\$68,062,880</u>	<u>\$49,033,440</u>	<u>\$41,238,080</u>	<u>\$84,274,150</u>
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$553,985,554
Net of Reinsurance Basis:					\$58,999,269
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$305,171,037
Net of Reinsurance Basis:					\$35,198,917

Note 34- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	172,644,800	4.891	172,644,800	4.891
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	218,567,750	6.191	218,567,750	6.191
1.22 Issued by U.S. government sponsored agencies	140,027,412	3.967	140,027,412	3.967
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	31,146,359	0.882	31,146,359	0.882
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	54,466,277	1.543	54,466,277	1.543
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	49,039,340	1.389	49,039,340	1.389
1.43 Revenue and assessment obligations	3,940,131	0.112	3,940,131	0.112
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	36,816,255	1.043	36,816,255	1.043
1.512 Issued or guaranteed by FNMA and FHLMC	263,916,445	7.476	263,916,445	7.476
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	742,575,239	21.035	742,575,239	21.035
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage- backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other	233,533,080	6.615	233,533,080	6.615
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	1,286,042,386	36.430	1,286,042,386	36.430
2.2 Unaffiliated foreign securities	108,693,183	3.079	108,693,183	3.079
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	995,204	0.028	995,204	0.028
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	340,475	0.010	340,475	0.010
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company	20,676,155	0.586	20,676,155	0.586
5.2 Property held for production of income (includes \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ 0 including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities	45,892,678	1.300	45,892,678	1.300
8. Cash, cash equivalents and short-term investments	45,236,274	1.281	45,236,274	1.281
9. Other invested assets	75,622,639	2.142	75,622,639	2.142
10. Total invested assets	3,530,172,083	100.000	3,530,172,083	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? Wisconsin
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended. _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/1999
- 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. 12/31/1999
- 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). 11/07/2003
- 3.4 By what department or departments? Wisconsin
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]
- 6.2 If yes, give full information _____
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0 %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 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 location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
 Ernst & Young LLP
 200 Clarendon Street Boston, MA 02116
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Roy K. Morell, FCAS, MAAA, VP & Senior Actuary
 175 Berkeley Street Boston, MA 02117
 Liberty Mutual Insurance Company
11. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
 11.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
 N/A
- 11.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
 11.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
 11.4 If answer to (11.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

BOARD OF DIRECTORS

12. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No []
 13. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No []
 14. 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 which is in or is likely to conflict with the official duties of such person? Yes [X] No []

FINANCIAL

- 15.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- | | |
|---|----------|
| 15.11 To directors or other officers | \$ _____ |
| 15.12 To stockholders not officers | \$ _____ |
| 15.13 Trustees, supreme or grand (Fraternal only) | \$ _____ |
- 15.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | |
|---|----------|
| 15.21 To directors or other officers | \$ _____ |
| 15.22 To stockholders not officers | \$ _____ |
| 15.23 Trustees, supreme or grand (Fraternal only) | \$ _____ |
- 16.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
 16.2 If yes, state the amount thereof at December 31 of the current year:
- | | |
|----------------------------|----------|
| 16.21 Rented from others | \$ _____ |
| 16.22 Borrowed from others | \$ _____ |
| 16.23 Leased from others | \$ _____ |
| 16.24 Other | \$ _____ |
- Disclose in Notes to Financial the nature of each obligation.
- 17.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
 17.2 If answer is yes:
- | | |
|--|----------|
| 17.21 Amount paid as losses or risk adjustment | \$ _____ |
| 17.22 Amount paid as expenses | \$ _____ |
| 17.23 Other amounts paid | \$ _____ |

GENERAL INTERROGATORIES

INVESTMENT

18. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred					Yes [] No [X]	Yes [] No [X]
Common	5,000,000	5,000,000	1.00	X X X	X X X X X X	X X X X X X

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []

19.2 If no, give full and complete information, relating thereto

20.1 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, except as shown on Schedule E - Part 3 - Special Deposits, 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 16.1). Yes [] No [X]

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

20.21 Loaned to others	\$ _____
20.22 Subject to repurchase agreements	\$ _____
20.23 Subject to reverse repurchase agreements	\$ _____
20.24 Subject to dollar repurchase agreements	\$ _____
20.25 Subject to reverse dollar repurchase agreements	\$ _____
20.26 Pledged as collateral	\$ _____
20.27 Placed under option agreements	\$ _____
20.28 Letter stock or securities restricted as to sale	\$ _____
20.29 Other	\$ _____

20.3 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

21.2 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.

22.1 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]

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

GENERAL INTERROGATORIES

INVESTMENT

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

23.01 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
Royal Trust / RBC	77 King St, Toronto, Ontario 1P9

23.02 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)

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes [] No [X]

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

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

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

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

24.1 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]

24.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
9999999	Total	

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

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

GENERAL INTERROGATORIES

INVESTMENT

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
25.1 Bonds	3,363,874,437	3,455,517,764	91,643,327
25.2 Preferred stocks	995,204	1,092,273	97,069
25.3 Totals	3,364,869,641	3,456,610,037	91,740,396

25.4 Describe the sources or methods utilized in determining the fair values: Fair values are based on quoted market prices when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or values obtained from independent pricing services.

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

26.2 If no, list exceptions:

OTHER

27.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 648,323

27.2 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
Wisconsin Compensation Rating Bureau	\$ 245,876
	\$
	\$
	\$
	\$

28.1 Amount of payments for legal expenses, if any? \$ _____

28.2 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
	\$
	\$
	\$
	\$
	\$

29.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ _____

29.2 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 department of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ _____
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ _____ 11,037

1.6 Individual policies:
 Most current three years:
 1.61 Total premium earned \$ _____
 1.62 Total incurred claims \$ _____
 1.63 Number of covered lives \$ _____
 All years prior to most current three years:
 1.64 Total premium earned \$ _____
 1.65 Total incurred claims \$ _____ 4
 1.66 Number of covered lives \$ _____

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 12,599	\$ 5,107,896
2.2 Premium Denominator	\$ 1,552,027,819	\$ 1,401,417,413
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 259,564	\$ 1,307,291
2.5 Reserve Denominator	\$ 2,586,054,793	\$ 2,547,143,539
2.6 Reserve Ratio (2.4/2.5)		

3.1 Does the reporting entity issue both participating and non-participating policies? YES NO
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$ 800,071,162
 3.22 Non-participating policies \$ 203,725

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

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

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
 5.5 If yes, give full information _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2004 the Company purchased a Workers' Compensation Catastrophe treaty with limits of \$400mm xs \$100mm.
- 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 its probable maximum loss. For property exposures it employs RiskLink v 4.4 from RMS and AIR v 6.0.0 from AIR for windstorm and earthquake. For WC it employs RiskLink v 4.3 from RMS. Relative exposure concentrations can be found in the Northeast and Florida.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? In addition to the Workers' Compensation Catastrophe treaty, the company purchased a Property Catastrophe treaty with limits of \$884mm part of \$1bb xs \$250mm in 2004. The Company participated in the Florida Hurricane Catastrophe Fund to the maximum extent allowed and participated in the California Earthquake Authority. Coverage is sufficient to protect against the company's 250 year modeled event.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract which includes a provision which 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.
- 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. 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
- 10.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES NO
- 10.2 If yes, give full information
- 11.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 12.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | |
|--|-------|---|----------------|
| | 11.11 | Unpaid losses | \$ 254,696,625 |
| | 11.12 | Unpaid underwriting expenses (including loss adjustment expenses) | \$ 29,334,152 |
- 11.2 Of the amount on Line 12.3 of the asset schedule, Page 2, state the amount which is secured by letters of credit, collateral and other funds? \$ 67,713,360
- 11.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES NO N/A
- 11.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | | | |
|--|-------|------|----------|
| | 11.41 | From | 4.000 % |
| | 11.42 | To | 10.000 % |
- 11.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES NO
- 11.6 If yes, state the amount thereof at December 31 of current year:
- | | | | |
|--|-------|----------------------------|------------------|
| | 11.61 | Letters of Credit | \$ 1,122,938,995 |
| | 11.62 | Collateral and other funds | \$ 112,737,457 |
- 12.1 What amount of installment notes is owned and now held by the reporting entity? \$
- 12.2 Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year? YES NO
- 12.3 If yes, what amount? \$
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 15,520,000
- 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. 5

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [] NO [X]

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 [X]

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

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

15.1 Has the reporting entity guaranteed any financed premium accounts? YES [] NO [X]

15.2 If yes, give full information
.....
.....

16.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? YES [] NO [X]

16.11 Name of real estate holding company _____
16.12 Number of parcels involved _____
16.13 Total book/adjusted carrying value \$ _____

16.2 If yes, provide explanation
.....
.....

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

	1	2	3	4	5
	Direct Losses	Direct Losses	Direct Written	Direct Premium	Direct Premium
	Incurred	Unpaid	Premium	Unearned	Earned
17.11 Home	\$	\$	\$	\$	\$
17.12 Products	\$	\$	\$	\$	\$
17.13 Automobile	\$	\$	\$	\$	\$
17.14 Other*	\$	\$	\$	\$	\$

* Disclose type of coverage: _____

FIVE-YEAR HISTORICAL DATA

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

	1 2004	2 2003	3 2002	4 2001	5 2000
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,145,600,933	1,850,548,993	1,605,584,291	1,515,225,800	1,210,535,133
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	496,504,257	447,470,820	395,192,416	340,274,638	323,791,747
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	342,846,609	361,229,638	354,893,193	323,700,843	243,445,391
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	22,219,858	28,097,983	90,017,877	121,497,217	175,679,417
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	19,379,223	35,630,330	23,354,679	7,152,266	13,244,158
6. Total (Line 34)	3,026,550,880	2,722,977,764	2,469,042,456	2,307,850,764	1,966,695,846
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,046,400,647	921,436,786	803,944,075	699,725,981	714,886,412
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	280,116,407	260,918,318	244,794,737	225,648,551	221,966,857
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	220,863,206	230,628,852	188,626,108	163,638,746	175,021,097
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	21,871,690	28,292,276	86,088,043	87,470,002	100,127,271
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	19,353,335	35,427,100	23,288,557	7,263,050	13,231,026
12. Total (Line 34)	1,588,605,285	1,476,703,332	1,346,741,520	1,183,746,330	1,225,232,663
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(119,017,226)	(139,897,217)	(110,874,686)	(340,713,731)	(197,747,264)
14. Net investment gain (loss) (Line 11)	234,964,723	184,330,411	193,003,098	228,429,621	259,760,486
15. Total other income (Line 15)	(29,547,855)	(37,320,501)	(20,733,572)	106,926,005	64,412,687
16. Dividends to policyholders (Line 17)	6,309,201	(384,217)	10,380,108	12,361,645	15,006,960
17. Federal and foreign income taxes incurred (Line 19)	(20,373,104)	(17,275,869)	2,206,655	(207,773)	7,119,671
18. Net income (Line 20)	100,463,545	24,772,779	48,808,077	(17,511,977)	104,299,278
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	4,423,248,464	3,982,482,671	3,694,167,088	3,751,251,825	4,024,803,444
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 12.1)	167,082,617	175,902,061	166,284,345	158,511,153	154,075,423
20.2 Deferred and not yet due (Line 12.2)	306,524,530	246,431,816	207,267,997	166,901,934	165,598,196
20.3 Accrued retrospective premiums (Line 12.3)	122,692,679	127,455,084	111,915,298	115,368,144	99,713,456
21. Total liabilities excluding protected cell business (Page 3, Line 24)	3,428,099,497	3,231,661,342	2,993,474,130	3,101,456,582	3,280,261,392
22. Losses (Page 3, Lines 1 and 2)	2,177,411,671	2,129,916,987	2,005,806,447	2,091,807,807	2,015,490,915
23. Loss adjustment expenses (Page 3, Line 3)	408,643,122	417,226,552	379,667,924	400,944,964	412,993,690
24. Unearned premiums (Page 3, Line 9)	645,427,117	613,641,688	516,107,568	440,992,921	409,429,991
25. Capital paid up (Page 3, Lines 28 & 29)	5,000,000	5,000,000	5,000,000	5,000,000	
26. Surplus as regards policyholders (Page 3, Line 35)	995,148,967	750,821,329	700,692,958	649,795,243	744,542,052
Risk-Based Capital Analysis					
27. Total adjusted capital	995,148,967	750,821,329	700,692,958	649,795,243	744,542,052
28. Authorized control level risk-based capital	287,523,360	248,012,590	234,596,075	221,835,068	196,328,533
Percentage Distribution of Cash and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
29. Bonds (Line 1)	94.7	95.4	95.1	91.6	85.4
30. Stocks (Lines 2.1 & 2.2)		0.2	0.2	0.3	0.3
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)	0.6	1.0	1.1	1.0	1.2
33. Cash and short-term investments (Line 5)	1.3	1.0	2.5	3.9	9.5
34. Contract loans (Line 6)			XXX	XXX	XXX
35. Other invested assets (Line 7)	2.1	2.0	1.1	1.5	2.7
36. Receivable for securities (Line 8)	1.3	0.4		1.8	0.9
37. Aggregate write-ins for invested assets (Line 9)					
38. Cash and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)			6,975,913	6,896,053	6,822,388
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)		5,292,681	5,294,721	4,576,651	5,094,361
42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11)					
43. Affiliated mortgage loans on real estate					
44. All other affiliated					
45. Total of above Lines 39 to 44		5,292,681	12,270,634	11,472,704	11,916,749
46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0)		0.7	1.8	1.8	1.6

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2004	2 2003	3 2002	4 2001	5 2000
Capital and Surplus Accounts (Page 4)					
47. Net unrealized capital gains (losses) (Line 23)	2,073,140	24,270,907	1,298,983	(37,700,228)	(14,477,242)
48. Dividends to stockholders (Line 34)			100,000	(100,000)	
49. Change in surplus as regards policyholders for the year (Line 37)	244,327,638	50,128,371	50,897,715	(94,746,809)	75,737,692
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,381,992,671	1,323,631,668	1,473,801,729	489,611,748	799,055,338
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	180,111,783	304,589,734	155,496,513	188,268,129	211,907,288
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	199,906,224	179,612,569	195,767,093	182,016,479	102,151,505
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	83,480,871	52,548,022	82,663,318	96,073,647	102,078,848
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	34,312,382	63,678,014	40,116,320	36,346,857	46,636,550
55. Total (Line 34)	1,879,803,931	1,924,060,007	1,947,844,973	992,316,860	1,261,829,529
Net Losses Paid (Page 9, Part 2, Col. 4)					
56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	649,722,096	544,569,910	628,220,917	583,597,669	292,330,654
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	124,163,959	121,967,739	122,283,034	140,203,199	128,466,158
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	143,029,466	95,076,196	106,869,722	125,362,697	86,281,411
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	81,376,812	47,274,764	69,435,370	59,726,110	44,353,254
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	795,521	16,288,274	16,898,658	11,526,257	8,769,437
61. Total (Line 34)	999,087,854	825,176,883	943,707,701	920,415,932	560,200,914
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
62. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
63. Losses incurred (Line 2)	66.5	66.4	68.6	86.2	76.6
64. Loss expenses incurred (Line 3)	16.3	19.1	16.4	17.0	16.1
65. Other underwriting expenses incurred (Line 4)	24.9	24.4	23.7	25.9	24.6
66. Net underwriting gain (loss) (Line 8)	(7.7)	(10.0)	(8.8)	(29.0)	(17.3)
Other Percentages					
67. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	26.2	25.7	23.8	16.6	17.7
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	82.8	85.5	85.1	103.2	92.7
69. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	159.6	196.7	192.2	182.2	164.6
One Year Loss Development (000 omitted)					
70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	55,061	117,413	97,838	193,403	53,368
71. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Col. 1 x 100.0)	7.3	16.8	15.1	26.0	8.0
Two Year Loss Development (000 omitted)					
72. 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)	263,870	246,499	370,363	253,999	(1,133)
73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0)	37.7	37.9	49.7	38.0	(0.2)

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	413,028,805	424,315,370	413,288,475	403,417,092
	2. Canada	30,681,417	25,856,062	27,479,049	28,298,838
	3. Other Countries				
	4. Totals	443,710,222	450,171,432	440,767,524	431,715,930
States, Territories and Possessions (Direct and guaranteed)	5. United States	54,466,277	55,192,404	54,431,359	55,400,000
	6. Canada	464,942	411,633	377,440	424,072
	7. Other Countries				
8. Totals	54,931,219	55,604,037	54,808,799	55,824,072	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	49,039,340	49,197,567	49,028,148	49,210,000
	10. Canada				
	11. Other Countries				
12. Totals	49,039,340	49,197,567	49,028,148	49,210,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	1,178,276,283	1,181,139,281	1,177,461,670	1,179,101,046
	14. Canada				
	15. Other Countries				
16. Totals	1,178,276,283	1,181,139,281	1,177,461,670	1,179,101,046	
Public Utilities (unaffiliated)	17. United States	185,517,496	189,027,028	185,731,351	180,755,000
	18. Canada	2,000,000	2,115,000	2,000,000	2,000,000
	19. Other Countries				
20. Totals	187,517,496	191,142,028	187,731,351	182,755,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	1,318,540,914	1,367,054,380	1,319,273,809	1,296,598,760
	22. Canada	29,362,491	29,509,511	28,346,219	28,714,280
	23. Other Countries	80,030,692	82,615,096	79,675,684	80,156,250
24. Totals	1,427,934,097	1,479,178,987	1,427,295,712	1,405,469,290	
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	3,341,408,657	3,406,433,332	3,337,093,204	3,304,075,338
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
30. Totals					
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
34. Totals					
Industrial and Miscellaneous (unaffiliated)	35. United States	995,204	1,092,273	995,204	
	36. Canada				
	37. Other Countries				
38. Totals	995,204	1,092,273	995,204		
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	995,204	1,092,273	995,204	
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
44. Totals					
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
48. Totals					
Industrial and Miscellaneous (unaffiliated)	49. United States	340,474	340,474	104,910	
	50. Canada				
	51. Other Countries				
52. Totals	340,474	340,474	104,910		
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks	340,474	340,474	104,910	
	55. Total Stocks	1,335,678	1,432,747	1,100,114	
	56. Total Bonds and Stocks	3,342,744,335	3,407,866,079	3,338,193,318	

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	2,853,812,367	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3	2,083,231,295	6.1 Column 15, Part 1	2,743,378
3. Increase (decrease) by adjustment:		6.2 Column 19, Part 2, Section 1	
3.1 Columns 12 + 13 - 14, Part 1	(1,460,601)	6.3 Column 16, Part 2, Section 2	
3.2 Column 18, Part 2, Section 1		6.4 Column 15, Part 4	(83,064)
3.3 Column 15, Part 2, Section 2	39,325	7. Book/adjusted carrying value at end of current period	3,342,744,335
3.4 Column 14, Part 4	(97,981)	8. Total valuation allowance	
4. Total gain (loss), Column 19, Part 4	48,408,759	9. Subtotal (Lines 7 plus 8)	3,342,744,335
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	1,643,849,143	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	3,342,744,335

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	118,862	46,057	35,939	13,874	6,363	3,941	2,251	97,292	X X X
2. 1995	1,473,217	255,895	1,217,322	986,752	158,724	67,986	6,235	108,943	653	28,857	998,069	X X X
3. 1996	1,387,957	205,998	1,181,959	991,456	141,487	75,276	6,049	105,637	333	32,311	1,024,500	X X X
4. 1997	1,353,407	168,518	1,184,889	1,000,574	133,585	87,842	8,808	109,154	651	31,896	1,054,526	X X X
5. 1998	1,427,018	171,926	1,255,092	1,127,955	141,918	87,528	9,231	121,350	1,092	37,708	1,184,592	X X X
6. 1999	1,416,654	203,790	1,212,864	1,117,212	153,929	88,781	10,315	122,062	1,789	35,398	1,162,022	X X X
7. 2000	1,493,996	241,454	1,252,542	1,082,933	175,068	80,390	10,209	115,822	1,362	25,355	1,092,506	X X X
8. 2001	1,551,606	249,840	1,301,766	1,011,258	194,964	62,613	8,198	109,025	766	29,542	978,968	X X X
9. 2002	1,771,571	334,680	1,436,891	858,890	108,844	44,591	4,660	121,958	669	46,957	911,266	X X X
10. 2003	1,972,842	448,108	1,524,734	705,806	129,499	29,246	1,085	124,461	326	44,442	728,603	X X X
11. 2004	2,052,269	500,200	1,552,069	455,581	102,873	10,438	1,159	106,655	3,942	26,055	464,700	X X X
12. Totals	X X X	X X X	X X X	9,457,279	1,486,948	670,630	79,823	1,151,430	15,524	340,772	9,697,044	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	835,490	235,476	247,981	158,716	49,825	43,176	105,557	48,354	18,972		10,110	772,103	X X X
2. 1995	42,996	11,943	10,221	8,062	1,149	361	6,504	3,510	802		740	37,796	X X X
3. 1996	45,192	8,691	10,989	6,790	730	49	3,897	1,162	1,146		1,026	45,262	X X X
4. 1997	62,584	10,328	15,949	12,016	1,870	197	5,437	1,563	1,671		1,143	63,407	X X X
5. 1998	86,547	13,699	22,019	16,624	2,498	512	7,169	1,413	2,295		1,415	88,280	X X X
6. 1999	104,581	28,387	25,452	19,023	2,571	492	11,435	2,924	2,448		1,868	95,661	X X X
7. 2000	119,927	34,467	44,481	33,773	2,985	768	13,352	3,204	3,206		2,519	111,739	X X X
8. 2001	155,764	80,852	56,609	38,985	3,613	861	21,280	6,373	4,436		3,836	114,631	X X X
9. 2002	188,876	92,191	113,202	91,290	4,306	1,392	36,262	5,077	7,076		6,133	159,772	X X X
10. 2003	213,859	61,104	256,844	134,603	6,092	1,944	59,429	7,585	10,629		12,975	341,617	X X X
11. 2004	275,461	71,795	561,971	185,745	5,931	1,350	102,993	11,019	44,371		35,678	720,818	X X X
12. Totals	2,131,277	648,933	1,365,718	705,627	81,570	51,102	373,315	92,184	97,052		77,443	2,551,086	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	689,279	82,824
2. 1995	1,225,353	189,488	1,035,865	83.175	74.049	85.094			16.000	33,212	4,584
3. 1996	1,234,323	164,561	1,069,762	88.931	79.885	90.508			16.000	40,700	4,562
4. 1997	1,285,081	167,148	1,117,933	94.952	99.187	94.349			16.000	56,189	7,218
5. 1998	1,457,361	184,489	1,272,872	102.126	107.307	101.417			16.000	78,243	10,037
6. 1999	1,474,542	216,859	1,257,683	104.086	106.413	103.695			16.000	82,623	13,038
7. 2000	1,463,096	258,851	1,204,245	97.932	107.205	96.144			16.000	96,168	15,571
8. 2001	1,424,598	330,999	1,093,599	91.814	132.484	84.009			16.000	92,536	22,095
9. 2002	1,375,161	304,123	1,071,038	77.624	90.870	74.539			16.000	118,597	41,175
10. 2003	1,406,366	336,146	1,070,220	71.286	75.015	70.191			16.000	274,996	66,621
11. 2004	1,563,401	377,883	1,185,518	76.179	75.546	76.383			16.000	579,892	140,926
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,142,435	408,651

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P-PART 2-SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	One Year	Two Year
1. Prior	2,216,400	2,149,361	2,185,924	2,143,413	2,059,515	2,019,989	2,117,981	2,196,667	2,276,925	2,370,929	94,004	174,262
2. 1995	1,001,142	973,243	948,230	940,157	932,596	931,148	935,963	932,108	929,959	935,074	5,115	2,966
3. 1996	X X X	988,017	944,334	947,300	953,193	964,344	961,987	961,722	961,597	972,267	10,670	10,545
4. 1997	X X X	X X X	940,286	935,769	970,551	986,293	1,005,024	1,006,016	1,007,687	1,019,559	11,872	13,543
5. 1998	X X X	X X X	X X X	1,034,211	1,070,207	1,096,351	1,130,793	1,142,610	1,151,386	1,164,535	13,149	21,925
6. 1999	X X X	X X X	X X X	X X X	1,017,884	1,049,725	1,089,436	1,117,487	1,137,710	1,146,721	9,011	29,234
7. 2000	X X X	X X X	X X X	X X X	X X X	979,057	1,024,260	1,030,891	1,065,620	1,094,156	28,536	63,265
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	1,008,668	982,708	1,000,136	985,717	(14,419)	3,009
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,000,483	944,391	945,604	1,213	(54,879)
10. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,045,859	941,768	(104,091)	X X X
11. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,050,066	X X X	X X X
12. Totals											55,061	263,870

SCHEDULE P-PART 3-SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		
1. Prior	000	378,817	669,051	891,185	1,017,444	1,127,092	1,190,008	1,308,482	1,403,743	1,498,613	X X X	X X X
2. 1995	388,540	587,033	691,676	759,939	808,104	839,004	857,848	871,049	879,835	889,779	X X X	X X X
3. 1996	X X X	412,282	600,190	705,046	784,689	837,842	872,545	893,905	905,034	919,196	X X X	X X X
4. 1997	X X X	X X X	379,224	572,604	702,217	795,543	857,455	897,425	921,898	946,023	X X X	X X X
5. 1998	X X X	X X X	X X X	415,121	666,198	814,837	924,723	987,938	1,031,058	1,064,334	X X X	X X X
6. 1999	X X X	X X X	X X X	X X X	412,437	655,568	808,280	916,857	990,036	1,041,749	X X X	X X X
7. 2000	X X X	X X X	X X X	X X X	X X X	432,571	679,095	807,982	897,026	978,046	X X X	X X X
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	455,518	687,104	801,979	870,709	X X X	X X X
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	428,680	656,887	789,977	X X X	X X X
10. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	395,548	604,468	X X X	X X X
11. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	361,987	X X X	X X X

SCHEDULE P-PART 4-SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1. Prior	981,738	728,108	618,555	479,021	323,399	286,376	229,754	178,201	182,725	152,765
2. 1995	364,460	198,374	122,276	76,759	46,939	34,072	27,908	14,957	8,224	7,076
3. 1996	X X X	330,163	171,035	97,062	58,929	44,065	29,612	14,750	6,219	9,782
4. 1997	X X X	X X X	310,260	151,815	89,677	59,657	48,238	27,291	13,362	12,402
5. 1998	X X X	X X X	X X X	334,984	150,273	86,008	51,152	37,579	17,419	17,826
6. 1999	X X X	X X X	X X X	X X X	330,761	157,019	78,400	47,817	27,722	21,669
7. 2000	X X X	X X X	X X X	X X X	X X X	271,036	103,794	45,750	31,328	25,116
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	282,291	115,422	69,064	35,389
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	301,974	119,255	53,811
10. 2003	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	433,177	178,065
11. 2004	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	478,095

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
		1. Alabama	AL						
2. Alaska	AK	YES	11,450,814	11,596,096	(143,759)	5,748,185	12,078,225	39,392,485	
3. Arizona	AZ	YES	7,251,268	6,835,345	(25,214)	8,326,606	(6,110,563)	23,070,109	
4. Arkansas	AR	YES	8,767,987	8,761,474	40,034	3,497,717	1,089,058	12,545,182	
5. California	CA	YES	58,951,161	62,079,180	14,428	29,861,327	69,882,117	207,840,723	
6. Colorado	CO	YES	12,902,400	13,536,178	(257,955)	10,352,400	4,433,476	32,455,389	
7. Connecticut	CT	YES	11,727,049	11,980,578	50,587	6,777,841	11,612,225	45,391,948	
8. Delaware	DE	YES	2,734,993	2,795,665	3,606	635,032	5,616,472	12,756,041	
9. Dist. Columbia	DC	YES	3,387,319	3,770,837	3,409	669,612	2,114,450	7,028,977	
10. Florida	FL	YES	43,565,032	44,381,759	(223,688)	52,003,964	88,353,821	153,988,723	
11. Georgia	GA	YES	19,789,809	19,809,340	26,614	14,732,399	18,798,770	54,607,223	
12. Hawaii	HI	YES	2,239,330	2,336,034	8,932	948,266	1,667,862	5,195,463	
13. Idaho	ID	YES	3,496,008	(676,742)	65,668	3,230,142	6,285,222	11,945,804	
14. Illinois	IL	YES	42,139,153	43,391,867	(84,188)	51,814,376	83,337,592	112,774,805	
15. Indiana	IN	YES	23,815,055	23,740,191	243,634	11,092,144	14,896,099	40,895,228	
16. Iowa	IA	YES	9,649,483	8,657,806	(18,206)	2,741,671	3,087,422	11,788,873	
17. Kansas	KS	YES	7,091,402	9,000,351	(35,389)	6,340,309	4,646,978	46,532,677	
18. Kentucky	KY	YES	14,148,522	14,276,920	(33,265)	9,583,400	12,880,870	70,526,046	
19. Louisiana	LA	YES	6,489,840	7,846,086	(328)	7,984,595	8,222,789	42,752,657	
20. Maine	ME	YES	3,694,541	4,046,405	(8,422)	1,725,307	2,062,276	14,575,707	
21. Maryland	MD	YES	10,590,869	10,070,597	(2,619)	4,702,523	10,214,811	24,862,681	
22. Massachusetts	MA	YES	16,127,556	18,158,350	(55,421)	13,890,592	24,641,315	76,075,330	
23. Michigan	MI	YES	20,204,833	22,143,348	370,793	13,209,768	16,384,401	91,819,079	
24. Minnesota	MN	YES	14,370,937	13,502,172	(119,311)	10,001,642	7,247,074	120,633,570	
25. Mississippi	MS	YES	10,995,121	10,998,341	(15,392)	4,285,816	7,210,896	17,336,903	
26. Missouri	MO	YES	15,411,889	15,927,166	(68,490)	15,843,158	15,144,971	41,462,908	
27. Montana	MT	YES	3,529,619	3,328,473	10,876	1,600,969	1,736,979	6,112,002	
28. Nebraska	NE	YES	9,828,970	9,295,177	108,432	4,954,909	2,243,444	18,609,259	
29. Nevada	NV	YES	4,591,386	5,048,257	(15,538)	2,643,462	1,718,508	5,233,876	
30. New Hampshire	NH	YES	4,463,147	4,766,126	20,688	2,790,222	7,416,088	18,228,175	
31. New Jersey	NJ	YES	15,341,643	15,530,925	221,745	18,018,721	36,734,882	99,342,622	
32. New Mexico	NM	YES	2,611,541	2,477,581	6,907	2,045,557	1,286,360	4,641,658	
33. New York	NY	YES	47,950,201	44,993,753	326,476	33,978,757	85,198,742	341,822,133	
34. No. Carolina	NC	YES	25,888,669	24,558,320	50,502	12,693,244	16,952,909	49,140,034	
35. No. Dakota	ND	YES	430,174	426,694	162	123,858	112,541	706,967	
36. Ohio	OH	YES	12,899,681	12,588,462	(589)	7,770,955	4,986,333	27,615,783	
37. Oklahoma	OK	YES	16,566,483	15,579,403	(18,806)	6,666,540	8,233,754	20,369,867	
38. Oregon	OR	YES	10,047,345	9,420,233	16,188	4,504,534	7,592,191	32,246,805	
39. Pennsylvania	PA	YES	25,262,796	25,486,051	154,538	29,218,462	67,043,069	165,436,436	
40. Rhode Island	RI	YES	3,302,531	3,170,452	835	1,142,793	1,772,119	6,585,876	
41. So. Carolina	SC	YES	12,760,628	12,442,615	57,270	11,508,319	21,605,484	36,768,642	
42. So. Dakota	SD	YES	1,683,939	1,704,111	58,534	686,044	4,422,252	13,745,905	
43. Tennessee	TN	YES	20,354,704	20,402,698	120,101	14,213,084	5,633,143	42,575,525	
44. Texas	TX	YES	68,073,038	62,862,033	668,090	20,043,580	1,983,505	136,704,958	
45. Utah	UT	YES	5,802,115	5,406,178	15,537	1,693,520	1,952,236	10,438,598	
46. Vermont	VT	YES	3,440,051	3,374,198	(1,173)	2,272,759	561,238	3,854,584	
47. Virginia	VA	YES	16,439,398	17,294,461	(47,663)	8,355,772	11,731,218	37,858,956	
48. Washington	WA	YES	5,619,132	5,954,489	(42,449)	4,835,687	4,836,380	12,985,224	
49. West Virginia	WV	YES	3,468,237	3,957,385	2,121	506,899	790,896	3,767,491	
50. Wisconsin	WI	YES	84,421,105	69,005,353	1,212,543	57,392,754	74,821,099	302,245,163	
51. Wyoming	WY	YES	884,463	836,807	(96,941)	250,383	737,209	1,116,035	
52. American Samoa	AS	NO							
53. Guam	GU	NO					(21)		
54. Puerto Rico	PR	YES	45,232	39,101			(4,395)	22,309	
55. U.S. Virgin Islands	VI	YES	22,994	21,792		7,380	1,091	11,292	
56. Canada	CN	YES	26	11,432	609	356,019	2,601,628	6,687,737	
57. Aggregate other alien	OT	X X X	837,007	794,985	(12,972)	2,977,829	1,625,730	12,865,074	
58. Totals	(a)	53	800,274,885	783,747,164	2,372,588	551,800,388	810,246,281	2,775,593,702	

DETAILS OF WRITE-INS									
5701. Other alien	X X X		837,007	794,985	(12,972)	2,977,829	1,625,730	12,865,074	
5702.	X X X								
5703.	X X X								
5798. Summary of remaining write-ins for Line 57 from overflow page	X X X								
5799. Totals (Lines 5701 through 5703 + 5798) (Line 57 above)	X X X		837,007	794,985	(12,972)	2,977,829	1,625,730	12,865,074	

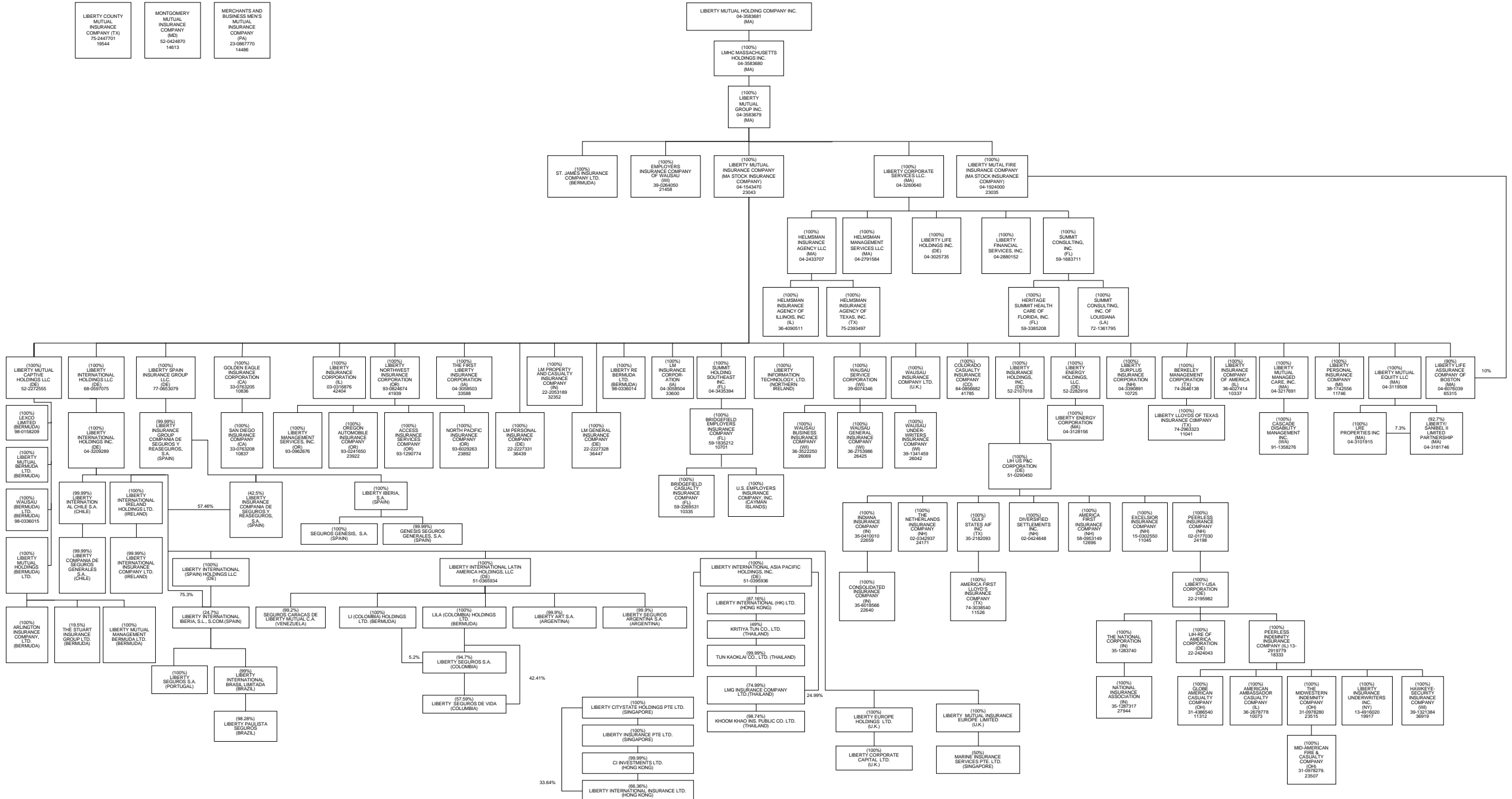
Explanation of basis of allocation of premiums by states, etc.

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

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

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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

OVERFLOW PAGE FOR WRITE-INS

**Page 2 - Continuation
ASSETS**

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

REMAINING WRITE-INS AGGREGATED AT LINE 9 FOR INVESTED ASSETS

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

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

2304. Amounts billed and receivable under high deductible policies	38,072,338	1,005,420	37,066,918	36,449,064
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	38,072,338	1,005,420	37,066,918	36,449,064

OVERFLOW PAGE FOR WRITE-INS

**Page 3 - Continuation
LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
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REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES

2304. Collateral held for securities loaned	412,198	
2305. North Carolina Private Passenger Auto Escrow		107,334
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	412,198	107,334

REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS

2704.		
2705.		
2706.		
2707.		
2708.		
2709.		
2710.		
2711.		
2712.		
2713.		
2714.		
2715.		
2716.		
2717.		
2718.		
2719.		
2720.		
2721.		
2722.		
2723.		
2724.		
2725.		
2797. Totals (Lines 2704 through 2725) (Page 3, Line 2798)		

REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS

3004.		
3005.		
3006.		
3007.		
3008.		
3009.		
3010.		
3011.		
3012.		
3013.		
3014.		
3015.		
3016.		
3017.		
3018.		
3019.		
3020.		
3021.		
3022.		
3023.		
3024.		
3025.		
3097. Totals (Lines 3004 through 3025) (Page 3, Line 3098)		