

ANNUAL STATEMENT

OF THE

LIBERTY NORTHWEST INSURANCE CORPORATION

of **PORTLAND**

in the state of **OREGON**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2010

PROPERTY AND CASUALTY

2010



41939201020100100

ANNUAL STATEMENT

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

Liberty Northwest Insurance Corporation

NAIC Group Code	0111	0111	NAIC Company Code	41939	Employer's ID Number	93-0824674
	(Current Period)	(Prior Period)				
Organized under the Laws of	Oregon		State of Domicile or Port of Entry	Oregon		
Country of Domicile	United States of America					
Incorporated/Organized:	January 21, 1983		Commenced Business	February 18, 1983		
Statutory Home Office	One Liberty Centre		Portland, OR	97232-2038		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office:	One Liberty Centre					
	(Street and Number)					
	Portland, OR	97232-2038		503-239-5800		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address:	175 Berkeley Street		Boston, MA	02116		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records:	175 Berkeley Street		Boston, MA	02116	617-357-9500	
	(Street and Number)			(City or Town, State and Zip Code)	(Area Code) (Telephone Number)	
Internet Web Site Address	www.lmac.com					
Statutory Statement Contact:	Pamela Heenan		617-357-9500 x44689			
	(Name)		(Area Code) (Telephone Number)	(Extension)		
	Statutory.Compliance@LibertyMutual.com			617-574-5955		
	(E-Mail Address)			(Fax Number)		

OFFICERS

Chairman of the Board

Gary Richard Gregg

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

VICE-PRESIDENTS

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

DIRECTORS OR TRUSTEES

Gary Richard Gregg	Julie Ann Burnett	Michael Joseph Fallon	Scott Rhodes Goodby
Christopher Charles Mansfield	John Derek Doyle	Danny Ray Schamma #	

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)
Gary Richard Gregg	Dexter Robert Legg	Michael Joseph Fallon
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Secretary	Treasurer and Chief Financial Officer
(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)	73,574,963		73,574,963	69,422,470
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	15,692,291		15,692,291	15,882,946
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 432,096, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 3,508,959, Schedule DA)	3,941,055		3,941,055	3,264,635
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)	5,423,683		5,423,683	5,579,731
9. Receivables for securities				
10. Securities lending reinvested collateral assets	596,250		596,250	
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	99,228,242		99,228,242	94,149,782
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	843,815		843,815	760,472
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	1,384,500		1,384,500	1,278,000
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	14,859,156		14,859,156	22,280,011
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				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset	2,532,650	2,487,710	44,940	156,450
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)	543,249	543,249		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	9,404,543		9,404,543	30,352,865
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	329,972		329,972	299,893
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	129,126,127	3,030,959	126,095,168	149,277,473
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	129,126,127	3,030,959	126,095,168	149,277,473

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	175,027		175,027	144,948
2502. Equities and deposits in pools and associations	154,945		154,945	154,945
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	329,972		329,972	299,893

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)		
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	2,524,066	1,260,000
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	905,718	324,674
7.2 Net deferred tax liability		
8. Borrowed money \$ 288 and interest thereon \$ 0	288	
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 37,614,205 and including warranty reserves of \$ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	18,139,984	21,942,529
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	11,336,427	36,333,487
20. Derivatives		
21. Payable for securities	16,875	
22. Payable for securities lending	596,250	
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities		706,717
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	33,519,608	60,567,407
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	33,519,608	60,567,407
29. Aggregate write-ins for special surplus funds	29,960	42,102
30. Common capital stock	3,000,000	3,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	58,400,000	58,400,000
35. Unassigned funds (surplus)	31,145,600	27,267,964
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)	92,575,560	88,710,066
38. Totals (Page 2, Line 28, Col. 3)	126,095,168	149,277,473

DETAILS OF WRITE-IN LINES		
2501. Collateral held for securities loaned		706,717
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		706,717
2901. SSAP 10R incremental change	29,960	42,102
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	29,960	42,102
3201.		
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)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)		
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)		
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	4,582,551	4,757,008
10. Net realized capital gains (losses) less capital gains tax of \$ 26,031 (Exhibit of Capital Gains (Losses))	48,343	50,647
11. Net investment gain (loss) (Lines 9 + 10)	4,630,894	4,807,655
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	(26,615)	(20,752)
15. Total other income (Lines 12 through 14)	(26,615)	(20,752)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	4,604,279	4,786,903
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	4,604,279	4,786,903
19. Federal and foreign income taxes incurred	214,419	437,629
20. Net income (Line 18 minus Line 19) (to Line 22)	4,389,860	4,349,274
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	88,710,066	84,837,454
22. Net income (from Line 20)	4,389,860	4,349,274
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (136,462)	(439,477)	(41,811)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(1,386,662)	(1,861,870)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	1,313,915	1,601,010
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	(12,142)	(173,991)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	3,865,494	3,872,612
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	92,575,560	88,710,066

DETAILS OF WRITE-IN LINES		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)		
1401. Other income/(expense)	(26,615)	(20,752)
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(26,615)	(20,752)
3701. Other changes in surplus		(216,093)
3702. SSAP 10R incremental change	(12,142)	42,102
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(12,142)	(173,991)

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	(3,909,044)	602,452
2. Net investment income	4,653,314	4,944,082
3. Miscellaneous income	(1,582,787)	456,982
4. Total (Lines 1 through 3)	(838,517)	6,003,516
5. Benefit and loss related payments	(8,684,921)	3,867,339
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions		
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(340,594)	748,027
10. Total (Lines 5 through 9)	(9,025,515)	4,615,366
11. Net cash from operations (Line 4 minus Line 10)	8,186,998	1,388,150
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	12,680,824	11,311,264
12.2 Stocks	4,423	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	12,685,247	11,311,264
13. Cost of investments acquired (long-term only):		
13.1 Bonds	17,146,705	4,487,620
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	596,250	
13.6 Miscellaneous applications	(16,875)	
13.7 Total investments acquired (Lines 13.1 to 13.6)	17,726,080	4,487,620
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)	(5,040,833)	6,823,644
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	288	
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(2,470,033)	(4,453,006)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(2,469,745)	(4,453,006)
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)	676,420	3,758,788
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	3,264,635	(494,153)
19.2 End of year (Line 18 plus Line 19.1)	3,941,055	3,264,635

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

20.0001		
20.0002		
20.0003		

NONE Underwriting and Investment Exhibit - Part 1

NONE Underwriting and Investment Exhibit - Part 1A

UNDERWRITING AND INVESTMENT EXHIBIT

PART 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	182,933			182,933		
2. Allied lines	122,801			121,525	1,276	
3. Farmowners multiple peril						
4. Homeowners multiple peril	9,780,975			9,780,975		
5. Commercial multiple peril	18,688,714			18,625,050	63,664	
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	1,230,434			1,230,434		
10. Financial guaranty						
11.1 Medical professional liability--occurrence						
11.2 Medical professional liability--claims-made						
12. Earthquake	516,265			516,265		
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	176,433,879	3,189,317	5,875,511	168,498,085	17,000,622	
17.1 Other liability—occurrence	5,296,668			5,296,668		
17.2 Other liability—claims-made						
17.3 Excess Workers' Compensation						
18.1 Products liability—occurrence	424,510			424,510		
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	22,343,998			22,343,998		
19.3,19.4 Commercial auto liability	8,335,020			8,335,020		
21. Auto physical damage	13,349,506			13,349,506		
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft	3,368			3,368		
27. Boiler and machinery						
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	256,709,071	3,189,317	5,875,511	248,708,337	17,065,562	

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 \$ 140,328,478

 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 132,601,453

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	204,634		204,634					
2. Allied lines	66,469		66,469					
3. Farmowners multiple peril								
4. Homeowners multiple peril	6,982,045		6,982,045					
5. Commercial multiple peril	9,668,516		9,668,516					
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	206,589		206,589					
10. Financial guaranty								
11.1 Medical professional liability—occurrence								
11.2 Medical professional liability—claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	129,608,466	7,376,502	136,984,968					
17.1 Other liability—occurrence	1,353,374		1,353,374					
17.2 Other liability—claims-made								
17.3 Excess Workers' Compensation								
18.1 Products liability—occurrence	38,078		38,078					
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	18,399,894		18,399,894					
19.3,19.4 Commercial auto liability	3,218,301		3,218,301					
21. Auto physical damage	8,161,326		8,161,326					
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft	58,846		58,846					
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X							
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	177,966,538	7,376,502	185,343,040					

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	5,100		5,100		10,084		10,084		
2. Allied lines					4,392		4,392		
3. Farmowners multiple peril									
4. Homeowners multiple peril	4,086,979		4,086,979		469,273		469,273		
5. Commercial multiple peril	9,407,227		9,407,227		6,158,056		6,158,056		
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	6,500		6,500		39,467		39,467		
10. Financial guaranty									
11.1 Medical professional liability—occurrence									
11.2 Medical professional liability—claims-made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation	627,758,428	28,102,768	655,861,196		256,236,692	20,252,812	276,489,504		
17.1 Other liability—occurrence	75,948		75,948		3,462,684		3,462,684		
17.2 Other liability—claims-made									
17.3 Excess Workers' Compensation									
18.1 Products liability—occurrence	17,000		17,000		145,733		145,733		
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	17,942,398		17,942,398		1,917,247		1,917,247		
19.3,19.4 Commercial auto liability	6,505,044		6,505,044		2,667,907		2,667,907		
21. Auto physical damage	646,306		646,306		2,983,526		2,983,526		
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	666,450,930	28,102,768	694,553,698		274,095,061	20,252,812	294,347,873		
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	19,997,068			19,997,068
1.2 Reinsurance assumed	165,859			165,859
1.3 Reinsurance ceded	20,162,927			20,162,927
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		23,895,356		23,895,356
2.2 Reinsurance assumed, excluding contingent		3,225,599		3,225,599
2.3 Reinsurance ceded, excluding contingent		27,120,954		27,120,954
2.4 Contingent—direct		(1,805,470)		(1,805,470)
2.5 Contingent—reinsurance assumed		(2,937)		(2,937)
2.6 Contingent—reinsurance ceded		(1,808,407)		(1,808,407)
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)		1		1
3. Allowances to manager and agents			2	2
4. Advertising			821	821
5. Boards, bureaus and associations			27	27
6. Surveys and underwriting reports			945	945
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			94,140	94,140
8.2 Payroll taxes			6,666	6,666
9. Employee relations and welfare			7,140	7,140
10. Insurance			793	793
11. Directors' fees				
12. Travel and travel items			2,073	2,073
13. Rent and rent items			2,421	2,421
14. Equipment			2,617	2,617
15. Cost or depreciation of EDP equipment and software			1,715	1,715
16. Printing and stationery			321	321
17. Postage, telephone and telegraph, exchange and express			3,174	3,174
18. Legal and auditing			4,512	4,512
19. Totals (Lines 3 to 18)			127,367	127,367
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			21,093	21,093
25. Total expenses incurred		1	148,460	(a) 148,461
26. Less unpaid expenses—current year				
27. Add unpaid expenses—prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)		1	148,460	148,461

DETAILS OF WRITE-IN LINES				
2401. Other expenses			21,093	21,093
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			21,093	21,093

(a) Includes management fees of \$ 148,460 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 910,205	908,896
1.1 Bonds exempt from U.S. tax	(a) 564,188	564,188
1.2 Other bonds (unaffiliated)	(a) 1,913,537	1,999,444
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 18,986	17,730
7. Derivative instruments	(f)	
8. Other invested assets	1,224,000	1,224,000
9. Aggregate write-ins for investment income	17,041	17,041
10. Total gross investment income	4,647,957	4,731,299
11. Investment expenses		(g) 148,460
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 288
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		148,748
17. Net investment income (Line 10 minus Line 16)		4,582,551

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	17,041	17,041
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)	17,041	17,041
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 \$ 38,926 accrual of discount less \$ 193,030 amortization of premium and less \$ 145,694 paid for accrued interest on purchases.
- (b)

Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c)

Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d)

Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e)

Includes \$ 3,835 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f)

Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g)

Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h)

Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i)

Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	69,951		69,951	(229,235)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	4,423		4,423	(4,607)	
2.21 Common stocks of affiliates				(186,048)	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments				(156,048)	
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	74,374		74,374	(575,938)	

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

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)			
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)			
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			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
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			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	2,487,710	3,626,400	1,138,690
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets	543,249	706,331	163,082
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	3,030,959	4,332,731	1,301,772
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	3,030,959	4,332,731	1,301,772

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.			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)			

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 Oregon, the accompanying financial statements of Liberty Northwest 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.

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

The Company does not invest in Mortgage Loans.

B. Debt Restructuring

Not applicable

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: None
- 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		(59,134)
Fair Value of Securities with Unrealized Losses		916,281

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

NOTES TO FINANCIAL STATEMENTS

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$ 596,339
30 Days or Less	
31 to 60 Days	
61 to 90 Days	
Greater than 90 Days	
Sub-Total	596,339
Securities Received	-
Total Collateral Received	\$ 596,339

4. Securities Lending Transactions Administered by an Affiliated Agent

The Company's security lending transactions are not administered by an affiliate agent.

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open		
30 Days or Less	\$ 319,279	\$ 319,286
31 to 60 Days	256,512	256,524
61 to 90 Days	20,522	20,529
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	596,312	596,339
Securities Received	-	-
Total Collateral Reinvested	\$ 596,312	\$ 596,339

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. 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 did not realize any impairment losses 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.

NOTES TO FINANCIAL STATEMENTS

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 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	4,255,942	927,898	5,153,840	4,519,157	1,695,883	6,215,040	(293,215)	(767,985)	(1,061,200)
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	4,225,942	927,898	5,153,840	4,519,157	1,695,883	6,215,040	(293,215)	(767,985)	(1,061,200)
Deferred Tax Liabilities	(855,938)	(1,765,252)	(2,621,190)	(530,476)	(1,901,714)	(2,432,190)	(325,462)	136,462	(189,000)
Net DTA (DTL)	3,370,004	(837,354)	2,532,650	3,988,681	(205,831)	3,782,850	(618,677)	(631,523)	(1,250,200)
Deferred Tax Assets Nonadmitted	(2,487,710)	0	(2,487,710)	(3,626,400)	0	(3,626,400)	1,138,690	0	1,138,690
Net Admitted DTA (DTL)	882,294	(837,354)	44,940	362,281	(205,831)	156,450	520,013	(631,523)	(111,510)

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.

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.)	14,980	0	14,980	21,000	0	21,000	(6,020)	0	(6,020)
Lesser of:									
Expected to be recognized within one year (10bi.)	0	0	0	0	93,348	93,348	0	(93,348)	(93,348)
10% of adjusted capital and surplus (10bii.)			9,159,611			8,722,458			
Adj. gross DTAs offset against existing DTLs (10c.)	855,938	1,765,252	2,621,190	530,476	1,901,714	2,432,190	325,462	(136,462)	189,000
Total	870,918	1,765,252	2,636,170	551,476	1,995,062	2,546,538	319,442	(229,180)	89,632

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.)	29,960	0	29,960	42,000	0	42,000	(12,040)	0	(12,040)
Lesser of:									
Expected to be recognized within three years (10eiia.)	14,980	0	14,980	21,102	93,348	114,450	(6,122)	(93,348)	(99,470)
15% of adjusted capital and surplus (10eiib.)			13,739,417			13,083,687			
Adj. gross DTAs offset against existing DTLs (10eiii.)	855,938	1,765,252	2,621,190	530,476	1,901,714	2,432,190	325,462	(136,462)	189,000
Total	900,878	1,765,252	2,666,130	593,578	1,995,062	2,588,640	307,300	(229,810)	77,490

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2010	December 31, 2009	Change
Total Adjusted Capital	92,545,600	88,667,964	3,877,636
Authorized Control Level	3,556,091	5,715,121	(2,159,030)

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	14,980	0	14,980	21,000	93,348	114,348	(6,020)	(93,348)	(99,368)
Admitted Assets			126,065,208			149,185,371			(23,120,163)
Adjusted Statutory Surplus			92,545,600			88,667,964			3,877,636
Total Adjusted Capital from DTAs			92,545,600			88,667,964			3,877,636

NOTES TO FINANCIAL STATEMENTS

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	29,960	0	29,960	42,102	0	42,102	(12,142)	0	(12,142)
Admitted Assets			126,095,168			149,227,473			(23,132,305)
Adjusted Statutory Surplus			92,575,560			88,710,066			3,865,494
Total Adjusted Capital from DTAs			92,575,560			88,710,066			3,865,494

	December 31, 2010		
	(1)	(2)	(3)
			(Col 1 + 2)
Impact of Tax Planning Strategies	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)	0%	0%	0%

- 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	214,419	437,629
Foreign	0	0
Realized capital gains	26,031	27,271
Federal and foreign income taxes incurred	240,450	464,900

The Company’s DTAs and DTLs result primarily from income/loss from partnerships, deferred intercompany transactions and unrealized gains/losses.

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

	2010
Change in net deferred income tax (without unrealized gain or loss)	(1,386,662)
Change in tax effect of unrealized (gains) losses	136,462
Total change in net deferred income tax	(1,250,200)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest and deferred intercompany transactions.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is \$891,450 from the current year and \$1,214,298 from the preceding year.

The Company has no remaining net operating loss carry forward available to offset future net income subject to Federal income taxes.

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)
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 State Agency Inc.

NOTES TO FINANCIAL STATEMENTS

First National Insurance Company of America	General America Corporation
Florida State Agency, Inc. (Dissolved 8/20/2010)	General Insurance Company of America
General America Corporation of Texas	Gulf States AIF, Inc.
Golden Eagle Insurance Corporation	Heritage-Summit HealthCare, Inc.
Hawkeye-Security Insurance Company	Insurance Company of Illinois
Indiana Insurance Company	Liberty-USA Corporation
LEXCO Limited	Liberty Energy Canada, Inc.
Liberty Assignment Corporation	Liberty Hospitality Group, Inc.
Liberty Financial Services, Inc.	Liberty Insurance Holdings, Inc.
Liberty Insurance Corporation	Liberty International Europe Inc.
Liberty Insurance Underwriters Inc.	Liberty Life Assurance Company of Boston
Liberty International Holdings Inc.	Liberty Lloyds of Texas Insurance Company
Liberty Life Holdings Inc.	Liberty Mexico Holdings Inc.
Liberty Management Services, Inc.	Liberty Mutual Fire Insurance Company
Liberty Mutual Agency Corporation	Liberty Mutual Holding Company Inc.
Liberty Mutual Group Inc.	Liberty Mutual Personal Insurance Company
Liberty Mutual Insurance Company	Liberty Personal Insurance Company
Liberty Northwest Insurance Corporation	Liberty Sponsored Insurance (Vermont) Inc.
Liberty RE (Bermuda) Limited	LIH-RE of America Corporation
Liberty Surplus Insurance Corporation	LM General Insurance Company
LIU Specialty Insurance Agency Inc.	LM Personal Insurance Company
LM Insurance Corporation	LMHC Massachusetts Holdings Inc.
LM Property & Casualty Insurance Company	Mid-American Agency, Inc. (Dissolved 8/20/2010)
LRE Properties, Inc.	North Pacific Insurance Company
Mid-American Fire & Casualty Company	OCI Printing, Inc.
OCASCO Budget, Inc.	Ohio Security Insurance Company
Ohio Casualty Corporation	Oregon Automobile Insurance Company
Open Seas Solutions, Inc.	Peerless Insurance Company
Peerless Indemnity Insurance Company	Rianoc Research Corporation
Pilot Insurance Services, Inc.	SAFECARE Company, Inc.
S.C. Bellevue, Inc.	Safeco General Agency, Inc.
Safeco Corporation	Safeco Insurance Company of Illinois
Safeco Insurance Company of America	Safeco Insurance Company of Oregon
Safeco Insurance Company of Indiana	Safeco National Insurance Company
Safeco Lloyds Insurance Company	Safeco Surplus Lines Insurance Company
Safeco Properties, Inc.	SCIT, Inc.
San Diego Insurance Company	State Agency, Inc. (Indiana corporation) (Dissolved 8/23/2010)
St. James Insurance Company Ltd.	Summit Consulting, Inc.
State Agency, Inc. (Wisconsin corporation) (Dissolved 8/24/2010)	Summit Holding Southeast, Inc.
Summit Consulting, Inc. of Louisiana	The Midwestern Indemnity Company
The First Liberty Insurance Corporation	The Netherlands Insurance Company
The Ohio Casualty Insurance Company	The National Corporation
Wausau General Insurance Company	Wausau Business Insurance Company
West American Insurance Company	Wausau Underwriters Insurance Company
Winmar of the Desert, Inc.	Winmar Company, Inc.
Winmar-Metro, 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 Peerless Insurance Company (“PIC”), a New Hampshire insurance company. PIC is wholly owned by Liberty Mutual Agency Corporation, an insurance holding company incorporated in Delaware. Liberty Mutual Agency Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company (“LMIC”), a Massachusetts insurance company. The ultimate parent of LMIC 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. There have been no material transactions with the Company’s affiliates during 2010.
- D. At December 31, 2010, the Company reported a net \$1,931,883 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings for the benefit of affiliates which result in a material contingent exposure of the Company’s or affiliates’ assets or liabilities.
- F. Refer to Note 26 for information regarding the Inter-Company 100% Quota Share Reinsurance Agreement.

The Company is a party to a services agreement (the “Agreement”) with PIC and other affiliates. The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

NOTES TO FINANCIAL STATEMENTS

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

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

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

The Company is a party to a revolving credit agreement under which the Company may borrow up to \$50,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2010, there have been no drawings under this agreement.

The Company is a party to a memorandum of understanding with LMIC whereby LMIC provides information technology infrastructure, payroll, administrative and other ancillary services to the Company. The Company provides similar services to North Pacific Insurance Company and Oregon Automobile Insurance Company under separate, but identical, memoranda of understanding.

- G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.
- J. The Company did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.
- K. The Company does not hold any investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11- Debt

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. Federal Home Loan Bank Agreements

The Company has not entered into any agreements with the Federal Home Loan Bank.

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

The Company's eligible direct employees participate in the U.S. Liberty Mutual Retirement Benefit Plan, which is a defined benefit plan; the Supplemental Income at Retirement Plan, which has both a defined benefit component and a defined contribution component; the Thrift Incentive Plan, which is a defined contribution plan; and the postretirement health and life insurance benefit plan. Each of these plans is sponsored by the holding company, LMGI. Accordingly, these plans' assets and obligations are not disclosed in this note. The costs for these plans are allocated by LMGI to LMIC pursuant to an Employee Benefit Plans Cost Sharing Agreement. The costs are allocated to the Company, pursuant to the management services agreement described in Note 10 F.

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

1. The Company has 10,000,000 shares authorized, and 1,000,000 shares issued and outstanding as of December 31, 2010. All shares have a stated par value of \$3.
2. Preferred Stock

Not applicable
3. There are no dividend restrictions.
4. The Company did not pay a dividend to its parent during 2010.
5. The maximum amount of dividends that can be paid by Oregon-domiciled insurance companies to shareholders without 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 that may be made without prior approval in 2011 is \$9,257,556.

NOTES TO FINANCIAL STATEMENTS

6. As of December 31, 2010, the Company has restricted surplus of \$29,960 from recording the increase in admitted adjusted gross DTA’s as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*.
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 the increase in admitted adjusted gross Deferred Tax Assets, due to applying the revised guidance in SSAP No. 10R, *Income Taxes*.
10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$(439,477) after applicable deferred taxes of \$(1,765,252).
11. Surplus Notes
Not applicable
12. Quasi re-organization (dollar impact)
Not applicable
13. Quasi re-organization (effective date)
Not applicable

Note 14 - Contingencies

- A. Contingent Commitments

The Company has 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 funds 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 no net guaranty fund or other assessment liabilities to report (refer to Note 26).
- 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	\$1,250,000

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

Note 15 - Leases

A. Lessee Leasing Arrangements

The Company has no net lease obligations (refer to Note 26).

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 during the year.

B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company’s portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. 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 \$571,940, with corresponding collateral value of \$596,339 of which \$596,339 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

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:

NOTES TO FINANCIAL STATEMENTS

- 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				
Industrial and Miscellaneous		\$746,180		\$746,180
Total Bonds		746,180		746,180
Preferred Stocks	-	-	-	-
Common Stocks	-	-	-	-
Total assets at fair value	\$0	\$746,180	\$0	\$746,180
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.

2. Rollforward of Level 3 Items

The Company has no assets or liabilities measured at fair value in the Level 3 category.

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

The Company used the following methods and assumptions in estimating the fair value of its financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed Maturities: In instances where there are quoted prices in active markets for identical instruments, as is the case within the U.S. Treasury market, these securities are categorized as Level 1 of the fair value hierarchy. For securities where the fair value of fixed income securities are estimated using recently executed transactions, market price quotations, bond spreads, or models that have inputs from published interest rate yield curves, these securities are generally categorized as Level 2 of the hierarchy. Additionally, in some instances where fixed maturity securities use significant inputs that are unobservable, they are categorized as Level 3 of the hierarchy.

Equity Securities: The fair value of common stocks are generally based on quoted prices in active markets. As such, common stocks are generally categorized as Level 1 of the fair value hierarchy. The fair value of preferred stocks are generally determined by quoted prices for similar instruments in active markets, hence they are categorized as Level 2 of the fair value hierarchy. Additionally, in some instances where equity securities use significant inputs that are unobservable, they are categorized as Level 3 of the hierarchy.

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.

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:

NOTES TO FINANCIAL STATEMENTS

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.

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

NOTES TO FINANCIAL STATEMENTS

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) Assets in the amount of \$31,383,258 and \$31,413,506 as of December 31, 2010 and 2009, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.1

In 2010, the Company ceded 100% of its business to PIC and had the benefit, together with its affiliates that cede business to PIC or that are members of the inter-company reinsurance pool of which PIC is the lead company, of Workers' Compensation Catastrophe reinsurance with limits of \$110,000,000 part of \$200,000,000 xs \$100,000,000 purchased by PIC and covering PIC's direct and assumed from affiliates workers' compensation business.

Interrogatory 6.3

In 2010, the Company ceded 100% of its business to PIC and had the benefit, together with its affiliates that cede business to PIC or that are members of the inter-company reinsurance pool of which PIC is the lead company, of traditional Property Catastrophe XOL reinsurance with limits of \$742,500,000 part of \$825,000,000 xs \$500,000,000 purchased by PIC and covering PIC's direct and assumed from affiliates property business.

D. The Company has no net exposure to uncollectible premium receivable balances (refer to Note 26).

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. Subprime-Mortgage-Related Risk Exposure

1. 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.
2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.
3. The Company does not have any direct exposure through other investments.
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.

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.

NOTES TO FINANCIAL STATEMENTS

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
NATIONAL WORKERS COMP REINS POOL	00000	AA-9992118	102,092,982
NATIONAL UNION FIRE INS CO OF PITTS	19445	25-0687550	19,333,458
FEDERAL INS CO	20281	13-1963496	13,662,567
EVEREST REINS CO	26921	22-2005057	12,636,099

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	\$ 1,586,783	\$ 396,696	\$ 36,005,106	\$ 5,425,748	\$ (34,418,323)	\$ (5,029,052)
All Other	1,221,531	513,043	1,609,099	321,820	(387,568)	191,223
Total	\$ 2,808,314	\$ 909,739	\$ 37,614,205	\$ 5,747,568	\$ (34,805,891)	\$ (4,837,829)

Direct Unearned Premium Reserve: \$ 34,805,891

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	-	-	-	-
Sliding scale adjustments				
Other profit commissions				
Totals	-	-	-	-

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

D. Uncollectible Reinsurance

The Company did not write off any uncollectible balances in the current year.

E. Commutation of Ceded Reinsurance

Income Statement Classification	Amount
Losses Incurred	(425,143)
Loss Expenses Incurred	(604)
Total	(425,747)
Reinsurer	Amount
OPS Limited	139,700
Insurance Company of North America	(565,447)
Total	(425,747)

F. Retroactive Reinsurance

The Company does not have any retroactive reinsurance agreements.

G. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2010.

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

The Company does not have net accrued retrospective premiums (refer to Note 26).

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

The Company has no net exposure to changes in incurred losses and loss adjustment expenses (refer to Note 26).

NOTES TO FINANCIAL STATEMENTS

Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company ("PIC")	24198	25.20%	All Lines
Affiliated Pool Companies:	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines
	General Insurance Company of America ("GICA")	24732	9.20%	All Lines
	American States Insurance Company ("ASIC")	19704	7.60%	All Lines
	American Economy Insurance Company ("AEIC")	19690	5.60%	All Lines
	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines
	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.0%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMIAIC")	14486	0.00%	All Lines

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company. Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.
- (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 that 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.

NOTES TO FINANCIAL STATEMENTS

- (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 PIC Amended and Restated Reinsurance Pooling Agreement as at December 31, 2010:

Affiliate:	Amount:
Peerless Insurance Company	(24,025,293)
The Netherlands Insurance Company	(2,042,444)
Indiana Insurance Company	(5,446,518)
Peerless Indemnity Insurance Company	(3,404,074)
Ohio Casualty Insurance Company	(20,160,168)
Ohio Security Insurance Company	972,506
West America Insurance Company	(1,234,734)
American Fire and Casualty Insurance Company	(1,083,517)
Golden Eagle Insurance Corporation	(3,404,074)
American Economy Insurance Company	251,450
American States Insurance Company	(14,046,151)
American States Insurance Company of Texas	(318,718)
American States Lloyds Insurance Company	(3,029)
American States Preferred Insurance Company	1,378,282
First National Insurance Company	4,977,377
General Insurance Company of America	(9,795,724)
Safeco Insurance Company of America	23,738,540
Safeco Insurance Company of Illinois	38,606,218
Safeco Insurance Company of Indiana	5,927,201
Safeco Insurance Company of Oregon	7,829,541
Safeco Lloyds Insurance Company	1,513,595
Safeco National Insurance Company	69,388
Safeco Surplus Insurance Company	(60,938)

Effective January 1, 2010, the 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 Liberty Mutual Insurance Company (“LMIC”), the lead company in the Liberty Pool.

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 February 23, 2010, Avomark Insurance Company merged with WAIC. WAIC was the surviving entity.

Note 27 - Structured Settlements

- A. The Company has no net exposure to contingent liabilities from the purchase of annuities (refer to Note 26).
- B. Not applicable

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

The Company does not have any high deductible policies.

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

The Company has no net loss and loss adjustment expense reserves (refer to Note 26).

Note 33 - Asbestos/Environmental Reserves

The Company has no net exposure to asbestos and environmental claims (refer to Note 26).

NOTES TO FINANCIAL STATEMENTS

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 [X] No []

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

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

1.3 State Regulating?

Oregon

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

Yes [] No [X]

2.2 If yes, date of change:

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

12/31/2007

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.

12/31/2007

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).

02/09/2009

3.4 By what department or departments?
Oregon Department 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 [X]

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

Yes [X] 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 [X]

4.12 renewals?

Yes [] No [X]

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

4.21 sales of new business?

Yes [] No [X]

4.22 renewals?

Yes [] No [X]

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

Yes [] No [X]

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

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
	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 [X]

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?
Thomas E. Schadler, FCAS, MAAA
175 Berkeley Street Boston, MA 02116
Sr. Vice President & Chief Actuary of Liberty Mutual Agency Corporation

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

12.11 Name of real estate holding company	
12.12 Number of parcels involved	0
12.13 Total book/adjusted carrying value	\$ 0

12.2 If yes, provide explanation:

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:

\$

0

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.

\$ 596,250

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

\$ 0

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

\$ 31,383,258

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

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

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 [] No [X]

28.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
28.2999 TOTAL		0

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

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

GENERAL INTERROGATORIES

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	77,083,922	80,713,748	3,629,826
29.2 Preferred stocks	0	0	0
29.3 Totals	77,083,922	80,713,748	3,629,826

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? \$ 0

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 Name	2 Amount Paid
	0
	0
	0

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

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total 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? \$ 0

GENERAL INTERROGATORIES

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

\$ 0

1.65 Total incurred claims

\$ 0

1.66 Number of covered lives

0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ 0

1.72 Total incurred claims

\$ 0

1.73 Number of covered lives

0

All years prior to most current three years:

1.74 Total premium earned

\$ 0

1.75 Total incurred claims

\$ 0

1.76 Number of covered lives

0

2. Health Test:

1

2

Current Year

Prior Year

2.1 Premium Numerator

\$ 0

\$ 0

2.2 Premium Denominator

\$ 0

\$ 0

2.3 Premium Ratio (2.1/2.2)

0.00

0.00

2.4 Reserve Numerator

\$ 0

\$ 0

2.5 Reserve Denominator

\$ 2,524,066

\$ 1,260,000

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

\$ 38,401,088

3.22 Non-participating policies

\$ 218,307,983

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.

0

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

Yes ☐ No ☒

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

Yes ☐ No ☒

8.2 If yes, give full information

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

Yes ☐ No ☒

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

Yes ☐ No ☒

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

9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 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 ☒ No ☐ N/A ☐

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

Yes ☐ No ☒

11.2 If yes, give full information

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

12.11 Unpaid losses

\$ 0

12.12 Unpaid underwriting expenses (including loss adjustment expenses)

\$ 0

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

\$ 0

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

Yes ☐ No ☐ N/A ☒

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

12.41 From

0.00

12.42 To

0.00

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

Yes ☐ No ☒

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

12.61 Letters of Credit

\$ 0

12.62 Collateral and other funds

\$ 0

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

\$ 0

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

Yes ☐ No ☒

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

1

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

Yes ☒ No ☐

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
Premiums and recoverables were allocated pursuant to the multiple cedant contract.

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

Yes ☒ No ☐

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

Yes ☐ No ☒

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

15.1 Has the reporting entity guaranteed any financed premium accounts?

Yes ☐ No ☒

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business?

Yes ☐ No ☒

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [☐] No [☒]

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

17.12 Unfunded portion of Interrogatory 17.11

17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11

17.14 Case reserves portion of Interrogatory 17.11

17.15 Incurred but not reported portion of Interrogatory 17.11

17.16 Unearned premium portion of Interrogatory 17.11

17.17 Contingent commission portion of Interrogatory 17.11

\$

\$

\$

\$

\$

\$

\$

0

0

0

0

0

0

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

17.19 Unfunded portion of Interrogatory 17.18

17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18

17.21 Case reserves portion of Interrogatory 17.18

17.22 Incurred but not reported portion of Interrogatory 17.18

17.23 Unearned premium portion of Interrogatory 17.18

17.24 Contingent commission portion of Interrogatory 17.18

\$

\$

\$

\$

\$

\$

\$

0

0

0

0

0

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
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	221,898,903	239,471,884	290,157,961	290,786,012	251,894,654
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	15,405,307	19,900,912	18,694,404	12,866,546	(6,603,698)
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	28,469,689	30,355,673	29,528,911	26,132,185	(16,739,275)
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					(3,145)
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	265,773,899	289,728,469	338,381,276	329,784,743	228,548,536
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)					(33,907,801)
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					(15,087,418)
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					(43,224,621)
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					(3,417)
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)					(92,223,257)
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)				(164)	
14. Net investment gain (loss) (Line 11)	4,630,894	4,807,655	4,941,647	4,011,525	9,165,097
15. Total other income (Line 15)	(26,615)	(20,752)	13,572	(235,913)	
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	214,419	437,629	1,697,045	6,756,615	(56,139,703)
18. Net income (Line 20)	4,389,860	4,349,274	3,258,174	(2,981,167)	65,304,800
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	126,095,168	149,277,473	141,989,567	127,652,851	203,014,321
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	1,384,500	1,278,000	1,917,958	2,001,115	4,296,878
20.2 Deferred and not yet due (Line 15.2)					
20.3 Accrued retrospective premiums (Line 15.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 26)	33,519,608	60,567,407	57,152,113	37,558,633	113,072,131
22. Losses (Page 3, Line 1)					
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 30 & 31)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	92,575,560	88,710,066	84,837,454	90,094,218	89,942,190
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	8,186,998	1,388,150	(4,958,097)	(8,104,112)	(699,583,840)
Risk-Based Capital Analysis					
28. Total adjusted capital	92,575,560	88,710,066	84,837,454	90,094,218	89,942,190
29. Authorized control level risk-based capital	3,556,802	5,716,152	4,635,806	4,633,777	6,725,204
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	74.1	73.7	78.6	82.1	50.5
31. Stocks (Lines 2.1 & 2.2)	15.8	16.9	16.2	18.4	11.3
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	4.0	3.5	(0.5)	(4.4)	33.6
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)	5.5	5.9	5.8	3.8	4.2
38. Receivables for securities (Line 9)				0.1	0.4
39. Securities lending reinvested collateral assets (Line 10)	0.6	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
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	15,692,291	15,878,339	15,911,385	17,050,712	15,738,368
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47	15,692,291	15,878,339	15,911,385	17,050,712	15,738,368
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)	17.0	17.9	18.8	18.9	17.5

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)	(439,477)	(41,811)	370,777	517,282	(2,834,483)
51. Dividends to stockholders (Line 35)			(9,009,421)		(180,000,000)
52. Change in surplus as regards policyholders for the year (Line 38)	3,865,494	3,872,612	(5,256,764)	152,028	(141,815,204)
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)	159,994,615	173,543,496	165,939,859	164,384,259	217,032,131
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	8,697,864	10,301,821	8,800,286	6,893,279	9,246,101
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	16,650,561	15,778,793	14,626,145	10,330,545	55,202,120
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					964
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
58. Total (Line 35)	185,343,040	199,624,110	189,366,290	181,608,083	281,481,316
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)					582,086,284
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)					3,342,833
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					46,147,336
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					1,202
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
64. Total (Line 35)					631,577,655
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)					
67. Loss expenses incurred (Line 3)					
68. Other underwriting expenses incurred (Line 4)					
69. Net underwriting gain (loss) (Line 8)					
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)					
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
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)					(102.5)
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)					
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)					
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)					
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)					

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
	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)	Number of Claims Reported - Direct and Assumed
				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	13,658	13,658	781	781	1	1			X X X
2. 2001	161,792	161,792		134,724	134,724	7,050	7,050	10,444	10,444			X X X
3. 2002	311,672	311,672		216,397	216,397	10,793	10,793	16,488	16,488			X X X
4. 2003	411,722	411,722		226,189	226,189	12,483	12,483	15,728	15,728			X X X
5. 2004	462,491	462,491		248,971	248,971	12,178	12,178	16,796	16,796			X X X
6. 2005	469,394	469,394		246,859	246,859	14,830	14,830	15,740	15,740			X X X
7. 2006	298,205	298,205		146,390	146,390	9,816	9,816	15,770	15,770			X X X
8. 2007	322,738	322,738		151,912	151,912	8,764	8,764	3,000	3,000			X X X
9. 2008	331,073	331,073		150,934	150,934	8,016	8,016	2,655	2,655			X X X
10. 2009	287,880	287,880		118,037	118,037	6,482	6,482	462	462			X X X
11. 2010	267,556	267,556		57,050	57,050	2,315	2,315	186	186			X X X
12. Totals	X X X	X X X	X X X	1,711,121	1,711,121	93,508	93,508	97,270	97,270			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		Direct and Assumed		Direct and Assumed		Direct and Assumed		Direct and Assumed		Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
	Ceded		Ceded		Ceded		Ceded		Ceded				
1. Prior	284,475	284,475	28,490	28,490	5,565	5,565	2,070	2,070	13,067	13,067			X X X
2. 2001	38,154	38,154	2,392	2,392	951	951	274	274	1,710	1,710			X X X
3. 2002	42,899	42,899	3,216	3,216	1,404	1,404	375	375	1,927	1,927			X X X
4. 2003	41,297	41,297	8,178	8,178	1,411	1,411	617	617	2,171	2,171			X X X
5. 2004	32,212	32,212	12,287	12,287	1,257	1,257	1,236	1,236	2,153	2,153			X X X
6. 2005	35,790	35,790	13,200	13,200	1,458	1,458	1,489	1,489	2,313	2,313			X X X
7. 2006	32,615	32,615	20,499	20,499	1,354	1,354	2,517	2,517	2,888	2,888			X X X
8. 2007	34,934	34,934	29,176	29,176	1,883	1,883	3,128	3,128	3,600	3,600			X X X
9. 2008	37,182	37,182	42,339	42,339	2,953	2,953	4,297	4,297	4,703	4,703			X X X
10. 2009	50,537	50,537	50,415	50,415	4,120	4,120	5,109	5,109	6,064	6,064			X X X
11. 2010	64,459	64,459	84,157	84,157	7,038	7,038	4,859	4,859	9,490	9,490			X X X
12. Totals	694,554	694,554	294,349	294,349	29,394	29,394	25,971	25,971	50,086	50,086			X X X

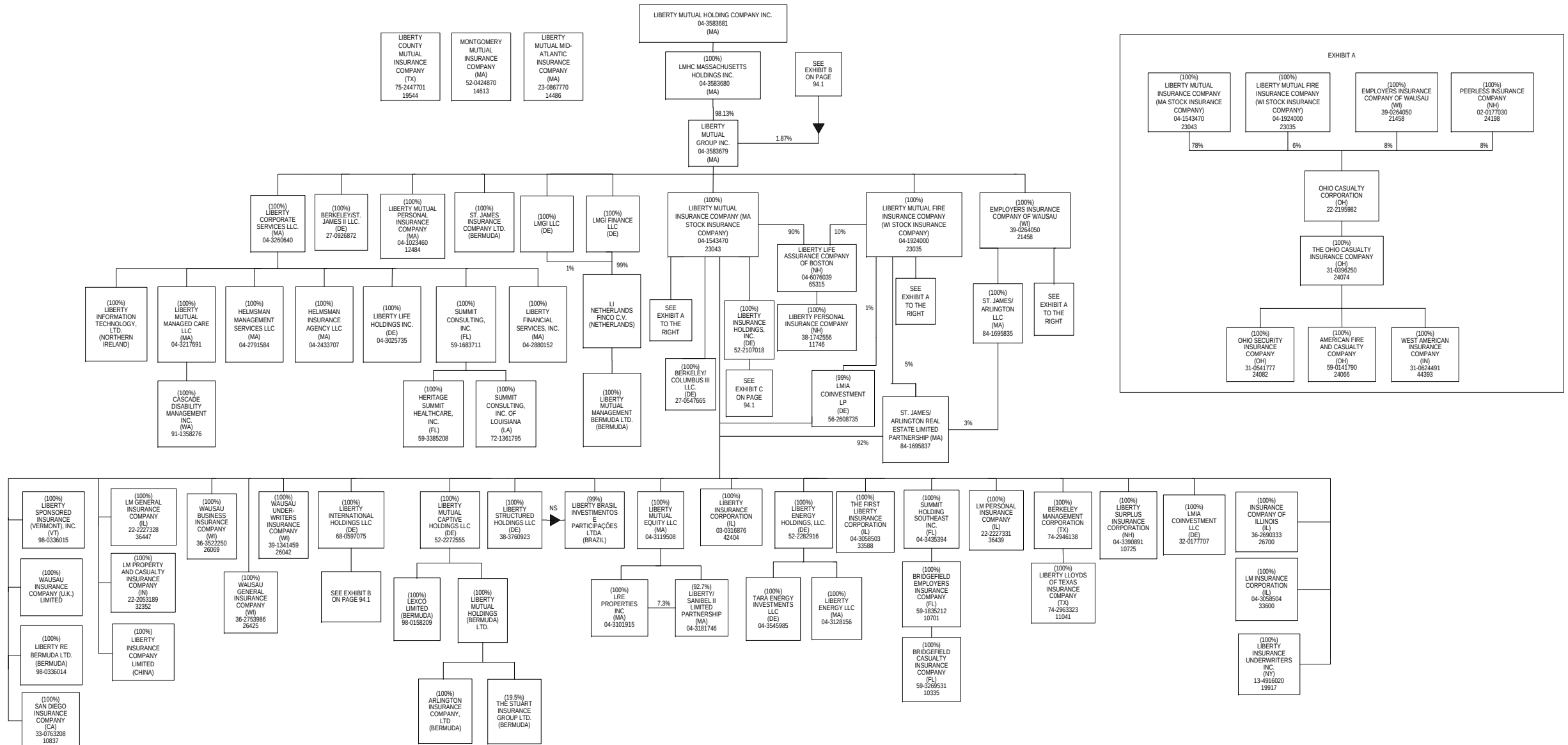
	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter- Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X		
2. 2001	195,699	195,699		120,957	120,957						
3. 2002	293,499	293,499		94,169	94,169						
4. 2003	308,074	308,074		74,826	74,826						
5. 2004	327,090	327,090		70,724	70,724						
6. 2005	331,679	331,679		70,661	70,661						
7. 2006	231,849	231,849		77,748	77,748						
8. 2007	236,397	236,397		73,247	73,247						
9. 2008	253,079	253,079		76,442	76,442						
10. 2009	241,226	241,226		83,794	83,794						
11. 2010	229,554	229,554		85,797	85,797						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X		

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.

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

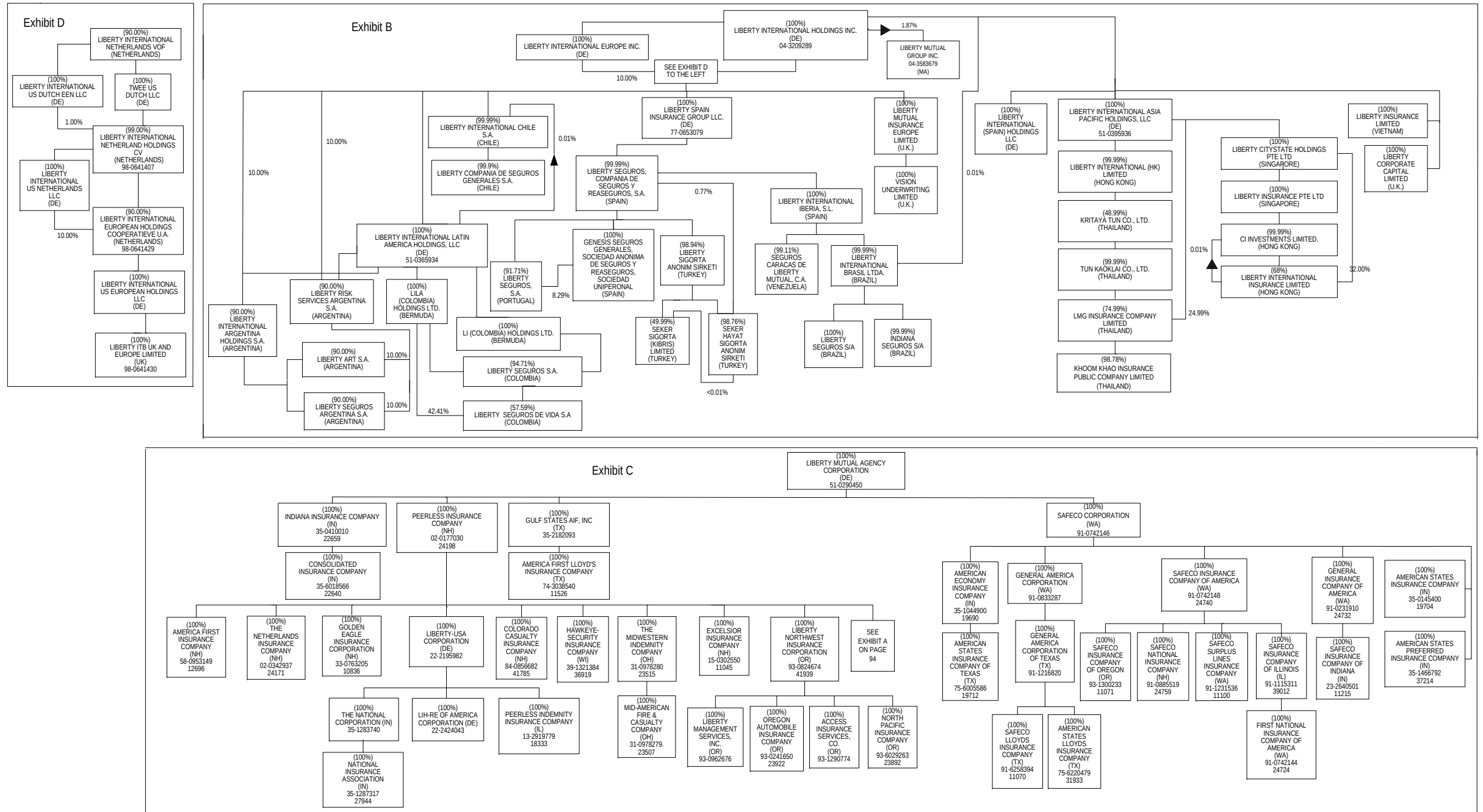
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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