

**ANNUAL STATEMENT**

**OF THE**

**LIBERTY MUTUAL INSURANCE COMPANY**

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**of** **BOSTON**

**in the state of** **MASSACHUSETTS**

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**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2010**

**PROPERTY AND CASUALTY**

**2010**



23043201020100100

ANNUAL STATEMENT

For the Year Ended December 31, 2010  
OF THE CONDITION AND AFFAIRS OF THE

Liberty Mutual Insurance Company

NAIC Group Code	0111 (Current Period)	0111 (Prior Period)	NAIC Company Code	23043	Employer's ID Number	04-1543470
Organized under the Laws of	Massachusetts			State of Domicile or Port of Entry		Massachusetts
Country of Domicile	United States of America					
Incorporated/Organized:	January 1, 1912			Commenced Business		July 1, 1912
Statutory Home Office	175 Berkeley Street (Street and Number)			Boston, MA	02116 (City or Town, State and Zip Code)	
Main Administrative Office:	175 Berkeley Street (Street and Number)					
	Boston, MA 02116 (City or Town, State and Zip Code)			617-357-9500 (Area Code)	(Telephone Number)	
Mail Address:	175 Berkeley Street (Street and Number or P.O. Box)			Boston, MA	02116 (City or Town, State and Zip Code)	
Primary Location of Books and Records:	175 Berkeley Street (Street and Number)			Boston, MA	02116 (City or Town, State and Zip Code)	617-357-9500 (Area Code) (Telephone Number)
Internet Web Site Address	www.LibertyMutualGroup.com					
Statutory Statement Contact:	Pamela Heenan (Name)			617-357-9500 x44689 (Area Code)	(Telephone Number) (Extension)	
	Statutory.Compliance@LibertyMutual.com (E-Mail Address)			617-574-5955 (Fax Number)		

OFFICERS

Chairman of the Board and CEO

Edmund Francis Kelly

	Name	Title
1.	David Henry Long #	President
2.	Dexter Robert Legg	Vice President & Secretary
3.	Laurance Henry Soyer Yahia	Senior Vice President & Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
James Paul Condryn, III	Executive Vice President	James Martin McGlennon	SVP & Chief Information Officer
Anthony Alexander Fontanes	EVP & Chief Investment Officer	Gary Richard Gregg	Executive Vice President
Dennis James Langwell	SVP & Chief Financial Officer	Christopher Charles Mansfield	SVP & General Counsel
Helen Elizabeth Russell Sayles	Senior Vice President	John Derek Doyle	Vice President & Comptroller
Paul Garvin Alexander	Senior Vice President	Timothy Michael Sweeney	Executive Vice President
John Eric Brosius #	SVP & Corporate Actuary		

DIRECTORS OR TRUSTEES

Edmund Francis Kelly	James Paul Condryn, III	Dennis James Langwell	Anthony Alexander Fontanes
David Henry Long	Christopher Charles Mansfield	Timothy Michael Sweeney	

State of Massachusetts

County of Suffolk ss

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

(Signature)	(Signature)	(Signature)
David Henry Long #	Dexter Robert Legg	Laurance Henry Soyer Yahia
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Vice President & Secretary	Senior Vice President & Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this  
31st day of January, 2011, by

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

b. If no:

1. State the amendment number

2. Date filed

3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	13,198,563,100		13,198,563,100	11,425,766,895
2. Stocks (Schedule D):				
2.1 Preferred stocks	299,237,663		299,237,663	782,976,318
2.2 Common stocks	8,111,092,426		8,111,092,426	9,135,552,552
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	493,521,190		493,521,190	519,022,709
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	279,983,650		279,983,650	337,179,530
4.2 Properties held for the production of income (less \$ 0 encumbrances)	914,275		914,275	978,262
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 140,218,396, Schedule E - Part 1), cash equivalents (\$ 58,015,661, Schedule E - Part 2), and short-term investments (\$ 597,044,676, Schedule DA)	795,278,733		795,278,733	824,332,462
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)	6,758,033,907		6,758,033,907	5,770,944,419
9. Receivables for securities	9,300,198		9,300,198	12,271,548
10. Securities lending reinvested collateral assets	289,069,769		289,069,769	
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	30,234,994,911		30,234,994,911	28,809,024,695
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	156,129,412		156,129,412	133,129,777
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	883,061,352	25,750,257	857,311,095	978,532,523
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ (2,876,641) earned but unbilled premiums)	1,691,799,271	340,160	1,691,459,111	1,519,460,073
15.3 Accrued retrospective premiums	469,804,917	47,097,574	422,707,343	329,800,811
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	774,154,615		774,154,615	593,195,507
16.2 Funds held by or deposited with reinsured companies	12,905,748		12,905,748	13,527,020
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	63,474	20,170	43,304	9,677
18.1 Current federal and foreign income tax recoverable and interest thereon	234,417,174		234,417,174	313,172,066
18.2 Net deferred tax asset	1,120,845,900	143,446,227	977,399,673	1,023,325,600
19. Guaranty funds receivable or on deposit	22,474,410		22,474,410	33,248,467
20. Electronic data processing equipment and software	373,490,899	299,218,892	74,272,007	61,880,565
21. Furniture and equipment, including health care delivery assets (\$ 0)	118,672,504	118,672,504		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	523,091,776	878	523,090,898	346,223,007
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	774,809,245	54,620,603	720,188,642	675,906,747
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	37,390,715,608	689,167,265	36,701,548,343	34,830,436,535
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	37,390,715,608	689,167,265	36,701,548,343	34,830,436,535

DETAILS OF WRITE-IN LINES				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	413,889,835		413,889,835	383,284,396
2502. Amounts receivable under high deductible policies	164,224,609	42,778	164,181,831	172,204,146
2503. Other assets	151,649,627	54,577,825	97,071,802	92,883,595
2598. Summary of remaining write-ins for Line 25 from overflow page	45,045,174		45,045,174	27,534,610
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	774,809,245	54,620,603	720,188,642	675,906,747

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	12,871,308,239	12,580,697,955
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	113,863,400	76,374,442
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	2,579,498,004	2,545,218,983
4. Commissions payable, contingent commissions and other similar charges	68,181,388	119,922,389
5. Other expenses (excluding taxes, licenses and fees)	182,120,072	234,522,784
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	201,568,065	168,208,453
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 2,387,223,020 and including warranty reserves of \$ 0)	3,502,531,059	3,293,042,806
10. Advance premium	42,893,127	43,887,917
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	4,776,435	1,800,778
12. Ceded reinsurance premiums payable (net of ceding commissions)	788,093,015	717,199,249
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,764,193,716	1,746,563,156
14. Amounts withheld or retained by company for account of others	387,477,225	555,667,197
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	89,441,297	69,876,166
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	312,991,627	294,010,958
19. Payable to parent, subsidiaries and affiliates	134,066,851	35,060,360
20. Derivatives		
21. Payable for securities	83,227,947	59,521,615
22. Payable for securities lending	289,069,769	
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(477,043,922)	(202,691,588)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	22,938,257,314	22,338,883,620
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	22,938,257,314	22,338,883,620
29. Aggregate write-ins for special surplus funds	1,218,426,655	1,209,068,460
30. Common capital stock	10,000,000	10,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds	1,250,000	1,250,000
33. Surplus notes	795,443,532	795,347,694
34. Gross paid in and contributed surplus	6,935,272,283	6,435,272,283
35. Unassigned funds (surplus)	4,802,898,559	4,040,614,478
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	13,763,291,029	12,491,552,915
38. Totals (Page 2, Line 28, Col. 3)	36,701,548,343	34,830,436,535

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	582,374,749	651,634,174
2502. Other liabilities	410,222,280	410,875,388
2503. Deposit liability	65,839,685	75,192,730
2598. Summary of remaining write-ins for Line 25 from overflow page	(1,535,480,636)	(1,340,393,880)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(477,043,922)	(202,691,588)
2901. Special surplus from retroactive reinsurance	954,868,844	967,721,654
2902. SSAP 10R incremental change	263,557,811	241,346,806
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	1,218,426,655	1,209,068,460
3201. Guaranty funds	1,250,000	1,250,000
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	1,250,000	1,250,000

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	7,642,537,474	7,469,660,471
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	4,977,358,244	4,916,329,697
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,365,702,822	1,455,364,797
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	1,917,467,923	1,923,620,404
5. Aggregate write-ins for underwriting deductions	(288,031)	703,615
6. Total underwriting deductions (Lines 2 through 5)	8,260,240,958	8,296,018,513
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(617,703,484)	(826,358,042)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	3,434,970,805	628,394,278
10. Net realized capital gains (losses) less capital gains tax of \$ 38,970,671 (Exhibit of Capital Gains (Losses))	74,437,133	43,857,769
11. Net investment gain (loss) (Lines 9 + 10)	3,509,407,938	672,252,047
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 2,498,946 amount charged off \$ 56,404,775)	(53,905,829)	(58,922,960)
13. Finance and service charges not included in premiums	33,635,032	37,249,963
14. Aggregate write-ins for miscellaneous income	(58,084,520)	(67,465,388)
15. Total other income (Lines 12 through 14)	(78,355,317)	(89,138,385)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	2,813,349,137	(243,244,380)
17. Dividends to policyholders	46,455,510	17,353,693
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	2,766,893,627	(260,598,073)
19. Federal and foreign income taxes incurred	(154,849,787)	(195,500,454)
20. Net income (Line 18 minus Line 19) (to Line 22)	2,921,743,414	(65,097,619)
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	12,491,552,915	10,334,732,418
22. Net income (from Line 20)	2,921,743,414	(65,097,619)
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 47,421,888	(1,964,736,596)	1,687,848,478
25. Change in net unrealized foreign exchange capital gain (loss)	59,088,381	174,430,911
26. Change in net deferred income tax	(19,974,701)	(238,702,090)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(70,281,000)	487,003,888
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(17,343,044)	8,482,252
29. Change in surplus notes	95,838	(96,727,297)
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		10,540,681
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	500,000,000	100,000,000
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(139,766,000)	(224,766,000)
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	2,911,822	313,807,293
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,271,738,114	2,156,820,497
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	13,763,291,029	12,491,552,915

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	(288,031)	703,615
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	(288,031)	703,615
1401. Retroactive reinsurance gain/(loss)	96,481,794	23,361,917
1402. Other income/(expense)	(154,566,314)	(90,827,305)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(58,084,520)	(67,465,388)
3701. SSAP 10R incremental change	22,211,004	241,346,806
3702. Change in accumulated translation adjustment		82,436,323
3703. Other changes in surplus	(19,299,182)	(9,975,836)
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	2,911,822	313,807,293

CASH FLOW

Cash from Operations			1	2
			Current Year	Prior Year
1.	Premiums collected net of reinsurance		7,673,330,709	7,672,232,632
2.	Net investment income		3,492,952,419	656,231,644
3.	Miscellaneous income		(302,559,088)	12,401,900
4.	Total (Lines 1 through 3)		10,863,724,040	8,340,866,176
5.	Benefit and loss related payments		4,841,205,175	5,032,704,866
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7.	Commissions, expenses paid and aggregate write-ins for deductions		3,348,701,311	3,466,413,752
8.	Dividends paid to policyholders		43,479,854	16,689,772
9.	Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		(194,983,878)	137,060,153
10.	Total (Lines 5 through 9)		8,038,402,462	8,652,868,543
11.	Net cash from operations (Line 4 minus Line 10)		2,825,321,578	(312,002,367)
Cash from Investments				
12.	Proceeds from investments sold, matured or repaid:			
12.1	Bonds		4,560,929,116	3,055,330,534
12.2	Stocks		894,581,738	324,564,060
12.3	Mortgage loans		21,368,801	26,979,833
12.4	Real estate		29,506,223	86,548,411
12.5	Other invested assets		407,575,101	351,293,953
12.6	Net gains (or losses) on cash, cash equivalents and short-term investments		(1,916,081)	27,963
12.7	Miscellaneous proceeds		26,928,825	2,767,257
12.8	Total investment proceeds (Lines 12.1 to 12.7)		5,938,973,723	3,847,512,011
13.	Cost of investments acquired (long-term only):			
13.1	Bonds		6,100,774,549	3,057,647,871
13.2	Stocks		1,552,157,928	231,830,930
13.3	Mortgage loans		1,096	130,045
13.4	Real estate		8,881,564	17,250,170
13.5	Other invested assets		1,385,597,514	653,154,882
13.6	Miscellaneous applications		1,430,804	(41,811,547)
13.7	Total investments acquired (Lines 13.1 to 13.6)		9,048,843,455	3,918,202,351
14.	Net increase (decrease) in contract loans and premium notes			
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)		(3,109,869,732)	(70,690,340)
Cash from Financing and Miscellaneous Sources				
16.	Cash provided (applied):			
16.1	Surplus notes, capital notes		95,838	(67,373,951)
16.2	Capital and paid in surplus, less treasury stock		500,000,000	100,000,000
16.3	Borrowed funds			(505,212)
16.4	Net deposits on deposit-type contracts and other insurance liabilities			
16.5	Dividends to stockholders		139,766,000	224,766,000
16.6	Other cash provided (applied)		(104,835,413)	50,364,815
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)		255,494,425	(142,280,348)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS				
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)		(29,053,729)	(524,973,055)
19.	Cash, cash equivalents and short-term investments:			
19.1	Beginning of year		824,332,462	1,349,305,517
19.2	End of year (Line 18 plus Line 19.1)		795,278,733	824,332,462

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	526,177,500	
20.0002	13.1 Cost of Investment Acquired - Bonds	2,806,395,319	
20.0003	13.2 Cost of Investment Acquired - Stocks	126,117,866	
20.0004	13.5 Cost of Investment Acquired - Other Invested Assets	6,159,423	
20.0005	13.2 Cost of Investment Acquired - Stocks	512,259,756	

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	152,219,080	91,022,133	80,577,512	162,663,701
2. Allied lines	73,561,684	45,868,153	38,002,065	81,427,772
3. Farmowners multiple peril	70,794			70,794
4. Homeowners multiple peril	1,035,667,171	554,177,655	587,163,751	1,002,681,075
5. Commercial multiple peril	170,944,805	85,122,537	112,070,414	143,996,928
6. Mortgage guaranty				
8. Ocean marine	34,026,866	14,401,907	14,546,726	33,882,047
9. Inland marine	491,698,994	27,389,136	26,942,810	492,145,320
10. Financial guaranty				
11.1 Medical professional liability—occurrence	8,267,162		5,762,881	2,504,281
11.2 Medical professional liability—claims-made	1,620,100	323,233	350,324	1,593,009
12. Earthquake	20,355,563	12,431,617	11,344,422	21,442,758
13. Group accident and health	1,287,327			1,287,327
14. Credit accident and health (group and individual)				
15. Other accident and health	356,549	438	55,296	301,691
16. Workers' compensation	2,077,323,639	40,211,996	17,186,475	2,100,349,160
17.1 Other liability—occurrence	465,356,521	187,380,179	213,661,364	439,075,336
17.2 Other liability—claims-made	152,054,142	117,614,740	97,370,436	172,298,446
17.3 Excess Workers' Compensation	71,715,557	24,388,290	35,954,484	60,149,363
18.1 Products liability—occurrence	85,831,774	38,815,372	47,608,395	77,038,751
18.2 Products liability—claims-made	5,459,127	1,244,866	959,231	5,744,762
19.1,19.2 Private passenger auto liability	1,860,017,775	904,073,693	945,900,326	1,818,191,142
19.3,19.4 Commercial auto liability	310,941,848	106,401,994	101,451,571	315,892,271
21. Auto physical damage	463,553,377	636,152,404	654,541,427	445,164,354
22. Aircraft (all perils)	39,745,181	14,989,915	11,316,606	43,418,490
23. Fidelity	6,517,640	4,549,744	2,977,422	8,089,962
24. Surety	915,509	448,605	975,078	389,036
26. Burglary and theft	263,698	160,959	111,767	312,890
27. Boiler and machinery	15,796,692	850,983	6,576,164	10,071,511
28. Credit				
29. International				
30. Warranty	4,530			4,530
31. Reinsurance-Nonproportional Assumed Property	125,911,250	7,181,809	9,680,684	123,412,375
32. Reinsurance-Nonproportional Assumed Liability	69,125,296	11,395,103	12,230,838	68,289,561
33. Reinsurance-Nonproportional Assumed Financial Lines	185,439			185,439
34. Aggregate write-ins for other lines of business				
35. TOTALS	7,740,795,090	2,926,597,461	3,035,318,469	7,632,074,082

DETAILS OF WRITE-IN LINES				
3401.				
3402.				
3403.				
3498. Sum of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)				

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3  Earned but Unbilled Premium	4  Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5  Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	78,257,770	2,319,743			80,577,513
2. Allied lines	36,396,500	1,605,565			38,002,065
3. Farmowners multiple peril					
4. Homeowners multiple peril	587,163,751				587,163,751
5. Commercial multiple peril	79,509,788	32,560,626			112,070,414
6. Mortgage guaranty					
8. Ocean marine	11,569,969	2,976,757			14,546,726
9. Inland marine	19,259,440	7,683,370			26,942,810
10. Financial guaranty					
11.1 Medical professional liability—occurrence	5,762,881				5,762,881
11.2 Medical professional liability—claims-made	332,931	17,393			350,324
12. Earthquake	11,202,013	142,409			11,344,422
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	55,296				55,296
16. Workers' compensation	414,109,133	41,554,321		(438,476,976)	17,186,478
17.1 Other liability—occurrence	177,725,943	42,424,526		(6,489,105)	213,661,364
17.2 Other liability—claims-made	59,805,187	37,565,249			97,370,436
17.3 Excess Workers' Compensation	32,937,584	3,016,900			35,954,484
18.1 Products liability—occurrence	27,927,296	22,004,953		(2,323,854)	47,608,395
18.2 Products liability—claims-made	959,231				959,231
19.1,19.2 Private passenger auto liability	945,900,326				945,900,326
19.3,19.4 Commercial auto liability	120,287,787	1,086,434		(19,922,650)	101,451,571
21. Auto physical damage	654,733,147	(191,718)			654,541,429
22. Aircraft (all perils)	11,316,606				11,316,606
23. Fidelity	2,777,892	199,531			2,977,423
24. Surety	14,081	960,997			975,078
26. Burglary and theft	111,671	96			111,767
27. Boiler and machinery	6,444,289	131,876			6,576,165
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property	9,680,684				9,680,684
32. Reinsurance-Nonproportional Assumed Liability	12,093,163	137,675			12,230,838
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	3,306,334,359	196,196,703		(467,212,585)	3,035,318,477
36. Accrued retrospective premiums based on experience					467,212,585
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					3,502,531,062

DETAILS OF WRITE-IN LINES					
3401.					
3402.					
3403.					
3498. Sum of remaining write-ins for Line 34 from overflow page					
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)					

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



UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1  Direct Business  (a)	Reinsurance Assumed		Reinsurance Ceded		6  Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2  From Affiliates	3  From Non- Affiliates	4  To Affiliates	5  To Non- Affiliates	
1. Fire	6,981,647	271,179,150	8,710,027	56,004,510	78,647,234	152,219,080
2. Allied lines	11,570,843	146,021,731	4,575,786	29,163,440	59,443,235	73,561,685
3. Farmowners multiple peril		95,926		25,133		70,793
4. Homeowners multiple peril	22,505,817	2,215,207,008	983,571	379,690,571	823,338,655	1,035,667,170
5. Commercial multiple peril	96,834,727	227,657,153	44,673,097	85,686,338	112,533,834	170,944,805
6. Mortgage guaranty						
8. Ocean marine	61,865,865	17,661,457	172,433	17,416,100	28,256,790	34,026,865
9. Inland marine	1,899,504,884	47,215,150	7,920,682	175,751,944	1,287,189,778	491,698,994
10. Financial guaranty						
11.1 Medical professional liability--occurrence		11,202,041	76	2,934,955		8,267,162
11.2 Medical professional liability--claims-made		2,202,266		582,165		1,620,101
12. Earthquake	9,959	41,324,175		7,496,021	13,482,551	20,355,562
13. Group accident and health	1,741,203	4,068	(925)	457,019		1,287,327
14. Credit accident and health (group and individual)						
15. Other accident and health	39,511	443,627		126,589		356,549
16. Workers' compensation	167,557,760	3,022,364,242	64,080,510	755,383,919	421,294,953	2,077,323,640
17.1 Other liability—occurrence	289,849,244	547,753,573	15,381,244	181,186,294	206,441,246	465,356,521
17.2 Other liability—claims-made	200,528,347	121,920,261	5,414,560	59,399,660	116,409,366	152,054,142
17.3 Excess Workers' Compensation	13,606,956	93,125,036	828,765	25,989,816	9,855,385	71,715,556
18.1 Products liability—occurrence	25,116,255	96,999,723	65,940	31,574,377	4,775,767	85,831,774
18.2 Products liability—claims-made	209,958	7,214,222		1,965,053		5,459,127
19.1,19.2 Private passenger auto liability	392,795,096	2,247,543,898	10,322,566	679,932,027	110,711,758	1,860,017,775
19.3,19.4 Commercial auto liability	62,547,867	407,377,809	5,158,322	116,885,455	47,256,695	310,941,848
21. Auto physical damage	255,885,983	1,581,658,284	847,389	1,316,631,735	58,206,544	463,553,377
22. Aircraft (all perils)	66,147,244	254,940	11,600,826	14,673,765	23,584,063	39,745,182
23. Fidelity	16,001,031	740,619	817,453	2,617,899	8,423,564	6,517,640
24. Surety	330,487,605	8,411,561	8,172,681	340,208,347	5,947,991	915,509
26. Burglary and theft	121,575	250,154	2,194	97,110	13,114	263,699
27. Boiler and machinery	32,243	21,390,984		5,626,489	46	15,796,692
28. Credit						
29. International						
30. Warranty	20,827,681		80,567	1,608	20,902,110	4,530
31. Reinsurance-Nonproportional Assumed Property	X X X	78,036,588	92,688,267	44,855,903	(42,298)	125,911,250
32. Reinsurance-Nonproportional Assumed Liability	X X X	101,328	93,811,434	24,787,465		69,125,297
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	1,763,682	1,550,060	65,833	3,062,469	185,440
34. Aggregate write-ins for other lines of business						
35. TOTALS	3,942,769,301	11,217,120,656	377,857,525	4,357,217,540	3,439,734,850	7,740,795,092

DETAILS OF WRITE-IN LINES						
3401. ....						
3402. ....						
3403. ....						
3498. Sum of remaining write-ins for Line 34 from overflow page						
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ X ] No [ ]

If yes: 1. The amount of such installment premiums \$ 173,890,076

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 184,934,340

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	1,838,112	172,344,134	63,448,136	110,734,110	68,545,038	115,778,954	63,500,194	39.038
2. Allied lines	2,068,333	69,778,176	30,089,160	41,757,349	28,290,171	21,234,743	48,812,777	59.946
3. Farmowners multiple peril		43,422	11,376	32,046		26	32,020	45.230
4. Homeowners multiple peril	5,577,264	1,134,838,785	554,528,070	585,887,979	284,622,333	267,002,309	603,508,003	60.189
5. Commercial multiple peril	79,609,693	155,087,113	101,273,971	133,422,835	236,827,702	243,917,851	126,332,686	87.733
6. Mortgage guaranty								
8. Ocean marine	42,241,055	6,207,637	38,431,844	10,016,848	40,392,734	47,285,523	3,124,059	9.220
9. Inland marine	1,146,471,925	31,426,095	827,682,464	350,215,556	65,550,902	80,249,858	335,516,600	68.174
10. Financial guaranty								
11.1 Medical professional liability—occurrence		(2,093)	(7,689)	5,596	(433,039)	446,307	(873,750)	(34.890)
11.2 Medical professional liability—claims-made		562,042	120,689	441,353	1,063,359	1,660,361	(155,649)	(9.771)
12. Earthquake		3,241	(16,136)	19,377	114,198	235,984	(102,409)	(0.478)
13. Group accident and health	613,644	454,737	457,163	611,218	2,070,280	1,866,865	814,633	63.281
14. Credit accident and health (group and individual)								
15. Other accident and health	210,590	35,227	40,028	205,789	1,421,793	1,523,487	104,095	34.504
16. Workers' compensation	230,361,816	1,797,816,443	764,471,976	1,263,706,283	7,469,323,128	7,088,336,027	1,644,693,384	78.306
17.1 Other liability—occurrence	433,700,761	235,482,312	334,817,042	334,366,031	1,363,356,614	1,372,166,479	325,556,166	74.146
17.2 Other liability—claims-made	172,213,557	69,081,568	157,140,176	84,154,949	332,025,777	311,115,361	105,065,365	60.979
17.3 Excess Workers' Compensation	2,218,614	18,937,485	5,028,198	16,127,901	301,146,123	259,993,217	57,280,807	95.231
18.1 Products liability—occurrence	74,713,912	42,724,813	33,470,809	83,967,916	275,702,796	394,376,702	(34,705,990)	(45.050)
18.2 Products liability—claims-made	950,000	143,106	48,684	1,044,422	16,022,172	14,856,860	2,209,734	38.465
19.1,19.2 Private passenger auto liability	215,012,669	1,314,008,787	433,502,613	1,095,518,843	1,533,291,228	1,456,613,537	1,172,196,534	64.470
19.3,19.4 Commercial auto liability	50,760,516	232,081,252	94,259,641	188,582,127	412,538,058	442,178,608	158,941,577	50.315
21. Auto physical damage	146,313,312	797,498,628	713,158,995	230,652,945	(1,720,315)	(3,735,214)	232,667,844	52.266
22. Aircraft (all perils)	66,345,180	17,531,636	54,072,641	29,804,175	34,401,573	71,780,328	(7,574,580)	(17.446)
23. Fidelity	14,661,703	421,147	5,884,415	9,198,435	15,231,091	12,199,912	12,229,614	151.170
24. Surety	34,927,078	(128,624)	34,704,257	94,197	676,024	1,305,665	(535,444)	(137.634)
26. Burglary and theft	52,907	14,240	14,881	52,266	484,941	168,912	368,295	117.708
27. Boiler and machinery		929,912	447,534	482,378	1,411,490	378,899	1,514,969	15.042
28. Credit								
29. International								
30. Warranty	8,020,788		8,020,624	164	27,415	10,274	17,305	382.009
31. Reinsurance-Nonproportional Assumed Property	X X X	132,431,937	33,773,580	98,658,357	90,768,432	75,591,060	113,835,729	92.240
32. Reinsurance-Nonproportional Assumed Liability	X X X	58,299,848	10,495,047	47,804,801	295,027,862	298,719,436	44,113,227	64.597
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	5,882,230	5,479,907	402,323	3,128,356	3,439,622	91,057	49.103
34. Aggregate write-ins for other lines of business								
35. TOTALS	2,728,883,429	6,293,935,236	4,304,850,096	4,717,968,569	12,871,308,236	12,580,697,953	5,008,578,852	65.625

DETAILS OF WRITE-IN LINES								
3401.								
3402.								
3403.								
3498. Sum. of remaining write-ins for Line 34 from overflow page								
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)								

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

	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7		
Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	992,764	65,092,571	20,592,535	45,492,800	2,383,953	38,919,039	18,250,753	68,545,039	6,480,245
2. Allied lines	2,118,830	23,431,873	9,000,963	16,549,740	3,191,652	18,283,457	9,734,678	28,290,171	3,898,754
3. Farmowners multiple peril									
4. Homeowners multiple peril	3,869,501	306,045,619	142,138,527	167,776,593	408,504	263,504,426	147,067,190	284,622,333	75,861,739
5. Commercial multiple peril	69,847,327	158,258,031	103,248,236	124,857,122	15,157,657	170,915,501	74,102,578	236,827,702	83,424,257
6. Mortgage guaranty									
8. Ocean marine	69,734,759	17,021,720	64,046,609	22,709,870	42,625,826	11,829,710	36,772,672	40,392,734	7,605,212
9. Inland marine	8,010,840	12,360,727	8,573,603	11,797,964	207,115,135	21,036,986	174,399,182	65,550,903	7,937,529
10. Financial guaranty									
11.1 Medical professional liability—occurrence		203,786	53,392	150,394	101	(790,661)	(207,127)	(433,039)	13,031
11.2 Medical professional liability—claims-made		93,000	24,366	68,634		1,347,865	353,141	1,063,358	585,630
12. Earthquake		176,537	46,253	130,284	(16,691)	173,935	173,330	114,198	10,634
13. Group accident and health	1,938,709	2,079,665	2,294,278	1,724,096	414,714	54,371	122,900	(a) 2,070,281	155,344
14. Credit accident and health (group and individual)									
15. Other accident and health		288,057	75,471	212,586	245,003	1,393,490	429,286	(a) 1,421,793	98,411
16. Workers' compensation	1,153,267,004	5,960,247,348	3,011,768,439	4,101,745,913	701,196,145	5,593,810,791	2,927,429,720	7,469,323,129	1,012,741,417
17.1 Other liability—occurrence	485,230,543	402,139,113	344,887,662	542,481,994	583,237,626	963,247,527	725,610,533	1,363,356,614	616,107,458
17.2 Other liability—claims-made	107,609,430	111,251,806	134,436,213	84,425,023	348,819,457	157,226,779	258,445,481	332,025,778	107,476,179
17.3 Excess Workers' Compensation	31,336,155	202,235,845	111,418,656	122,153,344	68,703,349	292,321,604	182,032,175	301,146,122	24,662,365
18.1 Products liability—occurrence	63,546,453	51,088,357	46,914,544	67,720,266	144,368,139	162,438,114	98,823,723	275,702,796	178,843,348
18.2 Products liability—claims-made		95,678	420,393	(324,715)	13,163,575	8,743,197	5,559,885	16,022,172	9,894,212
19.1,19.2 Private passenger auto liability	147,086,904	1,259,894,770	523,865,585	883,116,089	97,620,488	812,316,779	259,762,128	1,533,291,228	295,591,526
19.3,19.4 Commercial auto liability	73,318,548	285,140,947	124,863,053	233,596,442	87,699,282	275,553,462	184,311,127	412,538,059	62,234,964
21. Auto physical damage	776,849	2,190,733	1,031,951	1,935,631	1,812,486	(5,797,793)	(329,361)	(1,720,315)	46,081,241
22. Aircraft (all perils)	87,964,242	14,393,254	75,568,621	26,788,875	11,130,533	3,264,227	6,782,061	34,401,574	13,445,364
23. Fidelity	766,847	248,335	303,484	711,698	27,178,287	2,464,549	15,123,443	15,231,091	3,283,952
24. Surety	7,762,861	(604,395)	6,645,116	513,350	177,359,356	3,498,607	180,695,289	676,024	(158,550)
26. Burglary and theft	2,799	25,901	7,521	21,179	456,575	191,377	184,190	484,941	321,830
27. Boiler and machinery		732,347	191,876	540,471	17,218	1,165,519	311,719	1,411,489	159,528
28. Credit									
29. International									
30. Warranty					1,110,143	(10,546)	1,072,182	27,415	(45,521)
31. Reinsurance-Nonproportional Assumed Property	X X X	65,181,400	17,184,693	47,996,707	X X X	57,999,034	15,227,310	90,768,431	1,926,450
32. Reinsurance-Nonproportional Assumed Liability	X X X	122,130,445	31,998,176	90,132,269	X X X	277,636,306	72,740,712	295,027,863	20,822,198
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	4,134,257	1,083,175	3,051,082	X X X	870,325	793,051	3,128,356	39,265
34. Aggregate write-ins for other lines of business									
35. TOTALS	2,315,181,365	9,065,577,727	4,782,683,391	6,598,075,701	2,535,398,513	9,133,607,977	5,395,773,951	12,871,308,240	2,579,498,012
DETAILS OF WRITE-IN LINES									
3401.									
3402.									
3403.									
3498. Sum. of remaining write-ins for Line 34 from overflow page									
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)									

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	315,708,869			315,708,869
1.2 Reinsurance assumed	719,042,502			719,042,502
1.3 Reinsurance ceded	321,888,087			321,888,087
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	712,863,284			712,863,284
2. Commission and brokerage:				
2.1 Direct, excluding contingent		192,777,538		192,777,538
2.2 Reinsurance assumed, excluding contingent		553,263,773		553,263,773
2.3 Reinsurance ceded, excluding contingent		1,110,281,007		1,110,281,007
2.4 Contingent—direct		1,276,966		1,276,966
2.5 Contingent—reinsurance assumed		113,137,371		113,137,371
2.6 Contingent—reinsurance ceded		32,896,920		32,896,920
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)		(282,722,279)		(282,722,279)
3. Allowances to manager and agents	4	103,713,726	1,453	103,715,183
4. Advertising	11,628,623	136,917,001	761,579	149,307,203
5. Boards, bureaus and associations	2,003,225	20,074,761	25,104	22,103,090
6. Surveys and underwriting reports	16,097	28,041,815	875,933	28,933,845
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	388,195,852	799,742,502	87,304,923	1,275,243,277
8.2 Payroll taxes	23,669,887	53,686,456	6,181,822	83,538,165
9. Employee relations and welfare	84,936,094	192,680,380	6,621,700	284,238,174
10. Insurance	30,883,385	13,082,698	735,754	44,701,837
11. Directors' fees	675	1,504	45	2,224
12. Travel and travel items	23,468,358	54,759,507	1,922,907	80,150,772
13. Rent and rent items	30,022,339	70,598,082	2,244,987	102,865,408
14. Equipment	25,847,414	62,093,367	2,426,796	90,367,577
15. Cost or depreciation of EDP equipment and software	4,832,620	37,494,320	1,590,780	43,917,720
16. Printing and stationery	4,081,520	15,056,614	297,254	19,435,388
17. Postage, telephone and telegraph, exchange and express	12,298,937	55,135,292	2,943,585	70,377,814
18. Legal and auditing	3,696,730	15,037,705	4,184,160	22,918,595
19. Totals (Lines 3 to 18)	645,581,760	1,658,115,730	118,118,782	2,421,816,272
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 4,967,349		323,692,095		323,692,095
20.2 Insurance department licenses and fees		15,022,640		15,022,640
20.3 Gross guaranty association assessments		310,733		310,733
20.4 All other (excluding federal and foreign income and real estate)		14,965,878		14,965,878
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		353,991,346		353,991,346
21. Real estate expenses			26,364,460	26,364,460
22. Real estate taxes			5,299,894	5,299,894
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	7,257,778	188,083,126	19,561,703	214,902,607
25. Total expenses incurred	1,365,702,822	1,917,467,923	169,344,839	(a) 3,452,515,584
26. Less unpaid expenses—current year	2,579,498,004	449,573,500	2,296,025	3,031,367,529
27. Add unpaid expenses—prior year	2,545,218,986	520,384,334	2,269,293	3,067,872,613
28. Amounts receivable relating to uninsured plans, prior year		9,677		9,677
29. Amounts receivable relating to uninsured plans, current year		43,304		43,304
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,331,423,804	1,988,312,384	169,318,107	3,489,054,295

DETAILS OF WRITE-IN LINES				
2401. Other expenses	32,879,107	188,083,126	19,561,703	240,523,936
2402. Change in unallocated expense reserves	(25,621,329)			(25,621,329)
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	7,257,778	188,083,126	19,561,703	214,902,607

(a) Includes management fees of \$ 0 to affiliates and \$ 118,775,307 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 41,025,632	40,850,560
1.1 Bonds exempt from U.S. tax	(a) 170,602,424	172,345,329
1.2 Other bonds (unaffiliated)	(a) 427,813,669	446,869,070
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 14,849,019	15,934,206
2.11 Preferred stocks of affiliates	(b) 14,391,620	16,630,317
2.2 Common stocks (unaffiliated)	5,385,632	6,226,324
2.21 Common stocks of affiliates	2,612,562,640	2,612,562,640
3. Mortgage loans	(c) 31,704,771	31,457,604
4. Real estate	(d) 59,970,080	59,970,080
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 7,181,763	6,792,277
7. Derivative instruments	(f)	
8. Other invested assets	277,721,932	277,721,932
9. Aggregate write-ins for investment income	(5,040,333)	(5,040,333)
10. Total gross investment income	3,658,168,849	3,682,320,006
11. Investment expenses		(g) 169,344,839
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 63,840,811
14. Depreciation on real estate and other invested assets		(i) 14,163,551
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		247,349,201
17. Net investment income (Line 10 minus Line 16)		3,434,970,805

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense)		(5,040,333)	(5,040,333)
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)		(5,040,333)	(5,040,333)
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 \$ 31,984,237 accrual of discount less \$ 32,515,692 amortization of premium and less \$ 46,417,228 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 \$ 56,724,509 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 94,586 accrual of discount less \$ 96,451 amortization of premium and less \$ 34,872 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 \$ 63,271,282 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 14,163,660 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	6,613,794		6,613,794		
1.1 Bonds exempt from U.S. tax	51,438,579	(308,184)	51,130,395	3,118,443	
1.2 Other bonds (unaffiliated)	51,796,243	(11,550,243)	40,246,000	17,069,557	115,304,036
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	515,667	(87,497)	428,170	(2,522,254)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	12,210,870	(424,056)	11,786,814	16,883,271	748,472
2.21 Common stocks of affiliates				(2,193,151,094)	51,651
3. Mortgage loans	(956,732)		(956,732)	(3,177,081)	
4. Real estate	(1,943,869)	(20,527,679)	(22,471,548)		
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(1,916,081)		(1,916,081)		667,325
7. Derivative instruments					
8. Other invested assets	94,559,023	(68,125,261)	26,433,762	285,726,346	(13,345,204)
9. Aggregate write-ins for capital gains (losses)	2,113,230		2,113,230		
10. Total capital gains (losses)	214,430,724	(101,022,920)	113,407,804	(1,876,052,812)	103,426,280

DETAILS OF WRITE-IN LINES					
0901. Aggregate write-ins for capital gains (losses)		2,113,230		2,113,230	
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)		2,113,230		2,113,230	

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. Derivatives			
8. Other invested assets (Schedule BA)		206,157	206,157
9. Receivables for securities			
10. Securities lending reinvested collateral assets			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)		206,157	206,157
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	25,750,257	14,732,220	(11,018,037)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	340,160		(340,160)
15.3 Accrued retrospective premiums	47,097,574	36,644,535	(10,453,039)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	20,170	11,418	(8,752)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	143,446,227	164,925,490	21,479,263
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	299,218,892	257,221,814	(41,997,078)
21. Furniture and equipment, including health care delivery assets	118,672,504	126,014,225	7,341,721
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates	878	610	(268)
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	54,620,603	39,949,956	(14,670,647)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	689,167,265	639,706,425	(49,460,840)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	689,167,265	639,706,425	(49,460,840)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	54,577,825	39,834,902	(14,742,923)
2502. Amounts receivable under high deductible policies	42,778	115,054	72,276
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	54,620,603	39,949,956	(14,670,647)

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

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

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

#### C. Accounting Policies

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

In addition, the Company applies the following accounting policies, where applicable:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
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 2010.
13. The Company has no pharmaceutical rebate receivables.

### **Note 2 - Accounting Changes and Correction of Errors**

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

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

Effective August 31, 2009 the Company purchased the Insurance Company of Illinois, at statutory carrying value, from a downstream subsidiary, Safeco Insurance Company of Illinois.

<u>Acquired Company</u>	<u>Date of Acquisition</u>	<u>% Ownership</u>	<u>Cost</u>	<u>Unamortized Goodwill December 31, 2010</u>	<u>Goodwill Amortization Current Year</u>
Ohio Casualty Corporation	August 24, 2007	78.00%	\$1,690,592,354	\$762,643,081	\$114,769,463

Liberty Mutual Agency Corporation (LMAC), a downstream subsidiary of the Company, realized a \$4,000,000,000 reduction in its equity during 2010 due to a \$4,000,000,000 dividend in the form of a note issued by LMAC to its direct parent, Liberty Insurance Holdings Inc., due February 29, 2012 and bearing interest at an annual rate of 0.72%. As a result, LMAC was required to non-admit \$400,000,000 of goodwill related to its purchase of Safeco Corporation. This increase in non-admitted goodwill caused the Company to recognize an unrealized loss of \$400,000,000.

On June 9, 2010, the Company purchased Liberty Mutual Fire Insurance Company’s 2.892% holdings of the shares of Liberty Insurance Holdings, Inc. (“LIH”) for \$249,957,350 in cash and securities and Employers Insurance Company of Wausau’s 4.048% holdings of shares of LIH for \$349,871,398 in cash and securities. The purchase price represented the estimated fair value of the LIH shares. The transaction resulted in \$288,195,370 of goodwill to LMIC.

B. Statutory Mergers

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

C. Impairment Loss

The Company did not recognize an impairment loss during the period.

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

During 2010, the Company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

- (1) The maximum and minimum lending rates for mortgage loans during 2010 were 10.25% and 5.24% respectively.
- (2) During 2010, the Company did not reduce interest rates of any outstanding mortgage loans.
- (3) The maximum loan to value of any loan written during 2010 was 75%.
- (4) As of year end, LMIC held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest of \$1,656,641.
  - a. Total interest due on mortgages with interest more than 180 days past due was \$143,981.
- (5) There were \$112,455 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
- (6) Total recorded investment in impaired loans as of December 31, 2010 was \$10,314,252, of which there is a related allowance for credit losses of \$4,137,896.
- (7) There was no recorded investment in impaired loans without a related allowance for credit losses.
- (8) The average recorded investment in impaired loans was \$400,469 for 2010.
- (9) There was no interest income recognized for impaired loans during 2010.
- (10) There was no interest income recognized on a cash basis for impaired loans during 2010.
- (11)
  - b. The balance in the allowance for credit losses at the beginning of 2010 was \$960,815 and at the beginning of 2009 was \$198,159.
  - c. There were \$5,307,092 of additions to the allowance charged to operations in 2010 and \$762,656 in 2009.
  - d. There were \$2,130,011 of direct write-downs charged against the allowance in 2010 and \$0 in 2009.
  - e. There were no recoveries of amounts previously charged off.
  - f. The balance in the allowance for credit losses was \$4,137,896 in 2010 and \$960,815 in 2009.
- (12) The company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

- (1) There was \$13,437,578 of recorded investment in mortgage loans for which impairment has been recognized.
- (2) There was no realized capital loss.
- (3) There were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in trouble debt restructuring.
- (4) The company accrues interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. Interest income on non performing loans is generally recognized on a cash basis.



NOTES TO FINANCIAL STATEMENTS

C. Reverse Mortgages

The company has no reverse mortgages.

D. Loaned Backed Securities

- 1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
- 2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2010 as of December 31, 2010: None.
- 3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2010:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
021468AD5	\$6,856,269	\$6,039,793	\$816,476	\$6,039,793	\$4,300,561	6/30/2009
021468AD5	11,140,467	9,821,678	1,318,790	9,821,678	7,013,600	6/30/2009
021468AD5	2,938,401	2,631,566	306,835	2,631,566	1,843,097	6/30/2009
021468AD5	6,039,793	5,793,047	246,746	5,793,047	5,515,454	9/30/2010
021468AD5	9,821,678	9,426,227	395,451	9,426,227	8,994,918	9/30/2010
021468AD5	2,631,566	2,482,734	148,831	2,482,734	2,363,766	9/30/2010
021468AD5	5,793,047	5,723,368	69,679	5,723,368	5,515,874	12/31/2010
021468AD5	2,482,734	2,471,430	11,304	2,471,430	2,363,946	12/31/2010
02147LAD5	8,030,062	7,674,975	355,086	7,674,975	7,391,939	9/30/2010
02147LAD5	7,635,657	7,349,951	285,706	7,349,951	7,052,831	12/31/2010
02147XAF4	3,572,408	3,328,846	243,562	3,328,846	2,775,742	9/30/2010
02147XAF4	3,328,846	3,312,853	15,993	3,312,853	2,746,441	12/31/2010
36186KAC9	2,699,090	1,197,142	1,501,948	1,197,142	1,197,142	3/31/2009
43710RAD3	3,694,986	2,516,160	1,178,826	2,516,160	3,438,803	3/31/2009
81375BAM4	77,674	7,767	69,907	7,767	7,767	6/30/2009
74958YAA0	8,000,000	7,514,000	486,000	7,514,000	6,853,000	12/31/2010
74958YAA0	1,000,000	939,250	60,750	939,250	856,625	12/31/2010
76200RAG3	2,906,899	2,778,870	128,029	2,778,870	2,616,360	12/31/2010
74922EAG4	\$7,108,984	\$7,024,531	\$84,453	\$7,024,531	\$6,515,132	12/31/2010

- 4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2010:

	1	2
	Less Than 12 Months	Greater Than 12 Months
Gross Unrealized Loss	(7,351,381)	(9,473,612)
Fair Value of Securities with Unrealized Losses	723,240,511	125,261,042

- 5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders’ equity. If the decline is believed to be “other-than-temporary,” and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

E. Repurchase Agreements and Securities Lending

- 1. On March 26, 2010, the Company entered into at \$750,000,000 three-year committed repurchase agreement for general corporate purposes. In connection with the new repurchase agreement the Company terminated its existing \$750,000,000 364-day committed repurchase agreement. As of December 31, 2010, no borrowings were outstanding under the agreement.

NOTES TO FINANCIAL STATEMENTS

2. The Company maintained collateral for loaned securities.
- (1) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral. Cash collateral received is invested in short-term investments.

(2) The Company has not pledged any of its assets as collateral.

(3) Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short term securities.

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$ 289,112,707
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	\$ 289,112,707
Securities Received	64,899,046
Total Collateral Received	\$ 354,011,753

4. Securities Lending Transactions Administered by an Affiliated Agent

Not applicable

5. Collateral Reinvestment

- a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	-	-
30 Days or Less	\$ 154,790,380	\$ 154,793,870
31 to 60 Days	124,360,175	124,365,974
61 to 90 Days	9,949,441	9,952,862
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	289,099,0996	289,112,706
Securities Received	64,899,046	64,899,046
Total Collateral Reinvested	\$ 353,999,042	\$ 354,011,752

- b. Maturity profile of the cash reinvestment program sufficiently matches loan profile with liquidity demands consistent with an open loan program.

F. Real Estate

1. The Company recognized an impairment of \$20,527,679 on real estate during 2010.
2. The Company has not sold or classified real estate investments as held for sale.
3. The Company has not experienced any changes to a plan of sale for investment in real estate.
4. The Company does not engage in retail land sale operations.
5. The Company does not hold real estate investments with participating mortgage loan features.

G. Investments in Low Income Housing Tax Credits

1. Federal Investment in Low Income Housing Tax Credits
- a. There are thirteen years remaining of unexpired tax credits. The required holding period for the LIHTC investment is fifteen years.

b. The Company’s LIHTC property is required to meet regulatory benchmarks to comply with the LIHTC program which include the review of tenant files. Oversight of the projects is administered by the State Housing agencies.

c. The carrying value of the Company’s investment in LIHTC did not exceed 10% of its admitted assets.

NOTES TO FINANCIAL STATEMENTS

- d. The Company did not recognize any impairment loss on its LIHTC investment during the year.
- e. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

- A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets.

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

- B. Impairments on joint ventures, partnerships or limited liability companies

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company realized impairment losses of \$68,125,261 during the year.

Note 7 - Investment Income

- A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due (over 180 days for mortgage loans in default).

- B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2010.

Note 8 - Derivative Instruments

The Company maintains an active Derivative Use Policy as approved by the New York State Insurance Department. Pursuant to the policy, the Company may enter into derivative transactions. The Company may also acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

Note 9 - Income Taxes

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	1,602,545,747	263,561,753	1,866,107,500	1,483,576,568	323,037,432	1,806,614,000	118,969,179	(59,475,679)	59,493,500
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	1,602,545,747	263,561,753	1,866,107,500	1,483,576,568	323,037,432	1,806,614,000	118,969,179	(59,475,679)	59,493,500
Deferred Tax Liabilities	(622,689,751)	(122,571,849)	(745,261,600)	(513,867,910)	(104,495,000)	(618,362,910)	(108,821,841)	(18,076,849)	(126,898,690)
Net DTA (DTL)	979,855,996	140,989,904	1,120,845,900	969,708,658	218,542,432	1,188,251,090	10,147,338	(77,552,528)	(67,405,190)
Deferred Tax Assets Nonadmitted	(108,551,582)	(34,894,645)	(143,446,227)	(152,672,058)	(12,253,432)	(164,925,490)	44,120,476	(22,641,213)	21,479,263
Net Admitted DTA (DTL)	871,304,414	106,095,259	977,399,673	817,036,600	206,289,000	1,023,325,600	54,267,814	(100,193,741)	(45,925,927)

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election does not differ from the prior reporting period.

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	62,626,000	106,095,259	168,721,259	84,485,000	206,289,000	290,774,000	(21,859,000)	(100,193,741)	(122,052,741)
Lesser of:									
Expected to be recognized within one year (10bi.)	545,120,603	0	545,120,603	491,204,794	0	491,204,794	53,915,809	0	53,915,809
10% of adjusted capital and surplus (10bii.)			1,058,188,745			1,072,713,311			
Adj. gross DTAs offset against existing DTLs (10c.)	622,689,751	122,571,849	745,261,600	513,867,910	104,495,000	618,362,910	108,821,841	18,076,849	126,898,690
Total	1,230,436,354	228,667,108	1,459,103,462	1,089,557,704	310,784,000	1,400,341,704	140,878,650	(82,116,892)	58,761,758

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	62,626,000	106,095,259	168,721,259	84,485,000	206,289,000	290,774,000	(21,859,000)	(100,193,741)	(122,052,741)
Lesser of:									
Expected to be recognized within three years (10eiia.)	808,678,414	0	808,678,414	732,551,600	0	732,551,600	76,126,814	0	76,126,814
15% of adjusted capital and surplus (10eiib.)			1,587,283,117			1,609,069,967			
Adj. gross DTAs offset against existing DTLs (10eiii.)	622,689,751	122,571,849	745,261,600	513,867,910	104,495,000	618,362,910	108,821,841	18,076,849	126,898,690
Total	1,493,994,165	228,667,108	1,722,661,273	1,330,904,510	310,784,000	1,641,688,510	163,089,655	(82,116,892)	80,972,763

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2010	December 31, 2009	Change
Total Adjusted Capital	13,566,625,675	12,310,778,067	1,255,847,608
Authorized Control Level	2,746,514,501	2,617,344,557	129,169,944

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	607,746,603	106,095,259	713,841,862	575,689,794	206,289,000	781,978,794	32,056,809	(100,193,741)	(68,136,932)
Admitted Assets			36,437,990,532			34,589,089,729			1,848,900,803
Adjusted Statutory Surplus			13,566,625,675			12,310,778,068			1,255,847,607
Total Adjusted Capital from DTAs			13,566,625,675			12,310,778,068			1,255,847,607

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	263,557,811	0	263,557,811	241,346,806	0	241,346,806	22,211,005	0	22,211,005
Admitted Assets			36,701,548,343			34,830,436,535			1,871,111,808
Adjusted Statutory Surplus			13,830,183,486			12,552,124,874			1,278,058,612
Total Adjusted Capital from DTAs			13,830,183,486			12,552,124,874			1,278,058,612

NOTES TO FINANCIAL STATEMENTS

	December 31, 2010		
	(1)	(2)	(3)
Impact of Tax Planning Strategies			(Col 1 + 2)
	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	14%	0%	14%

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

	2010	2009
Federal	(198,900,191)	(210,378,074)
Foreign	44,050,404	14,877,620
Realized capital gains	38,970,671	(15,845,996)
Federal and foreign income taxes incurred	(115,879,116)	(211,346,450)

The Company’s deferred tax assets and liabilities result primarily from branch foreign currency translation, discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, accrued benefits, investment impairments, partnership investments, statutory non-admitted assets, alternative minimum credit carry forward and intangible drilling costs.

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

	2010
Change in net deferred income tax (without unrealized gain or loss)	(19,974,701)
Change in tax effect of unrealized (gains) losses	(47,421,888)
Total change in net deferred income tax	(67,396,589)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, excludable dividend income, partnership income, depreciation, accrued benefits, return to provision adjustments, foreign operations, permanent impairments, alternative minimum tax credits, foreign tax credits and unearned premium reserve deductions.
- 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 remaining net operating loss carry forwards available to offset future net income subject to Federal income taxes.

The Company has no remaining foreign tax credit carry forwards available to offset future net income subject to Federal income taxes.

The Company has an alternative minimum tax credit carry forward as follows:

Originated in 2009	4,035,000
Originated in 2010	65,396,000
Total Alternative Minimum Tax Credit Carry Forward	69,431,000

The alternative minimum tax credit carry forward does not expire.

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

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

Access Insurance Services, Co.	AMBCO Capital Corporation
America First Insurance Company	America First Lloyds Insurance Company
American Economy Insurance Company	American Fire & Casualty Company
American States Insurance Company	American States Insurance Company of Texas
American States Lloyds Insurance Company	American States Preferred Insurance Company
Avomark Insurance Company (merged 2/23/2010)	Barrier Ridge LLC
Berkeley Holding Company Associates, Inc.	Berkeley Management Corporation
Bridgefield Casualty Insurance Company	Bridgefield Employers Insurance Company
Capitol Court Corporation	Capitol Agency, Inc., The (Arizona corporation)
Capitol Agency, Inc., The (Ohio corporation) Dissolved 11/17/2010	Capitol Agency, Inc., The (Tennessee corporation) (Dissolved 7/1/2010)
Cascade Disability Management, Inc.	Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.	Companies Agency of New York, Inc. (Dissolved 3/3/2010)

NOTES TO FINANCIAL STATEMENTS

Companies Agency of Pennsylvania, Inc. (Dissolved 9/9/2010)	Consolidated Insurance Company
Copley Venture Capital, Inc.	Diversified Settlements, Inc.
Emerald City Insurance Agency, Inc.	Employers Insurance Company of Wausau
Excelsior Insurance Company	F.B. Beattie & Co., Inc.
First National Insurance Company of America	First State Agency Inc.
Florida State Agency, Inc. (Dissolved 8/20/2010)	General America Corporation
General America Corporation of Texas	General Insurance Company of America
Golden Eagle Insurance Corporation	Gulf States AIF, Inc.
Hawkeye-Security Insurance Company	Heritage-Summit HealthCare, Inc.
Indiana Insurance Company	Insurance Company of Illinois
LEXCO Limited	Liberty-USA Corporation
Liberty Assignment Corporation	Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.	Liberty Hospitality Group, Inc.
Liberty Insurance Corporation	Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters Inc.	Liberty International Europe Inc.
Liberty International Holdings Inc.	Liberty Life Assurance Company of Boston
Liberty Life Holdings Inc.	Liberty Lloyds of Texas Insurance Company
Liberty Management Services, Inc.	Liberty Mexico Holdings Inc.
Liberty Mutual Agency Corporation	Liberty Mutual Fire Insurance Company
Liberty Mutual Group Inc.	Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company	Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation	Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited	Liberty Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation	LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.	LM General Insurance Company
LM Insurance Corporation	LM Personal Insurance Company
LM Property & Casualty Insurance Company	LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.	Mid-American Agency, Inc. (Dissolved 8/20/2010)
Mid-American Fire & Casualty Company	North Pacific Insurance Company
OCASCO Budget, Inc.	OCI Printing, Inc.
Ohio Casualty Corporation	Ohio Security Insurance Company
Open Seas Solutions, Inc.	Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company	Peerless Insurance Company
Pilot Insurance Services, Inc.	Rianoc Research Corporation
S.C. Bellevue, Inc.	SAFECARE Company, Inc.
Safeco Corporation	Safeco General Agency, Inc.
Safeco Insurance Company of America	Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana	Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company	Safeco National Insurance Company
Safeco Properties, Inc.	Safeco Surplus Lines Insurance Company
San Diego Insurance Company	SCIT, Inc.
St. James Insurance Company Ltd.	State Agency, Inc. (Indiana corporation) (Dissolved 8/23/2010)
State Agency, Inc. (Wisconsin corporation) (Dissolved 8/24/2010)	Summit Consulting, Inc.
Summit Consulting, Inc. of Louisiana	Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation	The Midwestern Indemnity Company
The Ohio Casualty Insurance Company	The Netherlands Insurance Company
Wausau General Insurance Company	The National Corporation
West American Insurance Company	Wausau Business Insurance Company
Winmar of the Desert, Inc.	Wausau Underwriters Insurance Company
Winmar-Metro, Inc.	Winmar Company, Inc.
	Winmar Oregon, Inc.

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

**Note 10 - Information Concerning Parent, Subsidiaries and Affiliates**

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group Inc. ("LMGI"), a Massachusetts company. The ultimate parent of LMGI is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.
- C. For the year ended December 31, 2010, the Company had the following capital transactions with its parent and subsidiaries:
  - 1. Received capital contributions of \$500,000,000 from its parent, LMGI.
  - 2. Received return of capital distributions of \$489,365,086.
  - 3. Contributed capital in the amount of \$1,243,070,057
  - 4. Received dividends in the amount of \$2,890,544,729.
- D. At December 31, 2010, the Company reported a net \$389,024,047 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

NOTES TO FINANCIAL STATEMENTS

- E. The Company guarantees, jointly and severally with Liberty Mutual Fire Insurance Company, \$25,000,000 of the medium term notes payable that are obligations of its parent company, LMGI.

The Company guarantees the performance of LMGI under a \$400,000,000 commercial paper program. The amount outstanding as of December 31, 2010 was \$0.

The Company is contingently liable for the performance of Liberty Corporate Capital Limited’s obligations under standby letters of credit in the aggregate amount of \$311,980,000 (£200M), that have been collateralized. As of December 31, 2010, there have been no drawings under the standby letters of credit.

The Company guarantees to cover any overdraft of funds, not exceeding \$500,000,000, in the custodial accounts of any Liberty Mutual Group company with JPMorgan Chase Bank. To date the Company was not required to cover any overdraft of funds.

The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any “qualifying Louisiana investment” as defined in Louisiana Revised Statutes 22.1068, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$5,000,000. As of December 31, 2010, \$3,931,022 in “qualifying Louisiana investment” was held.

The Company guarantees that, if Liberty Personal Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any “qualifying Louisiana investment” as defined in Louisiana Revised Statutes 22.1068, the Company shall pay Liberty Personal Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$7,000,000. As of December 31, 2010, \$4,679,651 in “qualifying Louisiana investment” was held.

The Company guarantees obligations of Peerless Insurance Company under a \$250,000,000 repurchase agreement facility with Mitsubishi UFJ Securities (USA), Inc. As of December 31, 2010, there have been no drawings under the repurchase agreement.

The Company guarantees the future non-cancellable lease obligations of Liberty Information Technology Ltd. in the amount of \$6,935,620 (£4,446,195).

The Company guarantees the future non-cancellable lease obligations of Liberty Insurance Underwriters Inc. in the amount of \$6,999,556.

The Company guarantees obligations of Liberty Life Assurance Company of Boston on policies and contracts issued and is obligated to provide additional capital to that company necessary at any time to raise its Best’s Capital Adequacy Ratio to at least 150%.

The Company guarantees obligations of Liberty Mutual Insurance Europe (“LMIE”) Limited on policies and contracts issued until such time as LMIE can achieve a Standard & Poor’s rating as specified in the guarantee.

The Company guarantees the performance of LMIE under a credit agreement in the amount of \$20,000,000. As of December 31, 2010, there were no outstanding borrowings under the agreement.

The Company guarantees obligations of Liberty Re (Bermuda) Limited under certain reinsurance contracts.

The Company guarantees obligations of San Diego Insurance Company under a reinsurance agreement with Golden Eagle Insurance Company (in liquidation) and the California Insurance Commissioner, providing reinsurance of \$190,000,000 in excess of San Diego Insurance Company’s existing obligations under a 1997 agreement.

The Company guarantees the performance of Safeco Insurance Company of America under a Master Lease Agreement with RBS Asset Finance, Inc. The amount of this obligation as of December 31, 2010 was \$16,551,551.

The Company unconditionally guarantees that in order for Bridgefield Casualty Insurance Company (“BCIC”) to be licensed in the state of North Carolina, BCIC will maintain capital and surplus levels or the risk-based capital requirements of North Carolina law.

- F. Refer to Note 26 for information regarding Inter-Company Reinsurance Agreement.

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

There are service agreements between the Company and the following SCA companies -

America First Insurance Company  
America First Lloyds Insurance Company  
American Economy Insurance Company  
American Fire and Casualty Company  
American States Insurance Company  
American States Insurance Company of Texas  
American States Lloyds Insurance Company  
American States Preferred Insurance Company  
Berkeley/Columbus II LLC  
Berkeley/Columbus Real Estate LLC  
Bridgefield Casualty Insurance Company

NOTES TO FINANCIAL STATEMENTS

Bridgefield Employers Insurance Company  
Cascade Disability Management, Inc.  
Colorado Casualty Insurance Company  
Consolidated Insurance Company  
Employers Insurance Company of Wausau  
Excelsior Insurance Company  
First National Insurance Company  
General Insurance Company of America  
Golden Eagle Insurance Corporation  
Hawkeye-Security Insurance Company  
Helmsman Insurance Agency LLC  
Helmsman Management Services LLC  
Indiana Insurance Company  
Insurance Company of Illinois  
Liberty Energy Holdings LLC  
Liberty Information Technology Limited  
Liberty Insurance Corporation  
Liberty Insurance Underwriters Inc.  
Liberty Life Assurance Company of Boston  
Liberty Lloyd's of Texas Insurance Company  
Liberty Mutual Equity LLC  
Liberty Mutual Fire Insurance Company  
Liberty Mutual Group Inc.  
Liberty Mutual Managed Care LLC  
Liberty Metals & Mining Holdings, LLC  
Liberty Mutual Mid-Atlantic Insurance Company  
Liberty Mutual Personal Insurance Company  
Liberty Northwest Insurance Company  
Liberty Personal Insurance Company  
Liberty Surplus Insurance Corporation  
LIU Specialty Insurance Agency Inc.  
LM General Insurance Company  
LM Insurance Corporation  
LM Personal Insurance Company  
LM Property and Casualty Insurance Company  
Mid-American Fire and Casualty Company  
Montgomery Mutual Insurance Company  
National Insurance Association  
North Pacific Insurance Company.  
Ohio Security Insurance Company  
Oregon Automobile Insurance Company  
Peerless Indemnity Insurance Company  
Peerless Insurance Company  
Safeco Insurance Company of America  
Safeco Insurance Company of Illinois  
Safeco Insurance Company of Indiana  
Safeco Insurance Company of Oregon  
Safeco Lloyds Insurance Company  
Safeco National Insurance Company  
Safeco Surplus Lines Insurance Company  
San Diego Insurance Company  
The First Liberty Insurance Corporation  
The Midwestern Indemnity Company  
The National Corporation  
The Netherlands Insurance Company  
The Ohio Casualty Insurance Company  
Wausau Business Insurance Company  
Wausau General Insurance Company  
Wausau Signature Agency LLC  
Wausau Underwriters Insurance Company  
West American Insurance Company

Under these agreements, the Company may provide the SCA companies with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by the Company. Services include but are not limited to the following: claims handling, credit and collections, sales policy production, underwriting and a variety of computer activities.

The Company is a party to a management services agreement with LMGI. Under the agreement, LMGI may provide underwriting, claims processing, policyholder services, administration, information systems, accounting, advertising, sales, agent development and other services to the extent necessary or appropriate for the operation and use of the Company and others pursuant to agreements that obligate the Company to perform services.

Pursuant to an Employee Benefit Plans Cost-Sharing Agreement, the Company has agreed to reimburse LMGI for certain costs related to one or more employee benefit or welfare plans covering current or past employees of the Company or its affiliates which have been transferred to LMGI or which may be transferred to LMGI in the future. The amount of the reimbursement is: (a) the required contributions to the pension plans and (b) with respect to other plans, the benefits incurred on the Company's behalf.



NOTES TO FINANCIAL STATEMENTS

The Company is a party to claims service agreements with Peerless Insurance Company (“PIC”). Under these agreements, PIC provides workers compensation claims services to the Company.

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

The Company is a party to investment management agreements with Employers Insurance Company of Wausau (“EICOW”) with respect to its Canadian Branch, Liberty Insurance Underwriters Inc. (“LIUT”), Liberty Mutual Group Inc. (“LMGI”), LMIA and Safeco Insurance Foundation (“SIF”). Under these agreements, the Company provides services to EICOW, LIUI, LMGI, LMIA and SIF.

The Company is a party to revolving credit agreements under which the Company may lend funds to the following SCA companies:

Bridgefield Employers Insurance Company  
Colorado Casualty Insurance Company  
Employers Insurance Company of Wausau  
Golden Eagle Insurance Corporation  
Indiana Insurance Company  
Liberty Insurance Corporation.  
Liberty Insurance Underwriters Inc.  
Liberty Life Assurance Company of Boston  
Liberty Mutual Fire Insurance Company  
Liberty Mutual Group Inc.  
Liberty Mutual Mid-Atlantic Insurance Company  
Liberty Northwest Insurance Corporation  
Peerless Indemnity Insurance Company  
Peerless Insurance Company  
The Netherlands Insurance Company  
The Ohio Casualty Insurance Company

There is an "Agent-Company Agreement" between the Company and Helmsman Insurance Agency, Inc. ("Helmsman") whereby Helmsman provides agent commission payments, accounting, office services and other services under the terms of the Agreement.

On June 30, 2010, the Company entered into an aggregate stop-loss reinsurance agreement with an affiliate, Peerless Insurance Company (“PIC”). Pursuant to the agreement, the Company will indemnify PIC, on an incurred basis, against adverse development in PIC’s legacy run-off liability exposures, which includes any failure to fully realize reinsurance recoverables, whether due to coverage disputes or inability to pay. The agreement provides that, if at any time commencing in July 1, 2010, PIC’s total legacy run-off liability exposures develop adversely from the amounts established as of June 30, 2010, the Company will pay to PIC an amount equal to such adverse development, up to an aggregate amount of \$500 million.

The agreement will terminate upon the earlier of the time that there are no liabilities for PIC’s legacy run-off exposures remaining or the second anniversary of the date that the aggregate net payments made by the Company under the agreement equal \$500 million if the parties agree that no reinsurance refunds are likely to become due. The agreement may only be amended or assigned with the written consent of both parties.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company reduced the carrying value of Liberty International Holdings, Inc., a wholly owned subsidiary, by \$250,305,500, which represents a reciprocal ownership in its parent, LMGI.
- I. The Company owns 100.00% of Liberty Insurance Holdings, Inc (“LIH, Inc.”), a downstream holding company. LIH, Inc. is carried at audited U.S Generally Accepted Accounting Principals (“GAAP”) equity, adjusted for statutory basis of accounting in accordance with SSAP No 97.

At December 31, 2010, the Company’s ownership interest in LIH, Inc.’s assets, liabilities and results of operations are as follows:

	Assets	Liabilities	Results of Operations
Total LIH, Inc	\$ 3,786,599,685	\$ 3,028,197	\$ 115,821,891
Total LMIC unamortized admitted goodwill	\$ 272,104,462	-	-

The Company did not change the valuation method of its subsidiaries, controlled and affiliated entities.

- J. The Company did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.
- K. The Company does not use CARVM in calculating its investment in its foreign subsidiaries.

NOTES TO FINANCIAL STATEMENTS

L. The Company utilizes the look-through approach for the valuation of the following downstream non-insurance holding company:

	Carrying Value
Berkeley Management Corporation	\$ 16,164,214
LM Captive Holdings LLC	\$ 29,628,404
Summit Holding Southeast	\$106,353,614
Berkeley/Columbus III, LLC	\$ 70,655,054

The Company has limited the value of its investment in these companies to the value contained in the audited financial statements, including adjustments required by SSAP 97 of SCA entities. All liabilities, commitments, contingencies, guarantees or obligations of the downstream non-insurance holding company, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the Company’s determination of the carrying value of the investment in the downstream non-insurance holding company.

Note 11 - Debt

A. Debt consists of the following obligation as of December 31, 2010:

The Company maintains a \$1,000,000,000 revolving line of credit with LMGI (see Note 10F). There were no outstanding borrowings as of December 31, 2010. Interest is paid quarterly in arrears based on average borrowings at a variable interest rate. In 2010 the Company paid and incurred interest expense of \$473,535 and \$473,535, respectively. No collateral is required under this line of credit.

B. The Company is a member of the Federal Home Loan Bank of Boston. To date, no funds have been borrowed.

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

A. The U.S. Liberty Mutual Retirement Benefit Plan and Supplemental Income at Retirement Plan (SIRP) defined benefit pension plans are sponsored by the Holding Company, LMGI. Accordingly, the plan assets and obligations are not included in the Company’s summary of assets and obligations as of December 31, 2010 and December 31, 2009. (The Employees’ Thrift-Incentive plan and Supplemental Income at Retirement Plan (SIRP) defined contribution pension plans are also sponsored by LMGI.)

The Company continues to sponsor non-contributory defined benefit and contributory defined contribution pension plans covering substantially all Canadian and certain U.S. employees. The benefits and eligibility are based on age, years of service and the employee’s compensation, as more fully defined in the Plan. As of December 31, 2010, the Company accrued pension cost in accordance with the actuarially determined amounts, with an offset for the incremental asset amortization.

The Company’s U.S. postretirement health and life benefit obligations are also sponsored by LMGI. Accordingly, the plan assets and obligations are not included in the Company’s summary of assets and obligations as of December 31, 2010 and December 31, 2009. However, the Company continues to provide certain health care and life insurance benefits for retired Canadian employees. Substantially all Canadian employees may become eligible for these benefits if they reach retirement age and have ten years of service working for the Company, as more fully defined in the Plan. Also, the Company provides a Death Benefit Only life insurance benefit for certain U.S. employees.

A summary of assets, obligations, and assumptions of the Company Pension Plans and Postretirement Benefit Plans are as follows at December 31, 2010 and 2009:

	<u>Pension Plans</u>		<u>Postretirement</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
(1) Change in benefit obligations				
a. Benefit obligations, beginning of year	\$ 119,956,009	\$ 105,786,737	\$ 5,852,076	\$ 4,748,587
b. Service costs	2,583,086	2,482,871	-	-
c. Interest costs	7,559,539	6,985,858	1,097,344	319,902
d. Eligibility costs	-	-	522,314	513,344
e. Amendments	-	-	-	-
f. Actuarial (gains)/losses	869,297	4,902,168	12,679,096	103,932
g. Foreign currency exchange rate change	3,664,489	6,435,287	177,476	341,471
h. Acquisition / (Divestiture)	-	-	-	-
i. Benefits paid	(6,436,838)	(6,636,912)	(196,350)	(175,161)
j. Benefit obligations, end of year	\$ 128,195,582	\$ 119,956,009	\$ 20,131,956	\$ 5,852,076
(2) Change in plan assets				
a. Fair value of plan assets at beginning of year	\$ 42,793,454	\$ 32,700,857	\$ 0	\$ 0
b. Actual return on plan assets	3,419,316	5,180,948	-	-
c. Foreign currency exchange rate changes	3,553,754	5,664,201	-	-
d. Employer contributions	13,856,843	934,790	-	-
e. Plan participants’ contributions	-	-	-	-
f. Benefits paid	(2,254,854)	(1,687,342)	-	-
g. Other	-	-	-	-
h. Fair value of plan assets at end of the year	\$ 61,368,513	\$ 42,793,454	\$ 0	\$ 0

NOTES TO FINANCIAL STATEMENTS

<b>(3) Reconciliation of funding status</b>				
a. Funded status of the plan	\$ (66,827,069)	\$ (77,162,555)	\$ (20,131,956)	\$ (5,852,076)
b. Unrecognized net (gain)/loss	18,346,027	16,754,851	11,631,442	1,316,707
c. Unrecognized prior service costs	1,665,823	1,825,261	-	-
d. Unrecognized net transition (asset)/obligation	1,508,332	1,762,183	650,387	723,955
e. Net amount recognized	<u>\$ (45,306,887)</u>	<u>\$ (56,820,260)</u>	<u>\$ (7,850,127)</u>	<u>\$ (3,811,414)</u>

<b>(4) Vested accumulated benefit obligation</b>	\$ 117,906,690	\$ 105,821,017	\$ 20,131,956	\$ 5,852,076
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<b>(5) Non-vested benefit obligation</b>	\$ 0	\$ 0	\$ 8,022,641	\$ 5,284,173
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<b>(6) Components of net periodic benefit costs</b>				
a. Service costs	\$ 2,583,086	\$ 2,482,871	\$ 0	\$ 0
b. Eligibility costs	-	-	522,314	513,344
c. Interest costs	7,559,539	6,985,858	1,097,344	319,902
d. Expected return on plan assets	(3,276,038)	(2,871,199)	-	-
e. Amortization of unrecognized:				
Net (gain)/Loss	595,903	123,528	2,388,189	288,707
Prior service cost	210,631	204,826	-	-
Net transition (asset)/obligation	34,965	79,551	108,507	99,210
Total net periodic benefit cost	<u>\$ 7,708,086</u>	<u>\$ 7,005,435</u>	<u>\$ 4,116,354</u>	<u>\$ 1,221,163</u>

<b>(7) Amounts recognized in the statutory financial statements consist of</b>				
Prepaid Benefit Cost	\$ 23,469,187	\$ 8,939,537	\$ 0	\$ 0
Accrued benefit liability	(68,463,524)	(67,551,087)	(7,850,127)	(3,811,414)
Minimum pension liability	426,722	-	-	-
Intangible asset	(739,273)	1,791,290	-	-
Net amount recognized	<u>\$ (45,306,888)</u>	<u>\$ (56,820,260)</u>	<u>\$ (7,850,127)</u>	<u>\$ (3,811,414)</u>

Change in additional pension liability	426,722	(188,411)	-	-
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<b>(8) Weighted-average assumptions used to determine net periodic benefit costs:</b>				
Discount rate	6.30%	6.40%	6.30%	6.40%
Expected return on plan assets	6.75%	6.75%	-	-
Rate of compensation increase	4.65%	4.70%	-	-

<b>Weighted-average assumptions used to determine projected benefit obligation:</b>				
Discount rate	6.00%	6.30%	6.35%	6.30%
Rate of compensation increase	4.10%	4.70%	-	-

(9) The measurement date used to determine the pension and other postretirement measurements is December 31.

(10) The weighted average healthcare cost trend rate assumed for 2011 is 9.50% graded to 5.0% for 2020.

(11) Assumed healthcare cost rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed healthcare cost trends rate would have the following effects:

	<u>1-Percentage Point Increase</u>	<u>1-Percentage Point Decrease</u>
Effect on postretirement benefit obligation:	\$ 496,452	\$(379,409)
Effect on total of service cost and interest cost:	\$ 59,075	\$(43,476)

(12) The pension plan’s weighted-average asset allocation by asset category is as follows:

Asset Category	2010	2009
Equity Investments	34%	43%
Debt Investments	55%	55%
Other	11%	2%
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Narrative description of investment policy

The Company recognizes that, based on historical data, the asset classes most likely to produce the greatest return in excess of inflation over time are also likely to exhibit the most volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest return over time. Therefore, the investment philosophies and strategies must take into account both return and risk objectives.

NOTES TO FINANCIAL STATEMENTS

Based on the following considerations, the Company can tolerate a moderate amount of risk while striving to maximize investment returns:

- i. The Company is responsible for financing any unfunded liabilities emerging because of poor investment returns. Therefore, the Company has a direct exposure to risk. While it is important to avoid excessive volatility in investment returns, the Company can tolerate some volatility risk;
- ii. The Company contributes to the Plan in compliance with regulatory requirements and at a level sufficient to finance the defined benefits. The Company will establish these contributions based on the advice of an actuary. However, periodic increases in pension contributions, to finance unfunded liabilities emerging from poorer than expected investment performance, should not significantly affect the Company's overall cash flow. Therefore, the Company can tolerate some volatility of investment returns; and,
- iii. The Plan is managed on a going concern basis, including management of the assets. In the foreseeable future, it is unlikely that there will be any special liquidity demands on the Plan. Thus, shorter-term fluctuations in security values will not have a significant adverse impact on the financial stability of the Plan. Therefore, the Company can tolerate some volatility of investment returns.

Taking into consideration the investment risk and philosophy of the Plan, the following asset mix has been established.

Assets	Minimum %	Target Mix %	Maximum %
Equity Investments	20	35	45
Debt Investments	55	65	80
Other	0	0	10

Narrative description of expected long term rate of return assumption

The expected long-term rate of return is estimated based on many factors including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies.

(13) Expected Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate are expected to be paid:

Year	Pension	Postretirement Benefits
2011	\$ 6,042,490	\$ 688,927
2012	6,411,670	780,717
2013	6,620,046	841,888
2014	6,850,230	911,299
2015	7,116,127	995,943
2016-2020	\$ 38,817,796	\$ 6,304,320

(14) Expected Company Contributions

The Company expects to contribute \$5,536,377 and \$208,927 to the pension plan, and post retirement plan respectively, in 2011.

- B. The Company continues to sponsor various defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately \$866,700 and \$1,388,154 in 2010 and 2009 respectively. The Company's contribution to the defined contribution plans is based on the employee contribution amounts and company performance.
- C. Multi-employer Plans  
  
Not applicable
- D. The Company's eligible U.S. employees participate in non contributory defined benefit pension plans and contributory defined contribution pension plans sponsored by LMGI, a holding company. The Company has no legal obligation for benefits under these plans subsequent to September 24, 2003. LMGI allocates defined benefit pension amounts to the Company based on paid amounts. LMGI allocates defined contribution pension and postretirement amounts to the Company based on Statutory incurred amounts.

LMGI allocated \$210,253,467 and \$216,216,505 of defined benefit pension expense to the Company in 2010 and 2009, respectively. LMGI allocated \$138,731,140 and \$152,001,180 of defined contribution pension expense to the Company in 2010 and 2009, respectively. LMGI allocated \$58,621,864 and \$65,154,051 of postretirement expense to the Company in 2010 and 2009, respectively.

NOTES TO FINANCIAL STATEMENTS

- E. The Company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued.

Not applicable

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

1. The Company has 100,000 shares authorized, issued and outstanding as of December 31, 2010. All shares have a stated par value of \$100.

The Company has 100,000 shares authorized of 10% non-convertible perpetual Series A Preferred Stock. All shares have a stated par value of \$0.01.

2. On December 31, 2008, the Company issued 7,468 preferred shares at an issuance price of \$647,660,000 to its parent, LMGI. Dividends, based on the issuance price, are cumulative and payable on a quarterly basis.
3. There are no dividend restrictions.
4. The Company paid ordinary dividends to its parent in 2010 of:

	Ordinary	Total Dividends
January	\$ 75,000,000	\$ 75,000,000
March	16,191,500	16,191,500
June	16,191,500	16,191,500
September	16,191,500	16,191,500
December	16,191,500	16,191,500
Total	\$ 139,766,000	\$ 139,766,000

5. The maximum amount of dividends which can be paid by Massachusetts-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2011 is \$2,921,743,425.
6. As of December 31, 2010, the Company has restricted surplus of \$263,557,811 from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*, and pre-tax restricted surplus of \$954,868,844 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2010 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is \$(4,163,991,154) after applicable deferred taxes of \$4,129,933.

11. Surplus Notes

(1) Date Issued	(2) Interest Rate	(3) Amount of Note(s)	(4) Carrying Value	(5) Interest Paid Current Year	(6) Total Interest Paid	(7) Unapproved Interest	(8) Date of Maturity
May 18, 1995	8.500%	\$140,000,000	\$139,862,229	\$11,900,000	\$196,630,972	\$0	5/15/2025
Oct 21, 1996	7.875%	227,085,000	226,884,654	17,882,944	273,520,969	0	10/15/2026
Oct 15, 1997	7.697%	435,083,000	428,696,649	33,488,338	494,020,306	0	10/15/2097
Total		\$802,168,000	\$795,443,532	\$63,271,282	\$964,172,247	\$0	

The 8.50% surplus debenture listed under 13.10.2 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Brothers Inc. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$150,000,000. In 2009, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$10,000,000 of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The 7.875% surplus debenture listed under 13.10.3 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Morgan Stanley & Co. and Salomon Brothers Inc. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$250,000,000. In 2009, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$22,915,000 of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

NOTES TO FINANCIAL STATEMENTS

The 7.697% surplus debenture listed under 13.10.4 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Goldman Sachs & Co. and Merrill Lynch & Co. and is administered by The Bank of New York Mellon as registrar/paying agent. The original amount outstanding was \$500,000,000. In 2009, pursuant to approval from the Massachusetts Division of Insurance, the Company repurchased \$64,917,000 of the outstanding notes. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

12. Quasi re-organization (dollar impact)

Not applicable

13. Quasi re-organization (effective date)

Not applicable

Note 14 - Contingencies

A. Contingent Commitments

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

B. Assessments

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

The Company has accrued a liability for guaranty funds and other assessments of \$164,650,211 that is offset by future premium tax credits of \$18,641,603. 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 2010.

During 2010 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$11,017,338

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

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

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

( f ) Per Claim [ X ]                      ( g ) Per Claimant [ ]

E. All Other Contingencies

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

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

NOTES TO FINANCIAL STATEMENTS

Pursuant to North Carolina General Statute #58-36-25, the potential interest payable to policyholders for the 2010 Private Passenger Automobile Escrow was \$41,505.

Note 15 - Leases

A. Lessee Leasing Arrangements

The Company leases office space, plant and equipment under various non cancelable operating lease arrangements. The Company has also entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all property, plant and equipment at the end of each respective lease.

The Company’s minimum lease obligations under these agreements are as follows:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2011	\$24,904,849	\$79,723,084
2012	24,736,062	78,271,979
2013	24,706,785	59,276,984
2014	15,721,666	34,706,912
2015	15,454,049	20,789,781
2016 & thereafter	4,885,940	99,105,235
Total	\$110,409,351	\$371,873,975

B. Leasing as a Significant Part of Lessor’s Business Activities

Leasing is not a significant part of the Company’s business activities.

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 concentration of credit risk.

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company’s portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. Collateral is not restricted and currently \$0 extends beyond one year from December 31, 2010. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2010 the total fair value of securities on loan was \$345,480,072, with corresponding collateral value of \$354,011,753 of which \$289,112,707 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses in excess of actual expenses on ASO plans and the net gain was \$681,826. Claim payment volume was \$31,137,748.

B. Administrative Services Contract (ASC) Plans

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

Full Name and Address of MGA or TPA	FEIN #	Exclusive Contract	Type of Business Written	Type of Authority Granted	Total Direct Written Premiums
Asurion Insurance Services Inc* 648 Grassmere Park, Suite 300, Nashville, TN 37211	62-1463468	N	Inland Marine	U, P, CA	\$1,858,246,699

\* As defined by the statutes of the Commonwealth of Massachusetts.

U – Underwriting  
P – Premium Collection  
CA – Claims Adjustment

Note 20 - Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company’s portfolio is based on the Company’s assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.
- Level 3 — Valuations based on inputs that are unobservable and reflect the Company’s own assumptions about the assumptions that market participants might use.

The following table summarizes the Company’s assets and liabilities that are measured at fair value at December 31, 2010:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	\$ 165,539,380	\$ 430,241	\$ 165,969,621
Residential Mortgage-Backed Securities	-	\$ 89,254,539	-	\$ 89,254,539
Commercial Mortgage-Backed Securities	-	-	\$ 3,884	\$ 3,884
Total Bonds	-	\$ 254,793,919	\$ 434,125	\$ 255,228,044
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	\$ 221,371,662	\$ 3,052,011	\$ 224,423,673
Total Preferred Stocks	-	\$ 221,371,662	\$ 3,052,011	\$ 224,423,673
Common Stocks				
Industrial and Miscellaneous	\$ 214,961,878	-	\$ 8,750,600	\$ 223,712,478
Total Common Stocks	\$ 214,961,878	-	\$ 8,750,600	\$ 223,712,478
Total assets at fair value	\$ 214,961,878	\$ 476,165,581	\$ 12,236,736	\$ 703,364,195
Liabilities at fair value				
Total liabilities at fair value	\$0	\$0	\$0	\$0

The Company did not have significant transfers between Levels 1 and 2 during the year ended December 31, 2010.



NOTES TO FINANCIAL STATEMENTS

2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

	1	2	3	4	5	6	7
	Balance at 12/31/2009	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases, issuances, sales and settlements	Balance at 12/31/2010
Bonds	\$ 492,046	-	-	(\$ 4,303)	(\$ 18,361)	(\$ 35,257)	\$ 434,125
Preferred Stock	\$ 2,704,115	-	-	(\$ 4,900)	\$ 4,796	\$ 348,000	\$ 3,052,011
Common Stock	\$ 7,448,000	-	-	-	-	\$ 1,302,600	\$ 8,750,600
Total	\$ 10,644,161	-	-	(\$ 9,199)	(\$ 13,569)	\$ 1,615,343	\$ 12,236,736

3. Policy on Transfers Into and Out of Level 3

Transfers in and/or out of Level 3 are due to re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company’s securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company’s valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company’s fixed maturities by asset class:

U.S. government and agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company’s U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Mortgage-Backed Securities

The Company’s portfolio of residential mortgage-backed securities (“MBS”) and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities

Asset-backed securities (“ABS”) include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals

The Company’s municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

NOTES TO FINANCIAL STATEMENTS

Corporate debt and other

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity Securities

Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

5. Derivative Fair Values

Not applicable

B. This Disclosure was removed by NAIC December 2010.

C. Other Fair Value Disclosures

Not applicable

D. Reasons Not Practical to Estimate Fair Value

Not applicable

**Note 21 - Other Items**

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2010 and 2009.
- b) The Company received payments from the Special Disability Trust Fund of \$1,530,175 in 2010 and \$1,962,812 in 2009.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$172,811 in 2010 and \$164,708 in 2009.

2) Assets in the amount of \$2,246,359,488 and \$2,193,941,534 as of December 31, 2010 and 2009, respectively, were on deposit with government authorities or trustees as required by law. Assets valued at \$395,143,661 and 813,658,794 at December 31, 2010 and 2009, respectively, were maintained as compensating balances of pledged as collateral for bank loans and other financing arrangements.

NOTES TO FINANCIAL STATEMENTS

3) 2010 North Carolina Private Passenger Automobile Escrow

As mandated by North Carolina Statute #58-7-26(C), the escrow account of the Company was \$546,694 at December 31, 2010.

4) Interrogatory 6.1

In 2010, the Company purchased a Workers' Compensation Catastrophe Treaty with limits of \$400,000,000 part of \$500,000,000 xs \$700,000,000 covering its workers' compensation business and workers' compensation business ceded to the Company by certain affiliates.

Interrogatory 6.3

The Company had in force catastrophe XOL reinsurance of \$1,500,000,000 part of \$1,700,000,000 xs \$1,300,000,000 and \$150,000,000 xs \$1,150,000,000 (Earthquake only) covering direct business and business assumed from certain affiliates. Additionally, the Company had purchased \$455,000,000 part of \$650,000,000 xs \$650,000,000 xs \$650,000,000 in second event coverage should there be multiple large events in a single year. The Company also had a 30% QS treaty in place for its US Homeowners portfolio that covers catastrophe losses up to \$1,750,000,000 for Wind and \$400,000,000 for Earthquake.

D. The Company routinely assesses the collectability of its premium receivable balances. The Company does not believe that amounts in excess of non-admitted amounts are material.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

(1) Carrying value of transferable state tax credits gross of any related state tax liabilities and total unused transferable state tax credits by state and in total.

<u>Description of State Transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Historical Rehabilitation Credit	CT	\$183,690	\$183,690
Production Tax Credit	CT	\$225,000	\$225,000
Historical Rehabilitation Credit	OK	\$209,300	\$209,300
Total		\$617,990	\$617,990

(2) Method of Estimating Utilization of Remaining Transferable State Tax Credits

The Company estimated the utilization of the remaining transferable State Tax Credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining Transferable State Tax Credits.

(3) Impairment Loss

The Company has not recognized any impairment losses associate with its Transferable State Tax Credits.

G. Subprime-Mortgage-Related Risk Exposure

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

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Other Than Temporary Impairments Recognized</u>
\$5,717,772	\$7,028,912	\$9,178,596	\$2,697,199

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

Note 22 - Events Subsequent

A. The Company evaluated subsequent events through February 24, 2011, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2010 that would require disclosure.

NOTES TO FINANCIAL STATEMENTS

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, the following are the unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder’s surplus.

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
National Workers’ Compensation Reins Pool		AA-9992118	\$1,299,801,000
Swiss Re Group:			
Facility Insurance Corporation	10818	74-1194354	
North American Elite Insurance Company	29700	13-3440360	
North American Specialty Insurance Company	29874	02-0311919	
Swiss Reinsurance America Corporation	25364	13-1675535	
Swiss Reinsurance Australia Ltd.		AA-1934100	
Swiss Reinsurance Company		AA-1460146	
Swiss Reinsurance Europe SA		AA-1371002	
Swiss Reinsurance Life and Health America Inc.	82627	06-0839705	
Westport Insurance Corporation	39845	48-0921045	
Total Swiss Re Group			\$859,365,000
Peerless Insurance Company	24198	02-0177030	\$430,697,000
Total			\$2,589,863,000

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company’s assumed and ceded reinsurance were canceled as of December 31, 2010.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$4,660,743,087	\$204,086,063	\$1,477,000,807	\$16,980,349	\$3,183,742,280	\$187,105,714
All Other	109,911,271	30,714,093	910,222,213	241,668,694	(800,310,942)	(210,954,601)
Total	\$4,770,654,358	\$234,800,156	\$2,387,223,020	\$258,649,043	\$2,383,431,338	\$(23,848,887)

Direct Unearned Premium Reserve: \$1,119,099,721

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2010 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$1,503,053	\$21,657,523	\$6,068,071	\$17,092,505
Sliding scale adjustments	\$0	\$0	\$0	\$0
Other profit commissions	\$0	\$0	\$143,910,000	\$(143,910,000)
Totals	\$1,503,053	\$21,657,523	\$149,978,071	\$(126,817,495)

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

D. Uncollectible Reinsurance

During the current year, the Company wrote off reinsurance balances of \$(2,986). This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$(12,965)
Loss Expenses Incurred	9,979
Premiums Earned	0
Other Expenses	0
Total	\$(2,986)
Reinsurer	Amount
Soverign Marine and General	\$(49,821)
Vehicle & General Ins Co Ltd	45,000
National Automobile & Cas Ins	1,835
Total	\$(2,986)

NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance

The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was a decrease in Net Income of \$585,806. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$360,267
Loss Expenses Incurred	257,777
Premiums Earned	0
Other Expenses	(32,238)
Total	\$585,806
Reinsurer	Amount
Wolseley Ins Ltd	\$(1,398,547)
Housing Authority Property Insurance	(63,711)
Arlington Ins Co	(44,303)
Vandicomp Group Ltd	(33,746)
Liberty Reinsurance (Bermuda)	(24,024)
Florida Hurricane Cat Pool Fund	1,142,076
Swiss Re Life and Health America Inc	472,323
American States Insurance Company	183,752
Continental Casualty Co	179,914
Stuart Insurance Group Limited	172,307
All Other	(235)
Total	\$585,806

F. Retroactive Reinsurance

The Company’s retroactive reinsurance is a result of externally ceded and assumed reinsurance agreements. The impact of the Intercompany Reinsurance Agreement, as described in Note 26, is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	\$8,144,699	\$1,700,530,306
	2. Adjustments – Prior Year(s)	(4,934,424)	(246,236,193)
	3. Adjustments – Current Year	(294,944)	(59,403,819)
	4. Total	\$2,915,331	\$1,394,890,294
b.	Consideration Paid or Received:		
	1. Initial	\$127,482,101	\$825,665,845
	2. Adjustments – Prior Year(s)	1,025,921	41,416,758
	3. Adjustments – Current Year	60,631	867,387
	4. Total	\$128,568,653	\$867,949,990
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial	\$(17,144,434)	\$9,590,043
	2. Adjustments – Prior Year(s)	6,865,616	329,304,104
	3. Adjustments – Current Year	(7,400)	64,140,813
	4. Total	\$(10,286,218)	\$403,034,960
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	\$136,481,836	\$(884,454,504)
	2. Adjustments – Prior Year(s)	(905,271)	(41,651,153)
	3. Adjustments – Current Year	362,975	(3,869,607)
	4. Current Year Special Surplus	1,863,593	(953,005,251)
	5. Cumulative Total Transferred to Unassigned Funds	\$134,075,947	\$23,029,987
e.	All cedents and reinsurers included in the above transactions:		
	Allianz Cornhill Insurance PLC, AA-1120445	\$4,676,062	
	Wettereau Insurance Co. Ltd., AA-3191047	411,409	
	Employers Insurance Company of Wausau, 21458	(2,172,140)	
	National Indemnity Insurance Company, 20087		\$735,516,418
	North American Specialty Insurance Company, 29874		649,266,130
	Partner Re Co LTD, AA-3190686		215,825,060
	ACE INA Overseas Insurance Company, AA-0000000		129,791,030
	Federal Insurance Company, 20281		111,889,714
	Munich Reinsurance America Inc, 10227		37,365,945
	Swiss Reinsurance America Corporation, 25364		4,639,406
	Everest Reinsurance Company, 26921		1,813,393

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	American National Insurance Company, 60739		1,186,071
	Diversified Insurance Corp, AA-0000000		606,834
	North European Financial Re, AA-0000000		604,686
	Other		555,581
	Liberty Mutual Fire Insurance Company, 23035		(243,312,697)
	Employers Insurance Company of Wausau, 21458		(150,891,595)
	Liberty Insurance Corporation, 42404		(75,445,797)
	Wausau Business Insurance Company, 26069		(7,544,580)
	Wausau Underwriters Insurance Company, 26042		(7,544,580)
	LM Insurance Corporation, 33600		(3,772,290)
	LM General Insurance Company, 36447		(1,886,145)
	LM Personal Insurance Company, 36439		(1,886,145)
	The First Liberty Insurance Corporation, 33588		(1,886,145)
	Total	\$2,915,331	\$1,394,890,294

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

G. Reinsurance Accounted for as a Deposit

At December 31, 2010, the deposit balance for reinsurance contracts accounted for under the deposit method was \$12,290,297.

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

The Company has not entered into any property and casualty run-off agreements which qualify for prospective reinsurance accounting treatment, pursuant to SSAP No. 62R, *Property and Casualty Reinsurance*.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.
- D. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been non-admitted.

a.	Total accrued retro premium	\$469,804,917
b.	Unsecured amount	
c.	Less: Non-admitted amount (10%)	47,097,574
d.	Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e.	Admitted amount (a) - (c) - (d)	\$422,707,343

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expenses attributable to insured events of prior years decreased overall in 2010. The favorable development was primarily a result of decreases in the Commercial Auto Liability, Special Liability, and Product Liability-Occurrence lines, partially offset by an increase in the Other Liability-Occurrence line. Original estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Inter-Company Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	73.80%	All Lines
Affiliated Pool Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	12.90%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	All Lines
	Liberty Insurance Corporation ("LIC")	42404	4.00%	All Lines
	Wausau Business Insurance Company ("WBIC")	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company ("WUIC")	26042	0.40%	All Lines
	LM Insurance Corporation ("LMC")	33600	0.20%	All Lines

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	The First Liberty Insurance Corporation ("FST")	33588	0.10%	All Lines
	LM General Insurance Company ("LMGIC")	36447	0.10%	All Lines
	LM Personal Insurance Company ("LMPIC")	36439	0.10%	All Lines
	Liberty Lloyd's of Texas Insurance Company ("LLOT")	11041	0.00%	All Lines
	Liberty Mutual Personal Insurance Company ("LMPICO")	12484	0.00%	All Lines
	Liberty Personal Insurance Company ("LPIC")	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation ("LSI")	10725	0.00%	All Lines
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	Personal Lines Only
			<u>100.00%</u>	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
	Liberty County Mutual Insurance Company ("LCMIC")	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. ("LIU")	19917	0.00%	All Lines
	LM Property and Casualty Insurance Company ("LMPAC")	32352	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual inter-company pool as at December 31, 2010:

Affiliate:	Amount:
Liberty Mutual Insurance Company	(60,871,839)
Liberty Mutual Fire Insurance Company	28,921,566
Liberty Insurance Corporation	8,967,927
LM Insurance Corporation	448,396
The First Liberty Insurance Corporation	224,198
Employers Insurance Company of Wausau	20,067,770
Wausau Underwriters Insurance Company	896,793
Wausau Business Insurance Company	896,793
LM General Insurance Company	224,198
LM Personal Insurance Company	224,198

Effective January 1, 2010, LMMAIC cancelled its participation in the Peerless Insurance Company ("PIC") Amended and Restated Reinsurance Pooling Agreement and concurrently became a participant in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.0% pool participation percentage and entered into an 100% Quota Share Reinsurance Agreement with PIC. Pursuant to the 100% Quota Share Reinsurance Agreement with PIC, the Company continues to cede the business it wrote for the Peerless Pool to PIC. New business is ceded to LMIC, the lead company in the Liberty Pool.

Effective January 1, 2010, LMGIC and LMPIC canceled their 100% Quota Share Agreements with LMPAC and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.10% pool participation percentage.

Effective January 1, 2010, BCIC and BEIC novated their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Quota Share Inter-Company Reinsurance Agreements with LMIC.

Effective January 1, 2010, LLOT and LMPICO terminated their 100% Quota Share Inter-Company Reinsurance Agreements with LMIC and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.00% pool participation percentage.

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Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$394,239,614 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 \$394,239,614 as of December 31, 2010.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders’ surplus and whereby the company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company and Location	Licensed in Company’s State of Domicile (Yes/No)	Statement Value of Annuities
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$ 230,408,699

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	\$0
2. Date of the most recent evaluation of this liability	12/31/2010
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31 - High Dollar Deductible Policies

As of December 31, 2010, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$3,559,146,983 and the amount billed and recoverable on paid claims was \$164,224,609.

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 the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2010 liabilities subject to discount were carried at a value representing a discount of \$835,733,710 net of all reinsurance.

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 the de-affiliation of EICOW, WBIC, WUIC and WGIC (“Wausau Companies”) from the Nationwide Group and becoming members of the Liberty Pool, the Wausau Companies entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for the 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 collectability 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



NOTES TO FINANCIAL STATEMENTS

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. These uncertainties cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

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

Uncertainty Regarding Reserving Methodologies

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Company's future operating results and financial condition.

In the third quarter of 2009, the Company completed its biennial ground-up asbestos reserve study. The study was completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and it included all major segments of the Company's direct, assumed, and ceded asbestos claims. As part of the internal review, potential exposures of certain policyholders were individually evaluated using the Company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insureds. Between comprehensive studies, the Company monitors asbestos activity to determine whether or not any adjustment to reserves is warranted. The Company also completed its annual study on the environmental claims liability, resulting in immaterial adjustments to held reserves. During 2010 the Company monitored asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted. Based on this review of actual emerged losses, no material adjustments were made.

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.

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

Asbestos:

	2006	2007	2008	2009	2010
<b>Direct Basis</b>					
Beginning Reserves	1,474,708,613	1,365,123,210	1,241,542,584	1,153,620,848	1,366,367,178
Incurred losses and LAE	74,182,785	170,627,422	105,271,386	405,374,369	56,726,755
Calendar year payments	183,768,188	294,208,048	193,193,123	192,628,040	417,796,903
Ending Reserves	1,365,123,210	1,241,542,584	1,153,620,848	1,366,367,178	1,005,297,030
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	379,243,311	401,075,469	522,689,694	494,856,994	354,192,587
Incurred losses and LAE	36,022,494	141,435,127	(5,587,874)	(112,734,606)	35,974,940
Calendar year payments	14,190,336	19,820,902	22,244,826	27,929,800	37,678,332
Ending Reserves	401,075,469	522,689,694	494,856,994	354,192,587	352,489,195
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	769,258,662	662,002,412	588,433,144	486,605,296	654,510,112
Incurred losses and LAE	9,006,681	62,823,166	10,512,116	291,917,137	(79,093,052)
Calendar year payments	116,262,931	136,392,434	112,339,964	124,012,320	149,632,613
Ending Reserves	662,002,412	588,433,144	486,605,296	654,510,112	425,784,448
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					507,808,337
Assumed Reinsurance Basis					271,509,244
Net of Ceded Reinsurance Basis					204,262,886

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<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	388,066,578
Assumed Reinsurance Basis	14,943,890
Net of Ceded Reinsurance Basis	162,104,543

<b><u>Environmental:</u></b>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Direct Basis</b>					
Beginning Reserves	506,266,003	373,069,226	332,744,645	275,452,573	226,225,659
Incurred losses and LAE	35,313,851	4,340,315	5,045,839	20,777,364	29,107,651
Calendar year payments	168,510,628	44,664,896	62,337,911	70,004,279	38,691,722
Ending Reserves	373,069,226	332,744,645	275,452,573	226,225,659	216,641,589

<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	38,611,640	35,384,978	30,151,139	30,066,767	38,930,631
Incurred losses and LAE	650,198	1,088,858	2,649,635	12,683,719	(407,656)
Calendar year payments	3,876,859	6,322,698	2,734,007	3,819,855	8,466,957
Ending Reserves	35,384,978	30,151,139	30,066,767	38,930,631	30,056,019

<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	314,994,248	291,780,087	268,363,305	229,951,291	194,607,565
Incurred losses and LAE	14,908,146	7,246,435	(9,743)	(2,092)	(2,091,673)
Calendar year payments	38,122,307	30,663,217	38,402,271	35,341,633	21,936,515
Ending Reserves	291,780,087	268,363,305	229,951,291	194,607,565	170,579,378

<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>	
Direct Basis	131,542,614
Assumed Reinsurance Basis	18,600,465
Net of Ceded Reinsurance Basis	104,385,710
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	94,523,556
Assumed Reinsurance Basis	1,811,143
Net of Ceded Reinsurance Basis	62,054,245

**Note 34 - Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 35 - Multiple Peril Crop Insurance**

Not applicable

**Note 36 - Financial Guarantee Insurance**

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

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

Yes ☒ No ☐

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3 State Regulating?

Massachusetts

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐

2.2 If yes, date of change:

12/08/2010

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

12/31/2009

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

12/31/2004

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

06/22/2006

3.4 By what department or departments?  
Massachusetts Division of Insurance  
.  
.  
.  
.

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

Yes ☐ No ☐ N/A ☒

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

Yes ☐ No ☐ N/A ☒

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

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒

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

Yes ☐ No ☒

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
	00000	
	00000	
	00000	

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

Yes ☐ No ☒

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

.....

.....

.....

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

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_ %

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

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

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

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

.....

.....

.....

.....

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP

200 Clarendon Street

Boston, MA 02116

.....

.....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If response to 10.1 is "yes," provide information related to this exemption:

.....

.....

.....

.....

10.3 Has the insurer been granted any exemptions to the audit committee requirements as allowed in Section 14H of the Annual Financial Reporting Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is "yes," provide information related to this exemption:

.....

.....

.....

.....

GENERAL INTERROGATORIES

10.5 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.6 If response to 10.5 is "yes," provide information related to this exemption:

10.7 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance law? Yes [X] No [ ] N/A [ ]

10.8 If the response to 10.7 is no or n/a, please explain:

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
William Finn  
175 Berkeley Street, Boston, MA 02116  
Officer of Liberty Mutual Group Inc.

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

12.11 Name of real estate holding company	Various
12.12 Number of parcels involved	6
12.13 Total book/adjusted carrying value	\$ 551,765,835

12.2 If yes, provide explanation:  
Liberty Mutual Insurance Company directly owns 100% of Liberty Real Estate Holdings, LLC, 92% of St. James/Arlington Real Estate LP, and 100% of Berkeley/Columbus III, LLC.

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

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

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

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

14.11 If the response to 14.1 is no, please explain:

GENERAL INTERROGATORIES

14.2

Has the code of ethics for senior managers been amended?

Yes ☒ No ☐

14.21

If the response to 14.2 is yes, provide information related to amendment(s).  
During the 1st quarter, Liberty Mutual Group published several non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

14.3

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

Yes ☐ No ☒

14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

15.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes ☒ No ☐

16.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes ☒ No ☐

17.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes ☒ No ☐

FINANCIAL

18.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes ☐ No ☒

19.1

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

19.11

To directors or other officers

\$

0

19.12

To stockholders not officers

\$

0

19.13

Trustees, supreme or grand (Fraternal only)

\$

0

19.2

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

19.21

To directors or other officers

\$

0

19.22

To stockholders not officers

\$

0

19.23

Trustees, supreme or grand (Fraternal only)

\$

0

20.1

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 ☒

20.2

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

20.21

Rented from others

\$

0

20.22

Borrowed from others

\$

0

20.23

Leased from others

\$

0

20.24

Other

\$

0

21.1

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

Yes ☐ No ☒

21.2

If answer is yes:

21.21

Amount paid as losses or risk adjustment

\$

0

21.22

Amount paid as expenses

\$

0

21.23

Other amounts paid

\$

0

22.1

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

Yes ☒ No ☐

22.2

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

\$

84,434

GENERAL INTERROGATORIES

INVESTMENT

23.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 23.3)

Yes ☒ No ☐

23.2

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

23.3

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

23.4

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

Yes ☒ No ☐ N/A ☐

23.5

If answer to 23.4 is yes, report amount of collateral for conforming programs.

\$ 353,968,815

23.6

If answer to 23.4 is no, report amount of collateral for other programs.

\$ 0

23.7

Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes ☒ No ☐ N/A ☐

23.8

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes ☒ No ☐ N/A ☐

23.9

Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MLSA) to conduct securities lending?

Yes ☒ No ☐ N/A ☐

24.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 20.1 and 23.3)

Yes ☒ No ☐

24.2

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

24.21

Subject to repurchase agreements

\$ 0

24.22

Subject to reverse repurchase agreements

\$ 0

24.23

Subject to dollar repurchase agreements

\$ 0

24.24

Subject to reverse dollar repurchase agreements

\$ 0

24.25

Pledged as collateral

\$ 395,143,661

24.26

Placed under option agreements

\$ 0

24.27

Letter stock or securities restricted as to sale

\$ 0

24.28

On deposit with state or other regulatory body

\$ 2,246,359,488

24.29

Other

\$ 0

24.3

For category (24.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

25.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes ☐ No ☒

25.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes ☐ No ☒ N/A ☐

26.1

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 ☒

26.2

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

\$ 0

GENERAL INTERROGATORIES

27. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

27.01 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	1 Chase Manhattan Plaza New York, NY 10005
Royal Trust	77 King Street West, Toronto, Ontario M5W 1 P9
JP Morgan Chase	259 George Street, Sydney, Australia
Bank of New York	601 Travis Street, Houston, TX 77002
Bank of Itau	Av. Engenheiro Armondo de Arruda Pereira, 707 Torre Eudoro Vi

27.02 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)

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year? Yes [ ] No [ X ]

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

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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Inc.	175 Berkeley Street, Boston, MA 02116
N/A	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204
2528	Lazard Asset Management	30 Rockefeller Plaza, New York, NY 10112
106054	Matthews International Capital	Four Embarcadero Center, Suite 550, San Francisc

28.1 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 [ X ] No [ ]

28.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
530158-10-4	LIBERTY ALL-STAR EQUITY FUND	18,040,270
		0
		0
28.2999 TOTAL		18,040,270



GENERAL INTERROGATORIES

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

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
LIBERTY ALL-STAR EQUITY F	APPLE INC	496,829	09/30/2010
LIBERTY ALL-STAR EQUITY F	JPMORGAN CHASE & CO	352,507	09/30/2010
LIBERTY ALL-STAR EQUITY F	DELL INC	346,914	09/30/2010
LIBERTY ALL-STAR EQUITY F	BANK OF AMERICA CORP	326,529	09/30/2010
LIBERTY ALL-STAR EQUITY F	QUALCOMM INC	313,720	09/30/2010

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

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
29.1 Bonds	13,853,623,437	14,264,138,336	410,514,899
29.2 Preferred stocks	299,237,663	302,316,320	3,078,657
29.3 Totals	14,152,861,100	14,566,454,656	413,593,556

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

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

30.2 If the answer to 30.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [X]

30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

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

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

31.2 If no, list exceptions:

OTHER

32.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 57,038,102

32.2 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	2
Name	Amount Paid
	0
	0
	0

33.1 Amount of payments for legal expenses, if any? \$ 36,165,725

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	0
	0
	0

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 5,525,615

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

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

\$ 0

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

\$ 0

1.31 Reason for excluding

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

\$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ 0

1.62 Total incurred claims

\$ 0

1.63 Number of covered lives

0

All years prior to most current three years:

1.64 Total premium earned

\$ 9,913

1.65 Total incurred claims

\$ 16,243

1.66 Number of covered lives

2

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

0

2. Health Test:

1

2

Current Year

Prior Year

2.1 Premium Numerator

\$ 1,589,018

\$ 38,753

2.2 Premium Denominator

\$ 7,642,537,474

\$ 7,469,660,471

2.3 Premium Ratio (2.1/2.2)

0.00

0.00

2.4 Reserve Numerator

\$ 3,801,124

\$ 3,630,869

2.5 Reserve Denominator

\$ 18,960,055,002

\$ 18,495,334,187

2.6 Reserve Ratio (2.4/2.5)

0.00

0.00

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

Yes [X] No [ ]

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

3.21 Participating policies

\$ 3,632,750,808

3.22 Non-participating policies

\$ 310,018,492

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies?

Yes [ ] No [X]

4.2 Does the reporting entity issue non-assessable policies?

Yes [ ] No [X]

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

0

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

\$ 0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents?

Yes [ ] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation

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

5.22 As a direct expense of the exchange

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

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

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

Yes [ ] No [X]

5.5 If yes, give full information

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

See Note 21C

16

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v10.0 from RMS and AIR Classic/2 v12.0. For workers' compensation, Liberty Mutual utilizes RiskLink v10.0 from RMS.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
See Note 21C

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

Yes ☒ No ☐

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

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

Yes ☒ No ☐

7.2 If yes, indicate the number of reinsurance contracts containing such provisions.

6

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?

Yes ☐ No ☒

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?

Yes ☐ No ☒

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes ☐ No ☐

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes ☒ No ☐

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

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

Yes ☐ No ☒

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or  
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or  
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

Yes ☐ No ☒

Yes ☐ No ☒

Yes ☐ No ☒

16.1

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

Yes [X] No [ ]

11.2 If yes, give full information

The Company guarantees policies issued by Liberty Life Assurance Company of Boston and Liberty Mutual Insurance Europe Ltd.

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses

\$ 345,097,012

12.12 Unpaid underwriting expenses (including loss adjustment expenses)

\$ 105,398,757

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?

\$ 78,684,975

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

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

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

12.41 From

4.00

12.42 To

6.00

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

Yes [X] No [ ]

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

12.61 Letters of Credit

\$ 5,493,336,689

12.62 Collateral and other funds

\$ 992,821,587

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$ 46,291,050

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes [ ] No [X]

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

9

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

Yes [X] No [ ]

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

Premiums and recoverables were allocated pursuant to allocation agreements, including the intercompany pooling agreement.

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

Yes [ ] No [X]

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

Yes [X] No [ ]

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

15.1 Has the reporting entity guaranteed any financed premium accounts?

Yes [ ] No [X]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business?

Yes [ ] No [X]

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

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

\* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1

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

Yes [ ☐ ] No [ ☒ ]

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

17.11

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

\$ 0

17.12

Unfunded portion of Interrogatory 17.11

\$ 0

17.13

Paid losses and loss adjustment expenses portion of Interrogatory 17.11

\$ 0

17.14

Case reserves portion of Interrogatory 17.11

\$ 0

17.15

Incurred but not reported portion of Interrogatory 17.11

\$ 0

17.16

Unearned premium portion of Interrogatory 17.11

\$ 0

17.17

Contingent commission portion of Interrogatory 17.11

\$ 0

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

17.18

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

\$ 0

17.19

Unfunded portion of Interrogatory 17.18

\$ 0

17.20

Paid losses and loss adjustment expenses portion of Interrogatory 17.18

\$ 0

17.21

Case reserves portion of Interrogatory 17.18

\$ 0

17.22

Incurred but not reported portion of Interrogatory 17.18

\$ 0

17.23

Unearned premium portion of Interrogatory 17.18

\$ 0

17.24

Contingent commission portion of Interrogatory 17.18

\$ 0

18.1

Do you act as a custodian for health savings accounts?

Yes [ ☐ ] No [ ☒ ]

18.2

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

\$ 0

18.3

Do you act as an administrator for health savings accounts?

Yes [ ☐ ] No [ ☒ ]

18.4

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

\$ 0

16.3

FIVE – YEAR HISTORICAL DATA

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

	1	2	3	4	5
	2010	2009	2008	2007	2006
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	7,811,166,537	7,350,611,697	8,291,530,017	9,245,077,794	9,228,935,929
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,283,779,613	4,023,060,901	3,910,844,891	3,321,961,946	2,768,196,493
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,787,083,291	2,586,681,366	2,478,118,345	2,270,979,670	2,220,376,327
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	387,766,682	301,210,178	322,142,882	308,999,249	283,321,347
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	267,951,359	252,071,002	231,309,561	190,444,569	122,448,204
6. Total (Line 35)	15,537,747,482	14,513,635,144	15,233,945,696	15,337,463,228	14,623,278,300
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	5,038,587,646	4,775,384,668	5,371,214,386	6,114,506,014	5,048,594,237
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,201,652,397	1,413,992,505	1,391,535,427	1,493,593,006	1,300,377,111
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,296,251,507	1,075,222,311	1,308,087,389	1,597,564,173	1,298,834,358
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	9,081,555	10,287,080	(120,136,762)	240,292,462	165,556,441
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	195,221,987	188,746,161	175,564,030	143,235,686	76,284,989
12. Total (Line 35)	7,740,795,092	7,463,632,725	8,126,264,470	9,589,191,341	7,889,647,136
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(617,703,484)	(826,358,042)	(488,217,515)	(496,310,714)	(239,600,769)
14. Net investment gain (loss) (Line 11)	3,509,407,938	672,252,047	2,149,358,826	1,250,734,655	1,638,583,474
15. Total other income (Line 15)	(78,355,317)	(89,138,385)	(119,025,659)	(112,176,670)	(78,674,864)
16. Dividends to policyholders (Line 17)	46,455,510	17,353,693	20,334,167	52,957,399	33,933,356
17. Federal and foreign income taxes incurred (Line 19)	(154,849,787)	(195,500,454)	21,106,616	148,786,079	279,364,285
18. Net income (Line 20)	2,921,743,414	(65,097,619)	1,500,674,869	440,503,793	1,007,010,200
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	36,701,548,343	34,830,436,535	32,549,788,186	34,829,204,572	29,920,012,089
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	857,311,095	978,532,523	1,071,899,224	928,137,391	703,139,102
20.2 Deferred and not yet due (Line 15.2)	1,691,459,111	1,519,460,073	1,594,927,150	1,638,534,970	1,462,229,358
20.3 Accrued retrospective premiums (Line 15.3)	422,707,343	329,800,811	363,694,097	387,689,632	462,717,401
21. Total liabilities excluding protected cell business (Page 3, Line 26)	22,938,257,314	22,338,883,620	22,215,055,768	23,005,904,618	19,967,883,060
22. Losses (Page 3, Line 1 )	12,871,308,239	12,580,697,955	12,604,675,356	12,594,762,751	10,169,462,164
23. Loss adjustment expenses (Page 3, Line 3)	2,579,498,004	2,545,218,983	2,466,475,556	2,572,655,246	2,084,590,736
24. Unearned premiums (Page 3, Line 9)	3,502,531,059	3,293,042,806	3,320,119,872	3,678,689,493	3,114,705,894
25. Capital paid up (Page 3, Lines 30 & 31)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	13,763,291,029	12,491,552,915	10,334,732,418	11,823,299,954	9,952,129,029
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	2,825,321,578	(312,002,367)	1,113,329,475	3,685,920,555	1,737,942,745
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	13,830,183,486	12,552,124,874	10,391,501,558	11,886,831,983	10,007,632,029
29. Authorized control level risk-based capital	2,747,324,003	2,618,115,850	2,587,950,002	2,289,668,717	1,807,577,710
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	43.7	39.7	41.2	52.2	57.5
31. Stocks (Lines 2.1 & 2.2)	27.8	34.4	31.0	26.2	21.3
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.6	1.8	2.0	1.5	1.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.9	1.2	1.6	1.4	1.3
34. Cash, cash equivalents and short-term investments (Line 5)	2.6	2.9	5.0	2.8	4.8
35. Contract loans (Line 6)					
36. Derivatives (Line 7)		X X X	X X X	X X X	X X X
37. Other invested assets (Line 8)	22.4	20.0	19.1	15.8	13.8
38. Receivables for securities (Line 9)	0.0	0.0	0.0	0.0	0.2
39. Securities lending reinvested collateral assets (Line 10)	1.0	X X X	X X X	X X X	X X X
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)		575,664,787	575,796,109	131,322	131,322
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	7,869,339,677	8,951,056,491	7,587,331,257	5,971,660,656	3,577,413,444
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					39,500,000
47. All other affiliated	5,067,800,289	4,529,501,289	3,714,886,153	3,397,656,837	2,525,870,295
48. Total of above Lines 42 to 47	12,937,139,966	14,056,222,567	11,878,013,519	9,369,448,815	6,142,915,061
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	94.0	112.5	114.9	79.2	61.7

FIVE – YEAR HISTORICAL DATA  
(Continued)

	1	2	3	4	5
	2010	2009	2008	2007	2006
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)	(1,964,736,596)	1,687,848,478	(4,579,004,881)	514,906,079	106,820,347
51. Dividends to stockholders (Line 35)	(139,766,000)	(224,766,000)	(10,720,080)	(4,373,207)	(2,163,559)
52. Change in surplus as regards policyholders for the year (Line 38)	1,271,738,114	2,156,820,497	(1,488,567,536)	1,871,170,925	2,027,432,197
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	4,890,767,560	4,967,019,851	5,804,105,124	5,127,438,809	5,036,541,040
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,367,809,103	2,386,273,364	2,191,390,193	1,767,945,082	1,875,813,948
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,508,411,697	1,540,349,458	1,546,971,075	1,059,486,667	1,155,873,076
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	59,216,290	28,695,233	39,835,273	31,438,191	51,970,685
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	196,614,015	77,015,730	89,075,678	108,889,994	183,117,093
58. Total (Line 35)	9,022,818,665	8,999,353,636	9,671,377,343	8,095,198,743	8,303,315,842
Net Losses Paid (Page 9, Part 2, Col. 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	3,067,915,421	3,197,314,229	3,679,681,000	1,755,682,915	2,488,612,275
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	733,431,603	928,330,931	823,680,710	740,377,079	750,991,450
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	759,646,261	799,153,724	1,002,908,551	606,276,723	554,257,787
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	10,109,803	2,783,668	82,941,407	13,846,327	10,895,410
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	146,865,481	60,918,495	67,000,499	34,860,903	101,166,421
64. Total (Line 35)	4,717,968,569	4,988,501,047	5,656,212,167	3,151,043,947	3,905,923,343
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	65.1	65.8	67.8	61.9	61.1
67. Loss expenses incurred (Line 3)	17.9	19.5	15.8	15.9	15.3
68. Other underwriting expenses incurred (Line 4)	25.1	25.8	22.2	27.8	26.8
69. Net underwriting gain (loss) (Line 8)	(8.1)	(11.1)	(5.8)	(5.5)	(3.2)
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	25.8	27.0	24.5	27.1	26.7
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	83.0	85.3	83.5	77.8	76.4
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	56.2	59.7	78.6	81.1	79.3
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(87,869)	180,986	(252,832)	237,131	328,648
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(0.7)	1.8	(2.1)	2.4	4.1
Two Year Loss Development (000 omitted)					
75. 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)	(81,491)	(37,539)	180,446	856,463	895,068
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(0.8)	(0.3)	1.8	10.8	12.3

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

If no, please explain:

Not applicable.



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	794,153	307,899	168,646	97,029	20,011	6,309	13,438	571,573	X X X
2. 2001	7,169,377	1,240,662	5,928,715	5,563,183	1,335,669	452,121	81,287	547,493	9,511	176,418	5,136,330	X X X
3. 2002	8,210,683	1,660,633	6,550,050	5,280,987	1,171,759	430,221	76,647	619,666	7,262	268,999	5,075,206	X X X
4. 2003	9,178,769	2,227,241	6,951,528	4,828,800	1,076,305	408,347	54,170	656,958	9,830	281,599	4,753,800	X X X
5. 2004	9,582,594	2,516,314	7,066,280	4,712,744	1,226,319	370,489	72,046	661,920	34,459	276,307	4,412,329	X X X
6. 2005	9,866,478	2,328,958	7,537,520	5,557,294	1,680,346	369,196	75,368	669,342	47,026	269,037	4,793,092	X X X
7. 2006	10,709,176	2,442,626	8,266,550	4,639,616	879,551	356,065	48,589	709,084	50,259	268,528	4,726,366	X X X
8. 2007	11,236,933	2,657,641	8,579,292	4,976,188	1,139,876	351,758	50,216	720,198	61,709	312,760	4,796,343	X X X
9. 2008	11,815,900	3,187,450	8,628,450	5,544,625	1,347,175	307,656	36,634	789,276	51,934	272,242	5,205,814	X X X
10. 2009	11,212,872	3,499,623	7,713,249	4,344,098	1,307,624	184,355	25,912	735,845	9,716	244,265	3,921,046	X X X
11. 2010	11,332,519	3,689,983	7,642,536	3,265,413	1,285,676	80,500	12,755	610,206	2,886	168,097	2,654,802	X X X
12. Totals	X X X	X X X	X X X	49,507,101	12,758,199	3,479,354	630,653	6,739,999	290,901	2,551,690	46,046,701	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	3,525,147	1,100,247	1,436,834	1,049,362	222,165	173,696	632,983	237,027	108,749	239	36,032	3,365,307	X X X
2. 2001	234,270	92,500	126,737	101,391	3,497	927	29,697	20,110	4,366	85	2,875	183,554	X X X
3. 2002	233,324	146,945	194,432	157,033	5,232	1,877	29,654	12,809	5,336	176	4,427	149,138	X X X
4. 2003	218,394	89,546	369,195	150,861	7,969	3,305	34,695	10,031	5,853	3	6,931	382,360	X X X
5. 2004	247,143	81,204	406,024	102,715	9,100	2,422	71,796	8,939	14,137	3	9,294	552,917	X X X
6. 2005	309,094	106,025	496,931	214,643	10,638	2,614	66,775	17,704	11,038	4,315	13,630	549,175	X X X
7. 2006	413,689	112,486	582,410	188,275	15,962	4,223	136,949	25,443	16,910	61	21,655	835,432	X X X
8. 2007	615,189	127,113	727,750	162,380	27,150	5,423	178,602	30,048	25,779	3,823	25,812	1,245,683	X X X
9. 2008	916,345	198,037	1,115,208	317,310	36,023	4,891	309,131	54,998	86,993	12,062	40,108	1,876,402	X X X
10. 2009	998,110	132,042	1,575,325	338,572	37,385	4,073	389,546	57,171	121,912	2,028	50,519	2,588,392	X X X
11. 2010	1,261,783	188,263	2,511,971	487,040	38,222	3,874	384,817	46,880	254,829	3,135	134,745	3,722,430	X X X
12. Totals	8,972,488	2,374,408	9,542,817	3,269,582	413,343	207,325	2,264,645	521,160	655,902	25,930	346,028	15,450,790	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet	
	26 Direct and Assumed	27  Ceded	28  Net	29 Direct and Assumed	30  Ceded	31  Net	32  Loss	33  Loss Expense	Company Pooling Participation Percentage	Reserves After Discount	
										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	2,812,372	552,935
2. 2001	6,961,364	1,641,480	5,319,884	97,099	132,307	89,731			73.800	167,116	16,438
3. 2002	6,798,852	1,574,508	5,224,344	82,805	94,814	79,760			73.800	123,778	25,360
4. 2003	6,530,211	1,394,051	5,136,160	71,145	62,591	73,885			73.800	347,182	35,178
5. 2004	6,493,353	1,528,107	4,965,246	67,762	60,728	70,267			73.800	469,248	83,669
6. 2005	7,490,308	2,148,041	5,342,267	75,917	92,232	70,876			73.800	485,357	63,818
7. 2006	6,870,685	1,308,887	5,561,798	64,157	53,585	67,281			73.800	695,338	140,094
8. 2007	7,622,614	1,580,588	6,042,026	67,835	59,473	70,426			73.800	1,053,446	192,237
9. 2008	9,105,257	2,023,041	7,082,216	77,059	63,469	82,080			73.800	1,516,206	360,196
10. 2009	8,386,576	1,877,138	6,509,438	74,794	53,638	84,393			73.800	2,102,821	485,571
11. 2010	8,407,741	2,030,509	6,377,232	74,191	55,028	83,444			73.800	3,098,451	623,979
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	12,871,315	2,579,475

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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	One Year	Two Year
1. Prior	9,524,581	10,098,960	10,756,961	11,550,752	12,126,849	12,490,660	12,966,845	12,923,470	13,212,960	13,180,927	(32,033)	257,457
2. 2001	4,627,681	4,501,555	4,572,327	4,516,430	4,659,911	4,719,025	4,754,767	4,773,732	4,798,066	4,798,363	297	24,631
3. 2002	X X X	4,574,915	4,326,967	4,329,753	4,477,938	4,564,425	4,597,243	4,621,201	4,618,113	4,630,335	12,222	9,134
4. 2003	X X X	X X X	4,788,143	4,302,762	4,180,630	4,422,968	4,489,387	4,486,795	4,513,651	4,515,274	1,623	28,479
5. 2004	X X X	X X X	X X X	4,806,753	4,461,643	4,339,454	4,363,650	4,353,937	4,346,427	4,370,756	24,329	16,819
6. 2005	X X X	X X X	X X X	X X X	5,231,472	4,977,968	4,847,569	4,775,850	4,775,313	4,759,975	(15,338)	(15,875)
7. 2006	X X X	X X X	X X X	X X X	X X X	5,346,569	5,107,756	5,007,593	4,986,713	4,943,658	(43,055)	(63,935)
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	5,713,755	5,577,969	5,435,912	5,422,437	(13,475)	(155,532)
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	6,525,093	6,470,660	6,342,424	(128,236)	(182,669)
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	5,621,447	5,727,244	105,797	X X X
11. 2010	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	5,587,183	X X X	X X X
12. Totals											(87,869)	(81,491)

**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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
1. Prior	000	2,268,513	3,860,263	5,283,831	6,228,600	6,991,553	7,688,534	8,318,924	8,846,275	9,404,146	X X X	X X X
2. 2001	2,089,717	3,138,318	3,668,337	3,988,281	4,221,493	4,345,422	4,442,093	4,507,807	4,553,174	4,598,348	X X X	X X X
3. 2002	X X X	1,944,261	3,001,984	3,617,835	3,925,775	4,179,868	4,297,020	4,376,769	4,426,463	4,462,802	X X X	X X X
4. 2003	X X X	X X X	1,807,923	2,759,496	3,232,732	3,572,382	3,804,356	3,946,212	4,046,001	4,106,672	X X X	X X X
5. 2004	X X X	X X X	X X X	1,651,137	2,550,197	2,980,946	3,325,891	3,554,631	3,697,349	3,784,868	X X X	X X X
6. 2005	X X X	X X X	X X X	X X X	1,904,311	2,928,193	3,444,366	3,788,888	4,022,656	4,170,776	X X X	X X X
7. 2006	X X X	X X X	X X X	X X X	X X X	1,859,102	2,864,593	3,431,699	3,816,442	4,067,541	X X X	X X X
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	1,910,999	3,074,472	3,703,227	4,137,854	X X X	X X X
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,336,479	3,737,638	4,468,472	X X X	X X X
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,997,342	3,194,917	X X X	X X X
11. 2010	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	2,047,482	X X X	X X X

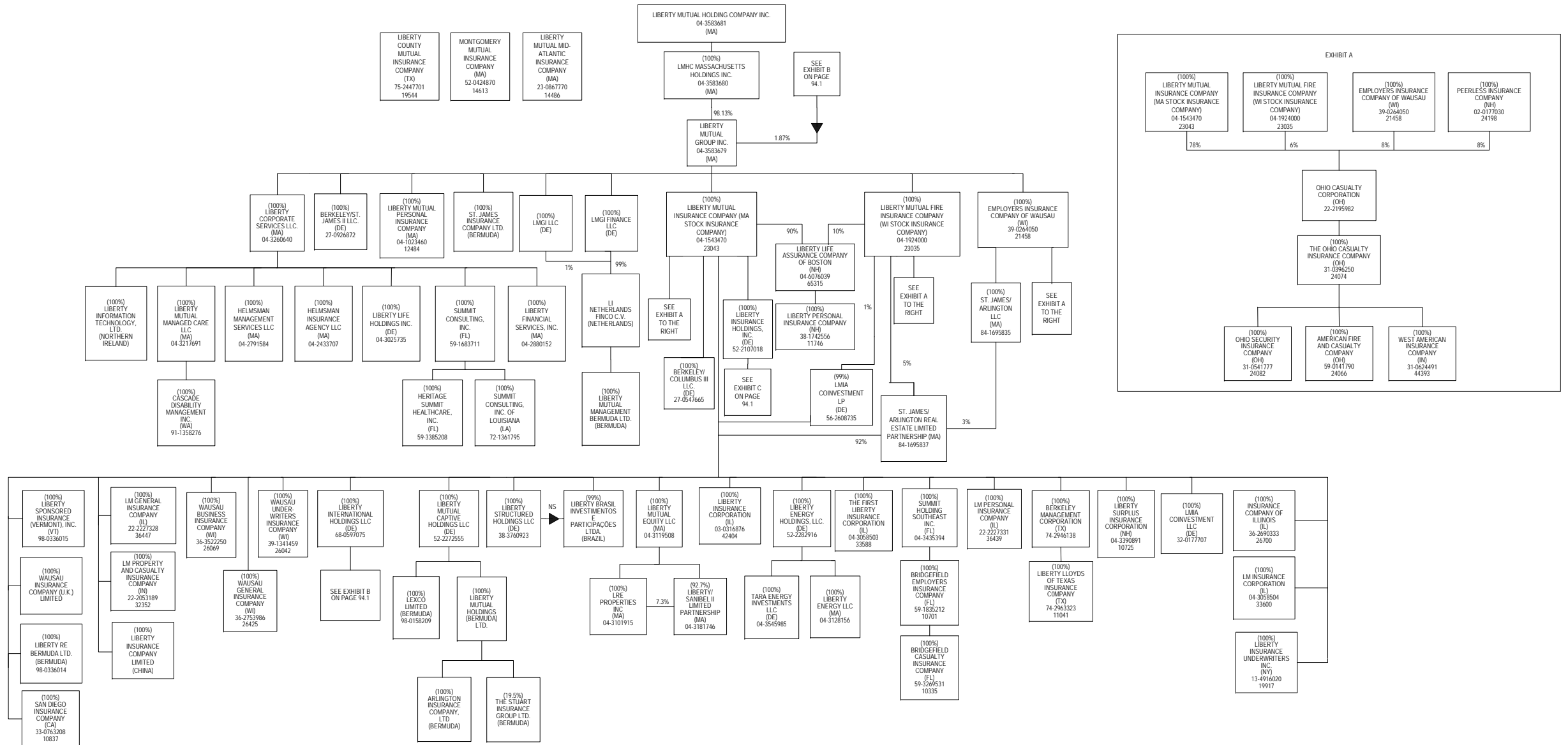
**SCHEDULE P – PART 4 – SUMMARY**

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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Prior	2,623,860	1,689,767	1,323,780	1,137,616	1,312,644	1,343,777	1,443,788	1,171,604	1,330,907	863,799
2. 2001	1,302,068	532,384	318,559	163,229	131,989	106,057	92,188	70,695	57,032	38,379
3. 2002	X X X	1,392,854	550,059	248,203	187,181	144,395	125,128	94,785	76,128	61,285
4. 2003	X X X	X X X	1,998,027	821,329	375,598	432,489	400,514	331,235	298,338	260,258
5. 2004	X X X	X X X	X X X	2,205,213	1,230,407	820,302	635,081	515,104	430,466	394,983
6. 2005	X X X	X X X	X X X	X X X	2,361,585	1,282,325	851,310	597,307	466,166	363,659
7. 2006	X X X	X X X	X X X	X X X	X X X	2,461,398	1,445,313	970,561	715,956	542,345
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	2,628,147	1,602,937	1,047,823	760,186
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,749,350	1,672,670	1,111,071
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,495,897	1,621,313
11. 2010	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	2,426,834



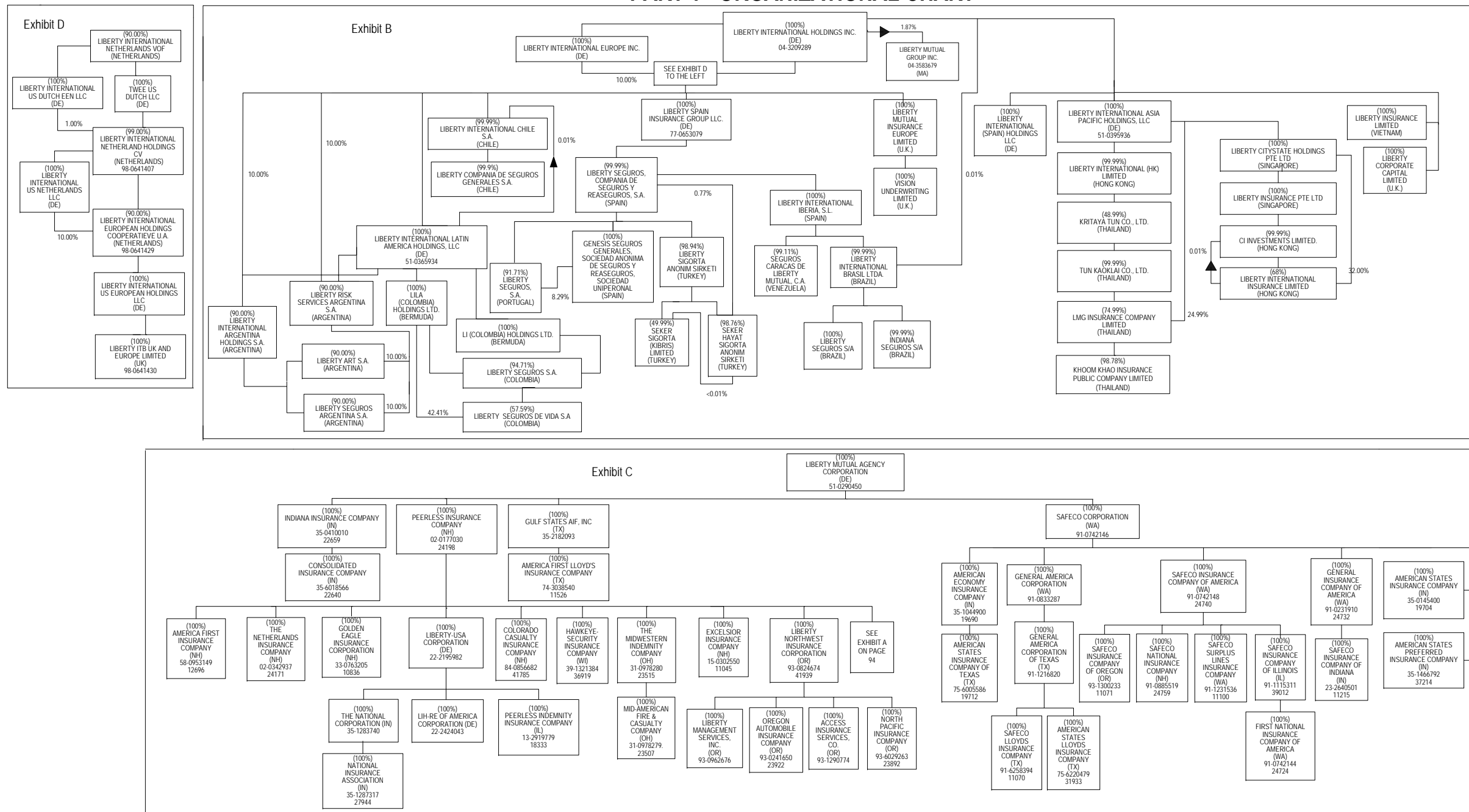
## SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

	Current Year			Prior Year
	1	2	3	4
			Net Admitted Assets	Net Admitted
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	(Cols. 1 - 2)	Assets
2504. Equities and deposits in pools and associations	45,045,174		45,045,174	27,534,610
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	45,045,174		45,045,174	27,534,610

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	Current Year	Prior Year
2504. Private passenger auto escrow	404,327	703,615
2505. Collateral held for securities loaned		279,831,199
2506. Retroactive reinsurance reserves	(1,535,884,963)	(1,620,928,694)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(1,535,480,636)	(1,340,393,880)

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