

ANNUAL STATEMENT

OF THE

INDIANA INSURANCE COMPANY

of **INDIANAPOLIS**

in the state of **INDIANA**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2004



22659200420100100

ANNUAL STATEMENT

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

Indiana Insurance Company

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

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

Country of Domicile United States of America

Incorporated: May 10, 1960 Commenced Business: February 13, 1851

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

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

Mail Address: 175 Berkeley Street Boston, MA 02117

Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02117 617-357-9500

Internet Website Address: www.indiana-ins.com

Statutory Statement Contact: Steven W. Latham 617-357-9500 43660
Steven.Latham@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

Policyowner Relations Contact: 62 Maple Avenue Keene, NH 03431 603-352-3221

OFFICERS

Chairman of the Board
Roger Lucien Jean

Table with 2 columns: Name, Title. Rows include Richard Thomas Bell (President & Chief Executive Officer), Douglas Tucker Jenkins (Secretary), Stephen Douglas Powell (Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Rows include Anthony Alexander Fontanes, Michael Ray Christiansen, Mark Edward Fiebrink, Bob David Effinger, Jr.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Rows include Richard Thomas Bell, Amy Johnston Leddy, Michael Ray Christiansen, Roger Lucien Jean, Christopher Charles Mansfield, Bob David Effinger, Jr., Mark Edward Fiebrink, William George Mersch, John Derek Doyle, Kenneth Paul Blackwood, James Francis Dore, Kevin John Kirschner.

State of
County of 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) Richard Thomas Bell (Printed Name) 1. President & Chief Executive Officer (Title)
(Signature) Douglas Tucker Jenkins (Printed Name) 2. Secretary (Title)
(Signature) Stephen Douglas Powell (Printed Name) 3. 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)	458,553,294		458,553,294	674,943,423
2. Stocks (Schedule D):				
2.1 Preferred stocks	3,115,160		3,115,160	3,250,800
2.2 Common stocks	95,452,776		95,452,776	82,952,708
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)	16,096,634		16,096,634	15,976,136
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 2,204,415 , Schedule E-Part 1), cash equivalents (\$ 0 , Schedule E-Part 2) and short-term investments (\$ 45,119,117 , Schedule DA)	47,323,532		47,323,532	113,522,795
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	2,204,966		2,204,966	6,294,029
8. Receivable for securities	10,796		10,796	
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	622,757,158		622,757,158	896,939,891
11. Investment income due and accrued	4,736,146		4,736,146	7,225,705
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection	17,428,422	1,561,468	15,866,954	69,376,178
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 3,058,376 earned but unbilled premiums)	91,680,224	302,837	91,377,387	179,670,321
12.3 Accrued retrospective premiums				4,720,545
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				22,413,139
13.2 Funds held by or deposited with reinsured companies				20,000
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset	23,445,000	7,168,961	16,276,039	20,704,699
16. Guaranty funds receivable or on deposit	675,470		675,470	275,083
17. Electronic data processing equipment and software	20,146		20,146	88,770
18. Furniture and equipment, including health care delivery assets (\$ 0)	116,357	116,357		
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	32,560,552		32,560,552	
21. Health care (\$ 0) and other amounts receivable				
22. Other assets nonadmitted	90,098	90,098		
23. Aggregate write-ins for other than invested assets	1,481,670	578,651	903,019	74,559
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	794,991,243	9,818,372	785,172,871	1,201,508,890
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	794,991,243	9,818,372	785,172,871	1,201,508,890

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	697,105	578,651	118,454	48,892
2302. Equities and deposits in pools and associations	784,565		784,565	25,667
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 + 2398) (Line 23 above)	1,481,670	578,651	903,019	74,559

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	210,808,710	337,838,487
2. Reinsurance payable on paid loss and loss adjustment expenses (Schedule F, Part 1, Column 6)		25,573,275
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	50,541,044	75,838,424
4. Commissions payable, contingent commissions and other similar charges	12,305,411	19,937,647
5. Other expenses (excluding taxes, licenses and fees)	1,500,507	6,661,853
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	4,970,722	10,620,221
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	4,150,353	10,089,038
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 \$ 176,718,045 and including warranty reserves of \$ 0)	166,036,767	306,682,592
10. Advance premium	640,011	766,905
11. Dividends declared and unpaid:		
11.1 Stockholders		212,750
11.2 Policyholders	(1)	
12. Ceded reinsurance premiums payable (net of ceding commissions)		34,978,354
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		1,640,971
14. Amounts withheld or retained by company for account of others	6,709,931	4,480,286
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		297,200
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	629	
19. Payable to parent, subsidiaries and affiliates		22,505,016
20. Payable for securities	1,040,410	15,014,201
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	6,456,586	58,534,447
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	465,161,080	931,671,667
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	465,161,080	931,671,667
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	4,000,000	4,000,000
29. Preferred capital stock	1,850,000	1,850,000
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	45,442,432	45,442,432
33. Unassigned funds (surplus)	268,719,359	218,544,791
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)	320,011,791	269,837,223
36. TOTALS (Page 2, Line 26, Col. 3)	785,172,871	1,201,508,890

DETAILS OF WRITE-INS		
2301. Other liabilities	1,874,935	1,996,634
2302. Collateral held for securities loaned	4,581,651	54,046,952
2303. North Carolina Private Passenger Auto Escrow		1,352,964
2398. Summary of remaining write-ins for Line 23 from overflow page		1,137,897
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	6,456,586	58,534,447
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

UNDERWRITING AND INVESTMENT EXHIBIT STATEMENT OF INCOME	1	2
UNDERWRITING INCOME	Current Year	Prior Year
1. Premiums earned (Part 1, Line 34, Column 4)	321,873,761	575,946,155
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	172,451,210	295,435,516
3. Loss expenses incurred (Part 3, Line 25, Column 1)	41,447,631	45,856,958
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	108,633,084	199,746,168
5. Aggregate write-ins for underwriting deductions	(791,442)	1,352,964
6. Total underwriting deductions (Lines 2 through 5)	321,740,483	542,391,606
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	133,278	33,554,549
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	39,763,576	30,876,163
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))	7,048,101	314,920
11. Net investment gain (loss) (Lines 9 + 10)	46,811,677	31,191,083
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 13,069 amount charged off \$ 870,683)	(857,614)	(1,262,752)
13. Finance and service charges not included in premiums	1,160,650	1,551,645
14. Aggregate write-ins for miscellaneous income	804,158	(2,510,489)
15. Total other income (Lines 12 through 14)	1,107,194	(2,221,596)
16. Net income before dividends to policyholders and before federal and foreign income taxes (Lines 8 + 11 + 15)	48,052,149	62,524,036
17. Dividends to policyholders	442,866	1,082,095
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	47,609,283	61,441,941
19. Federal and foreign income taxes incurred	(4,666,799)	20,589,639
20. Net income (Line 18 minus Line 19) (to Line 22)	52,276,082	40,852,302
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	269,837,223	218,984,304
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	52,276,082	40,852,302
23. Change in net unrealized capital gains or (losses)	2,582,747	4,930,540
24. Change in net unrealized foreign exchange capital gain (loss)		
25. Change in net deferred income tax	(21,428,530)	(58,376,078)
26. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	18,718,294	57,565,971
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	297,200	7,158,984
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		
32.2 Transferred to capital (Stock Dividend)		
32.3 Transferred from capital		
33. Net remittances from or (to) Home Office		
34. Dividends to stockholders	(850,998)	(851,000)
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	(1,420,227)	(427,800)
37. Change in surplus as regards policyholders for the year (Lines 22 through 36)	50,174,568	50,852,919
38. Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 37) (Page 3, Line 35)	320,011,791	269,837,223
DETAILS OF WRITE-INS		
0501. North Carolina 2004 Private Passenger Auto Escrow	(791,442)	1,352,964
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)	(791,442)	1,352,964
1401. Other income / (expense)	804,158	(2,510,489)
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	804,158	(2,510,489)
3601. Other adjustment to surplus	(1,420,227)	(427,800)
3602.		
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)	(1,420,227)	(427,800)

CASH FLOW		1	2
Cash from Operations		Current Year	Prior Year
1.	Premiums collected net of reinsurance	294,321,241	569,739,642
2.	Net investment income	43,688,664	30,076,199
3.	Miscellaneous income	1,715,868	1,517,432
4.	Total (Lines 1 through 3)	339,725,773	601,333,273
5.	Benefit and loss related payments	302,641,123	249,665,781
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	193,430,121	236,331,135
8.	Dividends paid to policyholders	442,867	1,082,095
9.	Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	1,371,886	5,218,827
10.	Total (Lines 5 through 9)	497,885,997	492,297,838
11.	Net cash from operations (Line 4 minus Line 10)	(158,160,224)	109,035,435
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	431,811,125	171,455,489
12.2	Stocks		2,040,000
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets	4,087,600	
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		7,469,067
12.8	Total investment proceeds (Lines 12.1 to 12.7)	435,898,725	180,964,556
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	209,333,646	458,556,179
13.2	Stocks	9,781,681	8,361,924
13.3	Mortgage loans		
13.4	Real estate	593,790	
13.5	Other invested assets		6,296,420
13.6	Miscellaneous applications	13,984,588	
13.7	Total investments acquired (Lines 13.1 to 13.6)	233,693,705	473,214,523
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)	202,205,020	(292,249,967)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders	1,063,748	638,250
16.6	Other cash provided (applied)	(109,180,311)	255,293,515
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(110,244,059)	254,655,265
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Line 11, plus Lines 15 and 17)	(66,199,263)	71,440,733
19.	Cash and short-term investments:		
19.1	Beginning of year	113,522,795	42,082,062
19.2	End of year (Line 18 plus Line 19.1)	47,323,532	113,522,795

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	2,190,856	3,174,729	1,984,003	3,381,582
2. Allied lines	2,044,828	3,173,888	1,772,550	3,446,166
3. Farmowners multiple peril	2,152,938	2,325,012	1,550,822	2,927,128
4. Homeowners multiple peril	13,572,101	31,832,422	16,486,422	28,918,101
5. Commercial multiple peril	62,775,318	91,666,901	53,054,710	101,387,509
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	5,449,190	8,311,109	4,428,380	9,331,919
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake	465,077	1,271,239	617,796	1,118,520
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	24,727,743	29,357,646	16,707,800	37,377,589
17.1 Other liability - occurrence	12,551,375	12,978,980	8,563,560	16,966,795
17.2 Other liability - claims-made				
18.1 Products liability - occurrence	184,157	338,254	198,592	323,819
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability	14,375,310	34,284,783	15,494,516	33,165,577
19.3, 19.4 Commercial auto liability	24,895,665	41,168,563	22,624,905	43,439,323
21. Auto physical damage	17,878,576	41,133,039	19,194,471	39,817,144
22. Aircraft (all perils)				
23. Fidelity	12,218	9,654	(88,534)	110,406
24. Surety	50,791	325,024	318,546	57,269
26. Burglary and theft	73,062	17,485	21,012	69,535
27. Boiler and machinery	88,309	(4,090)	48,840	35,379
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability				
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	183,487,514	301,364,638	162,978,391	321,873,761

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	1,984,003				1,984,003
2. Allied lines	1,772,550				1,772,550
3. Farmowners multiple peril	1,550,822				1,550,822
4. Homeowners multiple peril	16,486,422				16,486,422
5. Commercial multiple peril	54,333,716		(1,279,006)		53,054,710
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	4,428,380				4,428,380
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	617,796				617,796
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	18,079,829		(1,372,028)		16,707,801
17.1 Other liability - occurrence	8,969,517		(405,957)		8,563,560
17.2 Other liability - claims-made					
18.1 Products liability - occurrence	199,701		(1,109)		198,592
18.2 Products liability - claims-made					
19.1, 19.2 Private passenger auto liability	15,494,516				15,494,516
19.3, 19.4 Commercial auto liability	22,624,905				22,624,905
21. Auto physical damage	19,194,471				19,194,471
22. Aircraft (all perils)					
23. Fidelity	(159,807)	71,275			(88,532)
24. Surety	63,993	254,552			318,545
26. Burglary and theft	21,012				21,012
27. Boiler and machinery	49,116		(276)		48,840
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property					
31. Reinsurance-Nonproportional Assumed Liability					
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	165,710,940	325,827	(3,058,376)		162,978,391
35. Accrued retrospective premiums based on experience					
36. Earned but unbilled premiums					3,058,376
37. Balance (Sum of Line 34 through 36)					166,036,767

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	2,730,478	2,190,856		2,730,478		2,190,856
2. Allied lines	2,627,791	2,044,828		2,627,791		2,044,828
3. Farmowners multiple peril	4,924,380	2,152,938		4,924,380		2,152,938
4. Homeowners multiple peril	59,726,414	13,572,101		59,726,414		13,572,101
5. Commercial multiple peril	88,144,269	62,775,318		88,144,269		62,775,318
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	3,901,974	5,449,190		3,901,974		5,449,190
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake	3,649,990	465,077		3,649,990		465,077
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	32,932,694	24,727,743		32,932,694		24,727,743
17.1 Other liability - occurrence	32,125,131	12,551,375		32,125,131		12,551,375
17.2 Other liability - claims-made						
18.1 Products liability - occurrence	221,635	184,157		221,635		184,157
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	49,260,691	14,375,310		49,260,691		14,375,310
19.3, 19.4 Commercial auto liability	33,646,262	24,895,665		33,646,262		24,895,665
21. Auto physical damage	53,290,824	17,878,576		53,290,824		17,878,576
22. Aircraft (all perils)						
23. Fidelity		12,218				12,218
24. Surety	6,669	50,791		6,669		50,791
26. Burglary and theft	9,866	73,062		9,866		73,062
27. Boiler and machinery	26,647	88,309		26,647		88,309
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	367,225,715	183,487,514		367,225,715		183,487,514

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	1,342,958	1,044,303	1,342,958	1,044,303	563,644	589,303	1,018,644	30.123
2. Allied lines	604,278	1,459,033	604,278	1,459,033	282,108	798,705	942,436	27.347
3. Farmowners multiple peril	1,911,693	1,519,857	1,911,693	1,519,857	725,907	898,799	1,346,965	46.017
4. Homeowners multiple peril	28,594,612	19,802,155	28,594,612	19,802,155	6,487,283	11,974,512	14,314,926	49.502
5. Commercial multiple peril	34,234,147	72,665,844	34,234,147	72,665,844	64,030,949	86,989,103	49,707,690	49.027
6. Mortgage guaranty								
8. Ocean marine		87,926		87,926	61,544	154,554	(5,084)	
9. Inland marine	975,852	3,181,085	975,852	3,181,085	889,066	1,360,457	2,709,694	29.037
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake		15,951		15,951	20,030	28,359	7,622	0.681
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	24,118,804	62,217,926	24,118,804	62,217,926	49,304,917	86,573,591	24,949,252	66.749
17.1 Other liability - occurrence	5,630,518	12,113,659	5,630,518	12,113,659	16,071,598	21,712,651	6,472,606	38.149
17.2 Other liability - claims - made								
18.1 Products liability - occurrence	6,516	90,117	6,516	90,117	323,922	259,975	154,064	47.577
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	38,035,655	56,856,010	38,035,655	56,856,010	32,595,651	63,939,440	25,512,221	76.924
19.3, 19.4 Commercial auto liability	21,144,664	48,533,475	21,144,664	48,533,475	37,266,026	59,118,525	26,680,976	61.421
21. Auto physical damage	23,341,207	18,727,213	23,341,207	18,727,213	854,474	1,449,704	18,131,983	45.538
22. Aircraft (all perils)								
23. Fidelity	(1,087)	9,652	(1,087)	9,652	10,135	10,917	8,870	8.034
24. Surety	(1,038)	242,133	(1,038)	242,133	132,521	341,901	32,753	57.191
26. Burglary and theft		28,380		28,380	429,973	41,818	416,535	599.029
27. Boiler and machinery		13,681		13,681	70,672	35,298	49,055	138.656
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X	872,584		872,584	688,291	1,560,875		
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
33. Aggregate write-ins for other lines of business								
34. TOTALS	179,938,779	299,480,984	179,938,779	299,480,984	210,808,711	337,838,487	172,451,208	53.577

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	139,311	470,521	139,311	470,521	33,554	93,123	33,554	563,644	3,113
2. Allied lines	88,281	212,464	88,281	212,464	32,054	69,644	32,054	282,108	56,374
3. Farmowners multiple peril	1,230,722	544,721	1,230,722	544,721	405,864	181,185	405,864	725,906	131,717
4. Homeowners multiple peril	10,522,174	5,335,005	10,522,174	5,335,005	1,425,552	1,152,278	1,425,552	6,487,283	1,314,987
5. Commercial multiple peril	72,139,842	40,935,591	72,139,842	40,935,591	28,981,603	23,095,358	28,981,603	64,030,949	25,709,528
6. Mortgage guaranty									
8. Ocean marine		17,701		17,701		43,843		61,544	8,450
9. Inland marine	704,326	586,918	704,326	586,918	40,379	302,148	40,379	889,066	240,383
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake					44,436	20,030	44,436	20,030	(27,324)
13. Group accident and health								(a)	282
14. Credit accident and health (group and individual)								(a)	20
15. Other accident and health									
16. Workers' compensation	41,609,700	30,822,037	41,609,700	30,822,037	8,044,004	18,482,881	8,044,004	49,304,918	6,807,416
17.1 Other liability - occurrence	14,593,478	4,741,801	13,200,059	6,135,220	21,792,868	8,761,083	20,617,573	16,071,598	2,903,289
17.2 Other liability - claims - made									
18.1 Products liability - occurrence	26,000	117,795	26,000	117,795	(6,978)	206,126	(6,978)	323,921	253,245
18.2 Products liability - claims - made									136
19.1, 19.2 Private passenger auto liability	38,692,908	23,230,420	38,692,908	23,230,420	10,374,249	9,365,231	10,374,250	32,595,650	6,274,245
19.3, 19.4 Commercial auto liability	20,543,918	19,833,297	20,506,246	19,870,969	24,867,433	17,395,029	24,867,406	37,266,025	5,777,775
21. Auto physical damage	1,517,746	1,335,702	1,517,821	1,335,627	(23,315)	(481,126)	(23,288)	854,474	895,388
22. Aircraft (all perils)									
23. Fidelity		5,466		5,466		4,668		10,134	27,721
24. Surety		(42,279)		(42,279)		174,801		132,522	188,575
26. Burglary and theft		490		490	139,164	429,483	139,164	429,973	(44,079)
27. Boiler and machinery	7,500	5,770	7,500	5,770	19,638	64,902	19,638	70,672	19,804
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	66,775		66,775	X X X	621,516		688,291	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	201,815,906	128,220,195	200,384,890	129,651,211	96,170,505	79,982,203	94,995,211	210,808,708	50,541,045

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	22,333,692			22,333,692
1.2 Reinsurance assumed	21,640,118			21,640,118
1.3 Reinsurance ceded	20,806,555			20,806,555
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	23,167,255			23,167,255
2. Commission and brokerage:				
2.1 Direct excluding contingent		52,134,044		52,134,044
2.2 Reinsurance assumed excluding contingent		51,552,322		51,552,322
2.3 Reinsurance ceded excluding contingent		52,134,044		52,134,044
2.4 Contingent-direct		27,340,106		27,340,106
2.5 Contingent-reinsurance assumed		11,494,488		11,494,488
2.6 Contingent-reinsurance ceded		27,340,106		27,340,106
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)		63,046,810		63,046,810
3. Allowances to manager and agents		98,525		98,525
4. Advertising		846,725		846,725
5. Boards, bureaus and associations	58,295	673,912		732,207
6. Surveys and underwriting reports	236	1,813,036		1,813,272
7. Audit of assureds' records		28		28
8. Salary and related items:				
8.1 Salaries	10,364,406	19,583,202	53,200	30,000,808
8.2 Payroll taxes	801,046	1,405,587	10,030	2,216,663
9. Employee relations and welfare	1,949,989	3,527,823	27,472	5,505,284
10. Insurance	422,841	224,695		647,536
11. Directors' fees	110	3,446		3,556
12. Travel and travel items	659,403	1,636,837		2,296,240
13. Rent and rent items	1,043,504	1,799,155		2,842,659
14. Equipment	738,463	1,372,312	2,180	2,112,955
15. Cost or depreciation of EDP equipment and software	645,230	1,180,305		1,825,535
16. Printing and stationery	190,815	487,151	872	678,838
17. Postage, telephone and telegraph, exchange and express	548,145	1,356,343	436	1,904,924
18. Legal and auditing	116,767	305,606	201,463	623,836
19. Totals (Lines 3 to 18)	17,539,250	36,314,688	295,653	54,149,591
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 74,539		8,563,925		8,563,925
20.2 Insurance department licenses and fees		386,115		386,115
20.3 Gross guaranty association assessments		122,752		122,752
20.4 All other (excluding federal and foreign income and real estate)		198,794		198,794
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		9,271,586		9,271,586
21. Real estate expenses			983,569	983,569
22. Real estate taxes			234,117	234,117
23. Reimbursements by uninsured accident and health plans				
24. Aggregate write-ins for miscellaneous expenses	741,126			741,126
25. Total expenses incurred	41,447,631	108,633,084	1,513,339	(a) 151,594,054
26. Less unpaid expenses-current year	50,541,044	18,776,640		69,317,684
27. Add unpaid expenses-prior year	75,838,424	37,219,722		113,058,146
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)	66,745,011	127,076,166	1,513,339	195,334,516

DETAILS OF WRITE-INS				
2401. Change in unallocated bulk reserves	741,126			741,126
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	741,126			741,126

(a) Includes management fees of \$ 295,655 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 4,575,647	3,837,132
1.1 Bonds exempt from U.S. tax	(a) 136,743	208,243
1.2 Other bonds (unaffiliated)	(a) 33,221,398	31,433,957
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 193,550	193,550
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	3,037,557	3,037,557
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d) 2,324,394	2,324,394
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 274,309	284,248
7. Derivative instruments	(f)	
8. Other invested assets	339,940	294,898
9. Aggregate write-ins for investment income	136,230	136,230
10. Total gross investment income	44,239,768	41,750,209

11. Investment expenses		(g) 1,513,340
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i) 473,292
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		1,986,632
17. Net investment income (Line 10 minus Line 16)		39,763,577

DETAILS OF WRITE-INS			
0901. Miscellaneous Income / (Expense)		136,230	136,230
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)		136,230	136,230
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 \$ 448,115 accrual of discount less \$ 1,410,352 amortization of premium and less \$ 1,162,060 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 2,324,394 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 473,292 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	317,179			317,179
1.1 Bonds exempt from U.S. tax	194,210			194,210
1.2 Other bonds (unaffiliated)	6,538,199			6,538,199
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)			(135,640)	(135,640)
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)			669,259	669,259
2.21 Common stocks of affiliates			2,049,128	2,049,128
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)	(1,486)			(1,486)
10. Total capital gains (losses)	7,048,102		2,582,747	9,630,849

DETAILS OF WRITE-INS			
0901. Miscellaneous Gains / (Losses)		(1,486)	(1,486)
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)		(1,486)	(1,486)

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	1,561,468	2,942,746	1,381,278
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	302,837		(302,837)
12.3 Accrued retrospective premiums		597,409	597,409
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			
15.1 Current federal and foreign income tax recoverable and interest thereon			
15.2 Net deferred tax asset	7,168,961	24,168,831	16,999,870
16. Guaranty funds receivable or on deposit			
17. Electronic data processing equipment and software			
18. Furniture and equipment, including health care delivery assets	116,357	227,509	111,152
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	90,098	83,619	(6,479)
23. Aggregate write-ins for other than invested assets	578,651	516,552	(62,099)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	9,818,372	28,536,666	18,718,294
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	9,818,372	28,536,666	18,718,294

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	578,651	516,552	(62,099)
2302. Equities and deposits in pools and associations			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	578,651	516,552	(62,099)

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

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

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

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

C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods 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, except that investments in stocks of subsidiaries and affiliates are carried on the equity basis.
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 carries its investments in subsidiaries, controlled, and affiliated (SCA) companies in accordance with SSAP No. 46, *Investment in Subsidiaries, Controlled Entities, and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. The Company has no investments in joint ventures, partnerships or limited liability companies.
9. The Company has no derivative instruments.
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 Indiana. Effective January 1, 2001, the Indiana Insurance Department required that insurance companies domiciled in Indiana 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 Indiana Insurance Commissioner.

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method, including Mezzanine Real Estate Loans.

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

NOTES TO FINANCIAL STATEMENTS

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

The Company does not hold any mortgage loans as investments.

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.

B. Impairments, partnerships and limited liability companies.

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2004.

Note 8- Derivative Instruments

The Company was not a party to any derivative financial instruments during the year.

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

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

	December 31, 2004	December 31, 2003	Change
Total of gross deferred tax assets	25,370,834	50,658,850	(25,288,016)
Total of deferred tax liabilities	(1,925,833)	(5,785,320)	3,859,487
Net deferred tax asset	23,445,001	44,873,530	(21,428,529)
Net deferred tax asset non-admitted	(7,168,961)	(24,168,831)	16,999,870
Net admitted deferred tax asset	16,276,040	20,704,699	(4,428,659)

- 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	(2,757,199)	23,952,062
Net operating loss benefit	(1,909,600)	3,362,423
Foreign	0	0
Federal and foreign income tax incurred	(4,666,799)	20,589,639

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 intercompany gain, fixed asset depreciation differences, deferred compensation, unrealized gains, and statutory non-admitted assets.

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, dividends-received deductions, travel and entertainment, goodwill, 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 none from the current year and none from the preceding year.

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

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

Access Insurance Services, Co.	Liberty 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.
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

NOTES TO FINANCIAL STATEMENTS

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. The company is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in the state of Delaware. All of the outstanding shares of LIH US P&C Corporation are owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in the state of Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company, a Massachusetts insurance company. The ultimate parent of Liberty Mutual Insurance Company is Liberty Mutual Holding Company, a Massachusetts company.
- B. During 2004 the Company recorded transactions relating to the management and service agreements (see Note 10F), the Federal tax allocation agreement (see Note 9F), and the intercompany pooling agreement (see Note 26).
- C. There have been no material transactions with the company's affiliates during 2004.
- D. At December 31, 2004, the Company reported \$32,560,552 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. The Company entered into a management and services agreement (the "Agreement"), effective January 1, 1999, with Peerless Insurance Company (PIC) and other affiliates. The Agreement allows all parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into an investment management agreement, effective May 1999 with Liberty Mutual Insurance Group (LMIG). Under this agreement, LMIG provides investment management services to the Company.

The Company entered into a Federal Tax Sharing Agreement, effective January 1, 2002, between LMIG and affiliates (see Note 9F). A minor change was made in 2004 to the Federal Tax Sharing Agreement that adds a provision to clarify that the Agreement may not be assigned except by an agreement in writing signed by the parties.

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

Note 11- Debt

Not applicable.

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

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of an intercompany cost-sharing arrangement as described in note 10(f).

NOTES TO FINANCIAL STATEMENTS

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

1. Common Stock

The Company has 4,800,000 shares authorized, and 3,200,000 shares issued and outstanding as of December 31, 2004. All shares have a stated par value of \$1.25.

2. Preferred Stock

The Company has 4,500,000 shares authorized, and 925,000 shares issued and outstanding as of December 31, 2004. All shares have a stated par value of \$2.00.

The dividend rate is equal to the yield on 5 year Treasury Notes as of the issue date, adjusted every five years. Dividends are payable on the last business day of each calendar quarter. The Company paid \$212,750 in dividends on the last business day of each calendar quarter. The stock is redeemable at \$20 per share with 30 days notice. In the event of liquidation, holders of the preferred stock are entitled to receive an amount equal to \$20 per share.

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Indiana-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2005 is \$52,276,081.

5. The Company does not have restricted unassigned surplus.

6. The Company had no advances to surplus.

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

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

9. The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

	Cumulative Increase (Decrease) in Surplus	Current Year Increase (Decrease) in Surplus
a. Unrealized gains/(losses)	\$49,454,831	\$2,582,747
b. Nonadmitted asset values	(9,818,372)	18,718,294
c. Provision for reinsurance	0	297,200
Total	\$39,636,459	\$21,598,241

10. Surplus Notes

Not applicable

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

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$2,225,379 that is offset by future premium tax credits of \$675,470. 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

NOTES TO FINANCIAL STATEMENTS

that the insolvency will result in a guaranty fund assessment against the Company of \$1,228,461 that has been charged to operations in the prior year, and any remaining 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 following is a schedule of the Company's minimum lease obligations under these agreements for the next five years:

2005	\$1,585,306
2006	\$1,340,733
2007	\$1,147,994
2008	\$979,534
2009	\$604,941
2010 & thereafter	\$1,727,720
Total	<u>\$7,386,228</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 concentrations of credit risk.

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

A. Transfers of Receivables reported as sales:

The company did not sell premium receivables.

B. Transfers and servicing of financial assets:

The Company participates in 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 \$49,027,896, with corresponding collateral value at \$49,989,204.

C. 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

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 – September 11 Events

The Company has no material exposure to losses arising from the World Trade Center disaster of September 11, 2001.

NOTES TO FINANCIAL STATEMENTS

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) The following is in answer to General Interrogatories, Part 2, 6.1, 6.2 and 6.3.

- 1 The Company participates in a Liberty Mutual Group cover in the amount of \$400 million in excess of \$100 million. The Company also has a cover of \$75 million in excess of \$25 million and underlying casualty excess reinsurance to \$25 million.
- 2 The Company tracks aggregate property exposure for homeowners and commercial risks. The highest concentrations of risk are located in Connecticut and Rhode Island. The Company utilizes the services of a broker and RMS and AIR software models to estimate the probable maximum loss.
- 3 The Company maintains a property excess reinsurance agreement with a retention of \$3,000,000 which inures to the benefit of the property catastrophe treaty. The Company has a \$50 million retention on the property catastrophe treaty and limits of \$150 million. There is additional coverage for the Northeast and additional earthquake coverage for the New Madrid area to \$250 million. The Company also participates in a Liberty Mutual Group cover in the amount of \$750 million in excess of \$250 million.

The Company's Property Excess treaties exclude terrorism coverage. The Company purchased property terrorism reinsurance of \$20 million in excess of \$5 million per event. The Company's Casualty Excess agreements provide terrorism coverage equal to one times the layer or \$5,000,000 whichever is lower. Second Event Casualty terrorism reinsurance of \$10 million in excess of \$5 million per event was purchased. In addition the Company participates in a Cross Line Terrorism agreement for the Liberty Mutual Group which provides \$200 million in excess of \$150 million.

2) Assets in the amount of \$1,720,461 and \$1,737,441 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, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.

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

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2004.

	<u>Assumed Reinsurance</u>		<u>Ceded Reinsurance</u>		<u>Net Reinsurance</u>	
	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>	<u>UEP</u>	<u>Commission Equity</u>
Affiliates	\$166,036,767	\$23,571,792	\$176,718,045	\$25,088,184	(\$10,681,278)	\$(1,516,392)
All Other	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$166,036,767	\$23,571,792	\$176,718,045	\$25,088,184	(\$10,681,278)	\$(1,516,392)

Direct unearned premium reserve of \$176,718,045.

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

Direct	\$54,411,112
Assumed	\$11,897,020
Ceded	\$54,411,112
Net	<u>\$11,897,020</u>

NOTES TO FINANCIAL STATEMENTS

- D. The Company did not write off any uncollectible balances in 2004.
- E. The Company does not have ceded commutations.
- F. The Company does not have any retroactive reinsurance agreements.
- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2004.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not write loss responsive policies or policies subject to redetermination.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

The estimated cost of loss and loss adjustment expenses attributed to insured events of prior years increased by \$2,901,363 during 2004. This represents 1.1% of unpaid losses and loss adjustment expenses of \$261,349,452 as of December 31, 2004. Increases or decreases of this nature occur as the result of claim settlements during the calendar year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses.

Note 26- Intercompany Pooling Arrangements

The Company is a member of the Liberty Insurance Holdings (LIH) Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Line of Business
Lead Company:	Peerless Insurance Company (PIC)	24198	41.59%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	27.36%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	13.25%	All Lines
	Indiana Insurance Company (IIC)	22659	12.25%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.27%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	2.28%	All Lines
			100.00%	
100% Quota Share ("Fronted")	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
Affiliated Companies:	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	Merchants and Business Men's Mutual Insurance Company (M&B)	14486	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	National Insurance Association (NIA)	27944	0.00%	All Lines
	The Midwestern Indemnity Company (MIC)	23515	0.00%	All Lines
	Mid-America Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	America First Lloyds Insurance Company (AFLIC)	11526	0.00%	All Lines

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the lead company
- (b) With the exception of MIC, MAFCC, GACC, AACC, and HSIC, all fronted companies cede its net underwriting activity to the lead company. MIC, MAFCC, GACC, AACC, and HSIC cede its net underwriting activity to PIIC.
- (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.

NOTES TO FINANCIAL STATEMENTS

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 and Montgomery Mutual Insurance Company, cancelled its participation in the Liberty Mutual Inter-Company Reinsurance Agreement and concurrently became a member of the LIH Inter-Company Reinsurance Agreement.

The LIH Pool Participation percentages were revised as follows:

	<u>2004</u>	<u>2003</u>
Peerless Insurance Company	41.59	41.59
Peerless Indemnity Insurance Company	27.36	27.36
Golden Eagle Insurance Corporation	13.25	-
Indiana Insurance Company	12.25	27.78
Netherlands Insurance Company	3.27	3.27
Montgomery Mutual Insurance Company	2.28	-

Also effective January 1, 2004, GEIC 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 & Businessmen'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 processing its external reinsurance, each company would cede 100% of its direct underwriting activity to PIC.

The above transactions resulted in the companies transferring their in-force business, as of January 1, 2004 (except for GEIC's workers' compensation business), to the LIH Inter-Company Reinsurance Agreement and compensating the companies in the LIH Inter-Company Reinsurance Agreement by a like amount. There were no gains or losses to surplus as a result.

Note 27- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$2,892,136 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 \$2,892,136 as of December 31, 2004.
- A. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 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.

Note 31- High Dollar Deductible Policies

The Company does not have any high deductible policies.

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 3.5%. The December 31, 2004, liabilities of \$58,615,291 are carried at a discounted value of \$56,112,334 representing a discount of \$2,502,957.

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 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

NOTES TO FINANCIAL STATEMENTS

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.

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

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

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

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

<u>Asbestos:</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gross of Reinsurance Basis					
Beginning Reserves	\$16,244,749	\$13,296,273	\$13,211,412	\$16,545,756	\$18,188,505
Incurred losses and LAE	(1,205,640)	1,532,145	5,750,000	3,439,443	3,232,526
Calendar year payments	1,742,836	1,617,006	2,415,656	1,796,694	3,033,728
Ending Reserves	\$13,296,273	\$13,211,412	\$16,545,756	\$18,188,505	\$18,387,303
Net of Reinsurance Basis					
Beginning Reserves	\$1,597,259	\$1,296,713	\$1,303,681	\$1,550,212	\$1,927,148
Incurred losses and LAE	(106,626)	169,882	496,125	597,031	146,107
Calendar year payments	193,920	162,914	249,594	220,095	312,410
Ending Reserves	\$1,296,713	\$1,303,681	\$1,550,212	\$1,927,148	\$1,760,845
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$14,015,462
Net of Reinsurance Basis:					\$1,403,812
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$3,849,699
Net of Reinsurance Basis:					\$411,508

NOTES TO FINANCIAL STATEMENTS

Environmental:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gross of Reinsurance Basis					
Beginning Reserves	\$34,681,718	\$29,021,738	\$21,251,007	\$13,286,937	\$18,023,816
Incurring losses and LAE	(3,282,667)	(3,352,796)	0	5,547,367	1,807,253
Calendar year payments	2,377,313	4,417,935	7,964,070	810,488	1,282,776
Ending Reserves	\$29,021,738	\$21,251,007	\$13,286,937	\$18,023,816	\$18,548,293
Net of Reinsurance Basis					
Beginning Reserves	\$3,097,472	\$2,504,850	\$2,256,387	\$1,280,876	\$2,139,282
Incurring losses and LAE	(318,520)	286,677	0	957,691	23,716
Calendar year payments	274,102	535,140	975,511	99,285	370,826
Ending Reserves	\$2,504,850	\$2,256,387	\$1,280,876	\$2,139,282	\$1,792,172
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Gross of Reinsurance Basis					\$16,786,342
Net of Reinsurance Basis:					\$1,752,674
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Gross of Reinsurance Basis					\$4,705,188
Net of Reinsurance Basis:					\$502,954

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	46,066,635	7.397	46,066,635	7.397
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	4,874,071	0.783	4,874,071	0.783
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	4,086,411	0.656	4,086,411	0.656
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	5,467,508	0.878	5,467,508	0.878
1.512 Issued or guaranteed by FNMA and FHLMC	35,579,256	5.713	35,579,256	5.713
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	151,870,728	24.387	151,870,728	24.387
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	20,445,029	3.283	20,445,029	3.283
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	190,163,656	30.536	190,163,656	30.536
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	42,490,133	6.823	42,490,133	6.823
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	3,115,160	0.500	3,115,160	0.500
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated	52,962,643	8.505	52,962,643	8.505
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	16,096,635	2.585	16,096,635	2.585
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	10,796	0.002	10,796	0.002
8. Cash, cash equivalents and short-term investments	47,323,532	7.599	47,323,532	7.599
9. Other invested assets	2,204,966	0.354	2,204,966	0.354
10. Total invested assets	622,757,159	100.000	622,757,159	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []
- 1.3 State Regulating? Indiana
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
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. 12/31/1998
- 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. 12/31/1998
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 07/19/2001
- 3.4 By what department or departments? Indiana
- 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? William M. Finn, FCAS, MAAA, Vice President & Senior Actuary
 62 Maple Avenue Keene, NH 03431
 Liberty Regional Agency Market
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?
 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	4,500,000	925,000	2.00		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Common	4,800,000	3,200,000	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 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

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

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No N/A
 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

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

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	503,672,410	513,102,566	9,430,155
25.2 Preferred stocks	3,115,160	3,196,700	81,540
25.3 Totals	506,787,570	516,299,266	9,511,695

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? \$ 1,311,137

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
Insurance Service Office, Inc	\$ 716,503
	\$
	\$
	\$
	\$

28.1 Amount of payments for legal expenses, if any? \$ 38,237

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
Director of Insurance	\$ 20,000
	\$
	\$
	\$
	\$

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 [X]
 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. \$ _____

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 \$ _____
 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	\$ _____	\$ _____
2.2 Premium Denominator	\$ 321,883,571	\$ _____
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ _____	\$ _____
2.5 Reserve Denominator	\$ 261,349,754	\$ _____
2.6 Reserve Ratio (2.4/2.5)	_____	_____

3.1 Does the reporting entity issue both participating and non-participating policies? YES [X] NO []
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$ 1,944,164
 3.22 Non-participating policies \$ 365,281,551

4. For Mutual Reporting Entities and Reciprocal Exchange only:
 4.1 Does the reporting entity issue assessable policies? YES [] NO [X]
 4.2 Does the reporting entity issue non-assessable policies? YES [] NO [X]
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? _____ %
 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 [X]
 5.2 If yes, is the commission paid:
 5.21 Out of Attorney's-in-fact compensation YES [] NO [X] N/A []
 5.22 As a direct expense of the exchange YES [] NO [X] 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 [X]
 5.5 If yes, give full information _____

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:
See Note 21 C (1)
- 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: See Note 21 C (1)
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? See Note 21 C (1)
- 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 | \$ | _____ |
| 11.12 | Unpaid underwriting expenses (including loss adjustment expenses) | \$ | _____ |
- 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? \$ _____
- 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 | _____ | % |
| 11.42 | To | _____ | % |
- 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 | \$ | _____ |
| 11.62 | Collateral and other funds | \$ | _____ |
- 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): \$ _____ 477,750
- 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. _____ 3

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)	224,920,663	420,206,744	403,288,573	331,795,142	280,630,527
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	94,312,512	195,321,866	188,626,460	144,552,273	120,183,991
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	231,410,376	421,107,338	368,028,799	255,490,761	212,792,911
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	69,678	551,086	1,776,169	4,292,194	5,913,793
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(3,043)		1,381	(4,819)
6. Total (Line 34)	550,713,229	1,037,183,991	961,720,001	736,131,751	619,516,403
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)	76,734,250	258,774,105	225,797,296	178,865,653	148,411,668
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	28,101,589	119,820,902	106,065,972	82,277,161	66,061,620
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	78,588,666	249,484,599	194,414,779	131,700,272	99,067,137
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	63,009	544,671	1,767,443	4,283,294	5,836,444
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)		(3,043)		1,381	(4,819)
12. Total (Line 34)	183,487,514	628,621,234	528,045,490	397,127,761	319,372,050
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	133,278	33,554,549	(46,606,765)	(28,722,803)	(22,561,937)
14. Net investment gain (loss) (Line 11)	46,811,677	31,191,083	37,170,750	26,471,056	29,688,486
15. Total other income (Line 15)	1,107,194	(2,221,596)	530,126	(3,088,015)	275,276
16. Dividends to policyholders (Line 17)	442,866	1,082,095	1,193,275	1,109,616	626,553
17. Federal and foreign income taxes incurred (Line 19)	(4,666,799)	20,589,639		(367,783)	(2,485,476)
18. Net income (Line 20)	52,276,082	40,852,302	(10,099,164)	(6,081,595)	9,260,748
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	785,172,871	1,201,508,890	934,349,511	806,019,371	659,491,084
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 12.1)	15,866,954	69,376,178	24,264,543	93,792,551	17,340,873
20.2 Deferred and not yet due (Line 12.2)	91,377,387	179,670,321	137,746,298	96,600,329	69,756,549
20.3 Accrued retrospective premiums (Line 12.3)		4,720,545			
21. Total liabilities excluding protected cell business (Page 3, Line 24)	465,161,080	931,671,667	715,365,207	578,138,939	459,378,750
22. Losses (Page 3, Lines 1 and 2)	210,808,710	363,411,762	329,258,646	299,153,390	218,395,776
23. Loss adjustment expenses (Page 3, Line 3)	50,541,044	75,838,424	76,181,047	54,957,103	62,371,307
24. Unearned premiums (Page 3, Line 9)	166,036,767	306,682,592	253,265,924	198,909,787	154,931,569
25. Capital paid up (Page 3, Lines 28 & 29)	5,850,000	5,850,000	5,850,000	5,850,000	5,850,000
26. Surplus as regards policyholders (Page 3, Line 35)	320,011,791	269,837,223	218,984,304	227,880,432	200,112,334
Risk-Based Capital Analysis					
27. Total adjusted capital	320,011,791	269,837,223	218,984,304	227,880,432	200,112,334
28. Authorized control level risk-based capital	37,182,967	49,058,846	40,942,162	29,254,784	33,321,701
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)	73.6	75.3	74.1	91.2	94.5
30. Stocks (Lines 2.1 & 2.2)	15.8	9.6	14.7	10.5	8.9
31. Mortgage loans on real estate (Lines 3.1 and 3.2)					
32. Real estate (Lines 4.1, 4.2 & 4.3)	2.6	1.8	3.2	3.5	3.7
33. Cash and short-term investments (Line 5)	7.6	12.7	8.1	(5.1)	(7.1)
34. Contract loans (Line 6)			XXX	XXX	XXX
35. Other invested assets (Line 7)	0.4	0.7			
36. Receivable for securities (Line 8)					
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)					5,000,000
40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2)	52,962,643	50,913,514	49,562,669	45,901,005	37,099,961
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	52,962,643	50,913,514	49,562,669	45,901,005	42,099,961
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)	16.6	18.9	22.6	20.1	21.0

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)	2,582,747	4,930,540	2,375,458	8,687,718	3,083,710
48. Dividends to stockholders (Line 34)	(850,998)	(851,000)	(851,000)	(1,124,800)	(1,124,800)
49. Change in surplus as regards policyholders for the year (Line 37)	50,174,568	50,852,919	(8,896,128)	27,768,098	14,687,450
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)	268,747,344	210,612,464	201,051,310	195,543,885	173,968,136
51. Property lines (Lines 1, 2, 9, 12, 21 & 26)	50,720,260	84,048,134	78,260,468	76,526,459	76,525,584
52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	158,829,915	187,407,592	172,152,847	169,148,707	162,449,110
53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	249,660	197,501	1,095,683	970,527	1,344,459
54. Nonproportional reinsurance lines (Lines 30, 31 & 32)	872,584	201,088		153,194	108,420
55. Total (Line 34)	479,419,763	482,466,779	452,560,308	442,342,772	414,395,709
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)	179,811,187	115,588,278	110,034,625	98,966,404	94,944,269
57. Property lines (Lines 1, 2, 9, 12, 21 & 26)	24,455,965	50,524,627	45,220,908	44,984,136	42,684,072
58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	94,089,463	91,217,623	74,603,810	79,080,171	73,791,324
59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	251,785	199,198	1,097,657	971,597	1,345,424
60. Nonproportional reinsurance lines (Lines 30, 31 & 32)	872,584	201,088		153,194	108,420
61. Total (Line 34)	299,480,984	257,730,814	230,957,000	224,155,502	212,873,509
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)	53.6	51.3	64.9	64.9	63.1
64. Loss expenses incurred (Line 3)	12.9	8.0	12.8	9.3	11.5
65. Other underwriting expenses incurred (Line 4)	33.8	34.7	32.1	33.9	32.5
66. Net underwriting gain (loss) (Line 8)		5.8	(9.8)	(8.1)	(7.1)
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)	58.2	32.3	28.8	31.0	31.9
68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	66.5	59.3	77.7	74.2	74.7
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)	57.3	233.0	241.1	174.3	159.6
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)	2,899	(1,723)	23,002	11,825	(303)
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)	1.1	(0.8)	10.1	6.4	(0.2)
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)	13,793	28,250	25,426	(2,465)	(542)
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)	6.3	12.9	12.7	(1.2)	(0.3)

SCHEDULE D - SUMMARY BY COUNTRY

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	52,548,274	52,746,061	52,878,742	49,735,161
	2. Canada				
	3. Other Countries				
	4. Totals	52,548,274	52,746,061	52,878,742	49,735,161
States, Territories and Possessions (Direct and guaranteed)	5. United States	4,874,071	4,870,150	4,867,420	5,000,000
	6. Canada				
	7. Other Countries				
	8. Totals	4,874,071	4,870,150	4,867,420	5,000,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	4,086,411	4,145,259	4,085,531	4,100,000
	10. Canada				
	11. Other Countries				
	12. Totals	4,086,411	4,145,259	4,085,531	4,100,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	193,775,912	194,970,310	193,850,997	193,894,035
	14. Canada				
	15. Other Countries				
	16. Totals	193,775,912	194,970,310	193,850,997	193,894,035
Public Utilities (unaffiliated)	17. United States	30,494,649	30,693,830	30,494,895	30,500,000
	18. Canada				
	19. Other Countries				
	20. Totals	30,494,649	30,693,830	30,494,895	30,500,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	157,950,617	165,173,942	158,355,528	176,421,680
	22. Canada	8,247,858	8,480,950	8,262,200	8,000,000
	23. Other Countries	6,575,502	6,956,820	6,456,350	7,000,000
	24. Totals	172,773,977	180,611,712	173,074,078	191,421,680
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	458,553,294	468,037,322	459,251,663	474,650,876
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	3,115,160	3,191,200	3,115,160	
	36. Canada				
	37. Other Countries				
	38. Totals	3,115,160	3,191,200	3,115,160	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	3,115,160	3,191,200	3,115,160	
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	42,490,133	42,490,133	40,344,416	
	50. Canada				
	51. Other Countries				
	52. Totals	42,490,133	42,490,133	40,344,416	
Parent, Subsidiaries and Affiliates	53. Totals	52,962,643	52,962,643	5,653,528	
	54. Total Common Stocks	95,452,776	95,452,776	45,997,944	
	55. Total Stocks	98,567,936	98,643,976	49,113,104	
	56. Total Bonds and Stocks	557,121,230	566,681,298	508,364,767	

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks, prior year	761,146,932	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3	219,115,327	6.1 Column 15, Part 1	
3. Increase (decrease) by adjustment:		6.2 Column 19, Part 2, Section 1	
3.1 Columns 12 + 13 - 14, Part 1	(524,492)	6.3 Column 16, Part 2, Section 2	
3.2 Column 18, Part 2, Section 1	(135,640)	6.4 Column 15, Part 4	
3.3 Column 15, Part 2, Section 2	2,718,387	7. Book/adjusted carrying value at end of current period	557,121,231
3.4 Column 14, Part 4	(437,746)	8. Total valuation allowance	
4. Total gain (loss), Column 19, Part 4	7,049,588	9. Subtotal (Lines 7 plus 8)	557,121,231
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	431,811,125	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	557,121,231

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	1,008	359	335	41	65	7	39	1,001	X X X
2. 1995	176,365	17,110	159,255	99,451	5,852	8,039	466	9,784	114	4,128	110,842	X X X
3. 1996	185,961	22,265	163,696	121,108	12,967	10,168	805	11,714	723	4,833	128,495	X X X
4. 1997	211,765	35,819	175,946	132,292	23,749	10,958	1,663	15,382	2,492	5,640	130,728	X X X
5. 1998	245,971	47,948	198,023	157,186	41,900	11,981	2,527	20,160	5,146	5,840	139,754	X X X
6. 1999	227,889	35,646	192,243	152,458	28,975	10,779	1,699	19,275	3,809	5,592	148,029	X X X
7. 2000	217,309	28,024	189,285	143,878	23,204	9,862	899	17,009	2,206	5,059	144,440	X X X
8. 2001	232,727	31,982	200,745	131,468	18,709	8,998	537	16,043	1,739	4,428	135,524	X X X
9. 2002	306,724	72,130	234,594	143,849	34,216	7,330	1,483	13,158	2,970	4,312	125,668	X X X
10. 2003	346,592	58,012	288,580	118,370	17,776	5,112	776	20,803	5,250	3,928	120,483	X X X
11. 2004	351,289	29,415	321,874	69,072	3,370	1,422	18	13,945	743	2,446	80,308	X X X
12. Totals	X X X	X X X	X X X	1,270,140	211,077	84,984	10,914	157,338	25,199	46,245	1,265,272	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	6,955	869	4,147	276			477	71	547	150	34	10,760	X X X
2. 1995	593	27	227	101			99	15	44	9	56	811	X X X
3. 1996	1,244	200	290	123			197	27	78	16	73	1,443	X X X
4. 1997	1,700	446	720	321			373	79	129	29	100	2,047	X X X
5. 1998	6,031	4,056	2,077	954			922	201	412	102	180	4,129	X X X
6. 1999	4,690	3,114	2,775	1,218			1,261	243	428	95	273	4,484	X X X
7. 2000	5,811	2,417	3,683	1,524			1,985	307	561	117	418	7,675	X X X
8. 2001	13,339	7,807	6,493	2,112			3,018	383	1,138	231	630	13,455	X X X
9. 2002	31,749	6,012	10,126	3,780			5,593	670	2,378	365	1,489	39,019	X X X
10. 2003	33,088	6,164	19,552	8,716			8,269	1,702	3,389	460	2,211	47,256	X X X
11. 2004	58,044	2,481	57,840	7,648			18,180	1,109	8,608	1,163	4,684	130,271	X X X
12. Totals	163,244	33,593	107,930	26,773			40,374	4,807	17,712	2,737	10,148	261,350	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	9,957	803
2. 1995	118,237	6,584	111,653	67.041	38.480	70.110			12.300	692	119
3. 1996	144,799	14,861	129,938	77.865	66.746	79.378			12.300	1,211	232
4. 1997	161,554	28,779	132,775	76.289	80.346	75.463			12.300	1,653	394
5. 1998	198,769	54,886	143,883	80.810	114.470	72.660			12.300	3,098	1,031
6. 1999	191,666	39,153	152,513	84.105	109.838	79.333			12.300	3,133	1,351
7. 2000	182,789	30,674	152,115	84.115	109.456	80.363			12.300	5,553	2,122
8. 2001	180,497	31,518	148,979	77.557	98.549	74.213			12.300	9,913	3,542
9. 2002	214,183	49,496	164,687	69.829	68.621	70.201			12.300	32,083	6,936
10. 2003	208,583	40,844	167,739	60.181	70.406	58.126			12.300	37,760	9,496
11. 2004	227,111	16,532	210,579	64.651	56.203	65.423			12.300	105,755	24,516
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	210,808	50,542

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	77,115	74,051	73,834	75,863	76,739	76,304	73,550	77,541	77,360	78,004	644	463
2. 1995	109,739	104,297	103,031	102,849	103,074	102,950	102,116	102,647	102,613	102,026	(587)	(621)
3. 1996	X X X	120,862	119,270	119,515	119,000	119,271	119,500	119,987	119,742	118,915	(827)	(1,072)
4. 1997	X X X	X X X	115,167	118,898	118,965	118,916	118,915	119,119	119,486	119,801	315	682
5. 1998	X X X	X X X	X X X	126,762	126,594	126,579	126,791	126,383	127,049	128,569	1,520	2,186
6. 1999	X X X	X X X	X X X	X X X	127,083	130,020	131,838	133,704	135,322	136,753	1,431	3,049
7. 2000	X X X	X X X	X X X	X X X	X X X	126,170	131,891	134,345	136,982	137,077	95	2,732
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	131,831	129,060	131,442	134,012	2,570	4,952
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	151,730	153,567	153,152	(415)	1,422
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	151,180	149,333	(1,847)	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	190,142	X X X	X X X
12. Totals											2,899	13,793

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	24,757	18,297	50,722	56,186	59,448	62,080	64,792	66,034	66,715	X X X	X X X
2. 1995	49,295	74,817	85,595	92,552	96,802	99,058	100,384	100,827	101,156	101,172	X X X	X X X
3. 1996	X X X	64,095	89,840	100,703	108,886	113,203	116,277	117,436	117,794	117,504	X X X	X X X
4. 1997	X X X	X X X	57,530	85,975	99,520	108,025	113,010	115,424	116,856	117,838	X X X	X X X
5. 1998	X X X	X X X	X X X	61,480	92,331	107,149	115,090	119,928	122,715	124,740	X X X	X X X
6. 1999	X X X	X X X	X X X	X X X	64,596	97,334	112,774	122,884	128,156	132,563	X X X	X X X
7. 2000	X X X	X X X	X X X	X X X	X X X	64,115	99,040	114,879	124,223	129,637	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	65,263	97,780	111,274	121,220	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	61,377	97,517	115,480	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	70,463	104,930	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	67,106	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	22,517	11,573	8,838	7,664	5,430	4,305	3,113	4,688	8,008	4,277
2. 1995	30,825	10,720	5,742	3,105	2,043	1,364	516	637	888	210
3. 1996	X X X	27,793	11,564	6,645	2,486	1,683	678	682	734	337
4. 1997	X X X	X X X	26,548	13,362	6,084	3,588	1,648	985	927	693
5. 1998	X X X	X X X	X X X	30,849	11,861	7,467	4,626	2,116	1,549	1,844
6. 1999	X X X	X X X	X X X	X X X	25,735	11,430	6,680	3,556	2,101	2,575
7. 2000	X X X	X X X	X X X	X X X	X X X	23,477	13,060	7,633	4,768	3,837
8. 2001	X X X	X X X	X X X	X X X	X X X	X X X	26,696	13,880	6,578	7,016
9. 2002	X X X	X X X	X X X	X X X	X X X	X X X	X X X	53,558	27,492	11,269
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	35,374	17,403
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	67,263

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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO							
2. Alaska	AK	NO							
3. Arizona	AZ	NO							
4. Arkansas	AR	NO	5,474	6,286		(292)		30	
5. California	CA	NO							
6. Colorado	CO	NO							
7. Connecticut	CT	NO	260	25				1	
8. Delaware	DE	NO							
9. Dist. Columbia	DC	NO							
10. Florida	FL	YES			117	3,410	3,882		
11. Georgia	GA	NO	334	599		(316)		2	
12. Hawaii	HI	NO							
13. Idaho	ID	NO							
14. Illinois	IL	YES	72,417,713	77,896,132					
15. Indiana	IN	YES	175,391,389	181,977,775	5,414	34,536,945	44,386,544	79,004,323	396,931
16. Iowa	IA	YES	5,972,931	8,703,964		85,658,291	95,189,845	117,733,413	961,344
17. Kansas	KS	NO			4,002,615	5,448,224	2,797,678		32,738
18. Kentucky	KY	YES	55,840,029	57,423,367		32,233,427	35,405,679	35,427,947	306,067
19. Louisiana	LA	NO	159	7,084		(889)			1
20. Maine	ME	NO	465	465					
21. Maryland	MD	NO	(618)	(18)		(6)			
22. Massachusetts	MA	NO							
23. Michigan	MI	YES	12,833,142	12,363,888	4,165	3,014,368	3,971,880	13,086,958	70,340
24. Minnesota	MN	YES	148,624	714,368		1,087,690	(8,549)	1,245,929	815
25. Mississippi	MS	NO							
26. Missouri	MO	NO	1,066	686					6
27. Montana	MT	NO							
28. Nebraska	NE	NO	2	2					
29. Nevada	NV	NO							
30. New Hampshire	NH	NO							
31. New Jersey	NJ	YES	2,813,895	1,523,320	17,163	200,838	1,070,806	1,099,355	15,411
32. New Mexico	NM	NO							
33. New York	NY	NO	(17)	127		(225)			
34. No. Carolina	NC	NO	(2,265)	(40)		(22)			
35. No. Dakota	ND	NO							
36. Ohio	OH	YES	4,642,054	5,261,565		2,534,220	6,051,426	8,041,127	25,444
37. Oklahoma	OK	NO							
38. Oregon	OR	NO							
39. Pennsylvania	PA	NO	18	313			37		
40. Rhode Island	RI	NO							
41. So. Carolina	SC	NO	258	258					1
42. So. Dakota	SD	NO							
43. Tennessee	TN	YES	34,821,202	35,444,353		12,246,209	24,989,790	28,849,278	190,859
44. Texas	TX	NO	38	37			(14,472)		
45. Utah	UT	NO							
46. Vermont	VT	NO							
47. Virginia	VA	NO	502	1,295			(1,016)		3
48. Washington	WA	YES	9,518	9,738		3,013	683,282	1,469,916	52
49. West Virginia	WV	NO							
50. Wisconsin	WI	YES	2,329,544	3,625,224	362,925	4,421,047	2,186,225	9,241,080	12,769
51. Wyoming	WY	NO							
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Canada	CN	NO							
57. Aggregate other alien	OT	X X X							
58. Totals	(a) 12		367,225,717	384,960,813	389,667	179,938,780	219,375,833	297,986,414	2,012,814

DETAILS OF WRITE-INS									
5701.	X X X								
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								

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.

OVERFLOW PAGE FOR WRITE-INS

OVERFLOW PAGE FOR WRITE-INS

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

	1 Current Year	2 Prior Year
--	-------------------	-----------------

REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES

2304. Amounts held under uninsured plans		1,137,897
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 3, Line 2398)		1,137,897

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)		