

**ANNUAL STATEMENT**

OF THE

**Liberty Mutual Fire Insurance Company**

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of **Wausau**

in the state of **Wisconsin**

TO THE

**Insurance Department**

OF THE

STATE OF

**FOR THE YEAR ENDED  
December 31, 2007**

PROPERTY AND CASUALTY

**2007**



23035200720100100

ANNUAL STATEMENT
For the Year Ended December 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
Liberty Mutual Fire Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 23035 Employer's ID Number 04-1924000
Organized under the Laws of Wisconsin, State of Domicile or Port of Entry Wisconsin
Country of Domicile United States of America
Incorporated/Organized: October 31, 1908 Commenced Business: November 5, 1908
Statutory Home Office: 2000 Westwood Drive Wausau, WI 54401
Main Administrative Office: 175 Berkeley Street Boston, MA 02116 617-357-9500
Mail Address: 175 Berkeley Street Boston, MA 02116
Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02116 617-357-9500
Internet Website Address: www.LibertyMutual.com
Statutory Statement Contact: Joanne Connolly 617-357-9500 44393
Joanne.Connolly@LibertyMutual.com 617-574-5955

OFFICERS

Table with 2 columns: Name, Title. Rows include Edmund Francis Kelly (Chairman of the Board President & CEO), Dexter Robert Legg (Vice President & Secretary), Laurance Henry Soyer Yahia (Vice President & Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents such as James Paul Condrin, III, Gary Richard Gregg, Christopher Charles Mansfield, etc.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors/trustees such as James Paul Condrin, III, Edmund Francis Kelly, Dennis James Langwell, etc.

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) Edmund Francis Kelly 1. Chairman of the Board President & CEO
(Signature) Dexter Robert Legg 2. Vice President & Secretary
(Signature) Laurance Henry Soyer Yahia 3. Vice President & Treasurer

Subscribed and sworn to before me this 22nd day of January, 2008

a. Is this an original filing? YES [ X ] 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)	2,107,955,407		2,107,955,407	2,176,449,060
2. Stocks (Schedule D):				
2.1 Preferred stocks	53,554,955		53,554,955	22,501,605
2.2 Common stocks	410,442,619	5,680,000	404,762,619	247,274,824
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	67,054,309		67,054,309	32,822,012
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 (\$ 8,310,026, Schedule E-Part 1), cash equivalents (\$ 4,184,686 Schedule E-Part 2) and short-term investments (\$ 96,186,131, Schedule DA)	108,680,843		108,680,843	176,044,360
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	222,609,325		222,609,325	158,588,155
8. Receivables for securities	4,672,376		4,672,376	9,264,939
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,974,969,834	5,680,000	2,969,289,834	2,822,944,955
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	23,233,773		23,233,773	23,137,352
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	110,871,231	4,701,690	106,169,541	82,310,609
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 4,553 earned but unbilled premiums)	275,048,669	504	275,048,165	275,281,586
13.3 Accrued retrospective premiums	57,804,566	6,725,562	51,079,004	69,581,565
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	342,236	321,157	21,079	
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	118,444,000	39,842,329	78,601,671	80,535,475
17. Guaranty funds receivable or on deposit	3,893,605		3,893,605	4,916,062
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	913,721		913,721	6,240,909
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	60,362,134	3,484,076	56,878,058	55,811,877
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,625,883,769	60,755,318	3,565,128,451	3,420,760,390
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	3,625,883,769	60,755,318	3,565,128,451	3,420,760,390

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Cash Surrender Value Life insurance	26,966,480		26,966,480	24,366,760
2302. Other assets	4,913,419	2,140,824	2,772,595	3,597,127
2303. Equities and deposits in pools and associations	4,247,079		4,247,079	3,082,389
2398. Summary of remaining write-ins for Line 23 from overflow page	24,235,156	1,343,252	22,891,904	24,765,601
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	60,362,134	3,484,076	56,878,058	55,811,877

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	1,659,389,032	1,529,242,431
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	66,405,512	68,333,513
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	338,953,051	313,472,293
4. Commissions payable, contingent commissions and other similar charges	17,782,453	19,637,189
5. Other expenses (excluding taxes, licenses and fees)	46,534,957	44,607,342
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	33,029,101	31,333,036
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	5,715,403	15,750,088
7.2 Net deferred tax liability		
8. Borrowed money \$ 526 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 3,029,606,577 and including warranty reserves of \$ 0 )	484,675,823	468,376,826
10. Advance premium	5,269,879	3,420,470
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	1,686,783	601,504
12. Ceded reinsurance premiums payable (net of ceding commissions)		
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	8,459,826	9,419,193
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	37,730,350	41,324,809
19. Payable to parent, subsidiaries and affiliates		
20. Payable for securities	4,806,637	56,906,394
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(106,605,364)	(95,195,213)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	2,603,833,443	2,507,229,875
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	2,603,833,443	2,507,229,875
27. Aggregate write-ins for special surplus funds	125,016,522	121,975,300
28. Common capital stock	10,000,000	10,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds	1,250,000	1,250,000
31. Surplus notes		
32. Gross paid in and contributed surplus	175,000,000	175,000,000
33. Unassigned funds (surplus)	650,028,486	605,305,215
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0 )		
34.2 0 shares preferred (value included in Line 29 \$ 0 )		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	961,295,008	913,530,515
36. TOTALS (Page 2, Line 26, Col. 3)	3,565,128,451	3,420,760,390

<b>DETAILS OF WRITE-INS</b>		
2301. Pooled retroactive reinsurance	(228,098,556)	(229,593,259)
2302. Other liabilities	40,645,176	39,186,998
2303. Amounts held under uninsured plans	74,585,080	73,054,310
2398. Summary of remaining write-ins for Line 23 from overflow page	6,262,936	22,156,738
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(106,605,364)	(95,195,213)
2701. Special surplus from retroactive reinsurance	125,016,522	121,975,300
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	125,016,522	121,975,300
3001. Guaranty funds	1,250,000	1,250,000
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	1,250,000	1,250,000

<b>STATEMENT OF INCOME</b>	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4)	1,180,071,328	1,137,141,316
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	730,824,610	694,868,728
3. Loss expenses incurred (Part 3, Line 25, Column 1)	187,101,241	173,540,439
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	327,534,840	304,563,954
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	1,245,460,691	1,172,973,121
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(65,389,363)	(35,831,805)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	127,050,079	122,874,498
10. Net realized capital gains (losses) less capital gains tax of \$ 7,952,703 (Exhibit of Capital Gains (Losses))	14,094,258	6,404,249
11. Net investment gain (loss) (Lines 9 + 10)	141,144,337	129,278,747
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 323,178 amount charged off \$ 2,447,308 )	(2,124,130)	(1,589,382)
13. Finance and service charges not included in premiums	5,649,683	5,501,664
14. Aggregate write-ins for miscellaneous income	(12,740,646)	(12,215,482)
15. Total other income (Lines 12 through 14)	(9,215,093)	(8,303,200)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	66,539,881	85,143,742
17. Dividends to policyholders	6,977,259	5,102,760
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)	59,562,622	80,040,982
19. Federal and foreign income taxes incurred	9,189,847	27,049,266
20. Net income (Line 18 minus Line 19) (to Line 22)	50,372,775	52,991,716
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	913,530,515	829,974,170
22. Net income (from Line 20)	50,372,775	52,991,716
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 68,854	2,217,240	23,279,156
25. Change in net unrealized foreign exchange capital gain (loss)	703,950	1,158,548
26. Change in net deferred income tax	14,660,052	15,119,804
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(23,361,898)	(9,044,889)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	3,172,374	52,010
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	47,764,493	83,556,345
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	961,295,008	913,530,515
<b>DETAILS OF WRITE-INS</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		
1401. Other income/(expense)	(14,084,110)	(17,306,497)
1402. Retroactive reinsurance gain	1,343,464	5,091,015
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	(12,740,646)	(12,215,482)
3701. Other changes in surplus	3,172,374	52,010
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)	3,172,374	52,010

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	1,192,409,218	1,103,872,507
2. Net investment income	127,659,492	119,729,451
3. Miscellaneous income	(8,108,086)	15,500,875
4. Total (Lines 1 through 3)	1,311,960,624	1,239,102,833
5. Benefit and loss related payments	609,975,156	524,871,802
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	488,349,533	444,145,768
8. Dividends paid to policyholders	5,891,980	4,850,340
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	27,177,235	11,022,439
10. Total (Lines 5 through 9)	1,131,393,904	984,890,349
11. Net cash from operations (Line 4 minus Line 10)	180,566,720	254,212,484
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	440,534,567	569,700,686
12.2 Stocks	49,658,699	15,272,840
12.3 Mortgage loans	2,266,805	
12.4 Real estate		
12.5 Other invested assets	38,438,184	61,798,884
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	1,099	(3,967)
12.7 Miscellaneous proceeds		40,780,166
12.8 Total investment proceeds (Lines 12.1 to 12.7)	530,899,354	687,548,609
13. Cost of investments acquired (long-term only):		
13.1 Bonds	383,147,905	638,029,843
13.2 Stocks	229,829,349	45,787,855
13.3 Mortgage loans	36,523,272	32,822,012
13.4 Real estate		
13.5 Other invested assets	79,848,328	100,884,208
13.6 Miscellaneous applications	47,535,308	
13.7 Total investments acquired (Lines 13.1 to 13.6)	776,884,162	817,523,918
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(245,984,808)	(129,975,309)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(1,945,429)	(1,988,967)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(1,945,429)	(1,988,967)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(67,363,517)	122,248,208
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	176,044,360	53,796,152
19.2 End of year (Line 18 plus Line 19.1)	108,680,843	176,044,360

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

20.0001.		
20.0002.		
20.0003.		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1- PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	30,531,898	14,292,988	13,710,702	31,114,184
2. Allied lines	13,144,428	5,132,935	6,197,192	12,080,171
3. Farmowners multiple peril	559,623			559,623
4. Homeowners multiple peril	161,294,057	90,681,271	92,268,205	159,707,123
5. Commercial multiple peril	23,548,286	12,963,269	12,277,047	24,234,508
6. Mortgage guaranty				
8. Ocean marine	4,027,213	1,207,372	1,899,589	3,334,996
9. Inland marine	66,292,368	3,964,940	3,996,628	66,260,680
10. Financial guaranty				
11.1 Medical malpractice - occurrence	(443)			(443)
11.2 Medical malpractice - claims-made				
12. Earthquake	4,209,071	1,669,309	2,017,803	3,860,577
13. Group accident and health	3,208			3,208
14. Credit accident and health (group and individual)				
15. Other accident and health	(13,229)	18,975	79	5,667
16. Workers' compensation	406,665,706	(4,162,913)	14,749,237	387,753,556
17.1 Other liability - occurrence	74,896,075	26,133,966	31,396,350	69,633,691
17.2 Other liability - claims-made	18,594,445	8,016,080	10,018,448	16,592,077
18.1 Products liability - occurrence	13,923,667	5,610,451	5,594,743	13,939,375
18.2 Products liability - claims-made	1,075,026	64,111	223,682	915,455
19.1, 19.2 Private passenger auto liability	221,197,580	110,822,836	111,689,715	220,330,701
19.3, 19.4 Commercial auto liability	49,002,176	17,024,254	18,485,365	47,541,065
21. Auto physical damage	69,601,849	79,314,074	80,482,510	68,433,413
22. Aircraft (all perils)	7,377,506	2,480,447	2,563,432	7,294,521
23. Fidelity	589,001	207,007	259,313	536,695
24. Surety	29,243,849	14,601,372	16,969,664	26,875,557
26. Burglary and theft	75,514	29,524	31,481	73,557
27. Boiler and machinery	357,373	216,184	182,261	391,296
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	13,894,632	624,961	1,466,155	13,053,438
31. Reinsurance-Nonproportional Assumed Liability	4,867,010	263,148	387,104	4,743,054
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
<b>34. TOTALS</b>	<b>1,214,957,889</b>	<b>391,176,561</b>	<b>426,866,705</b>	<b>1,179,267,745</b>

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

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

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	13,691,166	19,536			13,710,702
2. Allied lines	6,172,380	24,812			6,197,192
3. Farmowners multiple peril					
4. Homeowners multiple peril	92,268,205				92,268,205
5. Commercial multiple peril	8,381,739	3,895,308			12,277,047
6. Mortgage guaranty					
8. Ocean marine	1,423,747	475,842			1,899,589
9. Inland marine	3,748,300	248,328			3,996,628
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	2,013,158	4,645			2,017,803
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	79				79
16. Workers' compensation	64,917,751	830,756	(4,553)	(50,994,718)	14,749,236
17.1 Other liability - occurrence	35,148,887	(351,049)		(3,401,488)	31,396,350
17.2 Other liability - claims-made	5,760,183	4,258,265			10,018,448
18.1 Products liability - occurrence	6,760,278	49,000		(1,214,535)	5,594,743
18.2 Products liability - claims-made	223,682				223,682
19.1, 19.2 Private passenger auto liability	111,689,715				111,689,715
19.3, 19.4 Commercial auto liability	20,173,647	505,478		(2,193,760)	18,485,365
21. Auto physical damage	80,423,683	58,892		(65)	80,482,510
22. Aircraft (all perils)	2,563,432				2,563,432
23. Fidelity	239,328	19,985			259,313
24. Surety	14,788,855	2,180,809			16,969,664
26. Burglary and theft	30,891	590			31,481
27. Boiler and machinery	172,606	9,655			182,261
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	530,309	935,846			1,466,155
31. Reinsurance-Nonproportional Assumed Liability	387,104				387,104
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	471,509,125	13,166,698	(4,553)	(57,804,566)	426,866,704
35. Accrued retrospective premiums based on experience					57,804,566
36. Earned but unbilled premiums					4,553
37. Balance (Sum of Line 34 through 36)					484,675,823

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

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



**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	367,963,648	30,531,898		367,963,648		30,531,898
2. Allied lines	167,798,614	13,144,428		167,798,614		13,144,428
3. Farmowners multiple peril		559,623				559,623
4. Homeowners multiple peril	1,469,044,119	161,294,057		1,469,044,119		161,294,057
5. Commercial multiple peril	32,833,849	23,548,286		32,833,849		23,548,286
6. Mortgage guaranty						
8. Ocean marine	4,323,889	4,027,213		4,323,889		4,027,213
9. Inland marine	39,587,230	66,292,368		39,587,230		66,292,368
10. Financial guaranty						
11.1 Medical malpractice - occurrence		(443)				(443)
11.2 Medical malpractice - claims-made						
12. Earthquake	49,204,772	4,209,071		49,204,772		4,209,071
13. Group accident and health		3,208				3,208
14. Credit accident and health (group and individual)						
15. Other accident and health		(13,229)				(13,229)
16. Workers' compensation	749,369,410	406,665,706		749,369,410		406,665,706
17.1 Other liability - occurrence	346,618,773	74,896,075		346,618,773		74,896,075
17.2 Other liability - claims-made	485,876	18,594,445		485,876		18,594,445
18.1 Products liability - occurrence	84,828,713	13,923,667		84,828,713		13,923,667
18.2 Products liability - claims-made	205,521	1,075,026		205,521		1,075,026
19.1, 19.2 Private passenger auto liability	1,623,530,871	221,197,580		1,623,530,871		221,197,580
19.3, 19.4 Commercial auto liability	335,609,025	49,002,176		335,609,025		49,002,176
21. Auto physical damage	1,196,383,052	69,601,849		1,196,383,052		69,601,849
22. Aircraft (all perils)		7,377,506				7,377,506
23. Fidelity	443,395	589,001		443,395		589,001
24. Surety	5,893,113	29,243,849		5,893,113		29,243,849
26. Burglary and theft	158,136	75,514		158,136		75,514
27. Boiler and machinery	4,095,305	357,373		4,095,305		357,373
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	13,894,632				13,894,632
31. Reinsurance-Nonproportional Assumed Liability	X X X	4,867,010				4,867,010
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	6,478,377,311	1,214,957,889		6,478,377,311		1,214,957,889

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

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes  No   
 If yes: 1. The amount of such installment premiums \$ 719,721,142  
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 708,822,545

**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	192,976,084	16,255,759	192,976,084	16,255,759	6,915,188	9,615,120	13,555,827	43.568
2. Allied lines	93,389,460	9,769,789	93,389,460	9,769,789	3,749,593	6,211,500	7,307,882	60.495
3. Farmowners multiple peril		8,791		8,791	2,327	16,821	(5,703)	(1.019)
4. Homeowners multiple peril	685,149,830	73,551,468	685,149,830	73,551,468	42,280,373	32,610,316	83,221,525	52.109
5. Commercial multiple peril	30,821,667	9,964,772	30,821,667	9,964,772	26,347,012	31,145,936	5,165,848	21.316
6. Mortgage guaranty								
8. Ocean marine	1,717,148	1,877,861	1,717,148	1,877,861	4,608,526	3,941,813	2,544,574	76.299
9. Inland marine	10,319,288	38,705,502	10,319,288	38,705,502	10,494,615	7,479,051	41,721,066	62.965
10. Financial guaranty								
11.1 Medical malpractice - occurrence		422		422	34,345	41,378	(6,611)	1,492.325
11.2 Medical malpractice - claims - made								
12. Earthquake		94		94	25,352	(30,989)	56,435	1.462
13. Group accident and health		81,397		81,397	305,482	339,848	47,031	1,466.054
14. Credit accident and health (group and individual)								
15. Other accident and health		87,799		87,799	240,183	319,118	8,864	156.414
16. Workers' compensation	647,813,647	193,766,501	647,813,647	193,766,501	973,492,687	881,661,023	285,598,165	73.655
17.1 Other liability - occurrence	112,158,745	36,227,814	112,158,745	36,227,814	203,950,402	176,087,609	64,090,607	92.040
17.2 Other liability - claims - made	107,000	4,753,907	107,000	4,753,907	33,245,884	28,601,870	9,397,921	56.641
18.1 Products liability - occurrence	19,582,330	5,889,371	19,582,330	5,889,371	40,923,435	41,901,441	4,911,365	35.234
18.2 Products liability - claims - made	48,431	19,599	48,431	19,599	1,421,728	1,132,125	309,202	33.776
19.1, 19.2 Private passenger auto liability	978,529,319	135,810,447	978,529,319	135,810,447	177,507,524	184,423,670	128,894,301	58.500
19.3, 19.4 Commercial auto liability	177,402,592	25,017,428	177,402,592	25,017,428	66,695,920	60,355,027	31,358,321	65.960
21. Auto physical damage	611,185,826	35,264,098	611,185,826	35,264,098	(584,443)	(3,567,739)	38,247,394	55.890
22. Aircraft (all perils)		3,721,248		3,721,248	7,073,080	6,941,080	3,853,248	52.824
23. Fidelity	233,564	73,557	233,564	73,557	1,047,386	1,476,032	(355,089)	(66.162)
24. Surety		2,946,305		2,946,305	10,706,221	8,886,509	4,766,017	17.734
26. Burglary and theft		5,498		5,498	(3,470)	125,778	(123,750)	(168.237)
27. Boiler and machinery		8		8	(28,677)	17,875	(46,544)	(11.895)
28. Credit					652	1,404	(752)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	4,583,588		4,583,588	8,585,608	12,510,779	658,417	5.044
31. Reinsurance-Nonproportional Assumed Liability	X X X	5,975,737		5,975,737	39,874,114	36,629,120	9,220,731	194.405
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	165,163		165,163	477,986	368,915	274,234	
33. Aggregate write-ins for other lines of business								
34. TOTALS	3,561,434,931	604,523,923	3,561,434,931	604,523,923	1,659,389,033	1,529,242,430	734,670,526	62.299

**DETAILS OF WRITE-INS**

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

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

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	62,781,869	5,473,098	62,781,869	5,473,098	12,238,134	1,442,090	12,238,134	6,915,188	1,414,725
2. Allied lines	32,147,096	2,762,537	32,147,096	2,762,537	7,080,841	987,056	7,080,841	3,749,593	769,959
3. Farmowners multiple peril		2,327		2,327				2,327	8,874
4. Homeowners multiple peril	225,305,255	26,326,172	225,305,255	26,326,172	161,507,432	15,954,202	161,507,432	42,280,374	9,709,368
5. Commercial multiple peril	29,679,613	16,197,768	29,679,613	16,197,768	22,718,950	10,149,244	22,718,950	26,347,012	9,697,856
6. Mortgage guaranty									
8. Ocean marine	344,332	2,278,862	344,332	2,278,862	1,001,590	2,329,665	1,001,590	4,608,527	1,015,731
9. Inland marine	1,891,203	4,296,395	1,891,203	4,296,395	2,700,285	6,198,220	2,700,285	10,494,615	902,467
10. Financial guaranty									
11.1 Medical malpractice - occurrence		50,404		50,404		(16,059)		34,345	2,254
11.2 Medical malpractice - claims - made									
12. Earthquake		17,686		17,686	5,205	7,666	5,205	25,352	2,629
13. Group accident and health		121,833		121,833		183,649		(a) 305,482	25,132
14. Credit accident and health (group and individual)									
15. Other accident and health		17,561		17,561		222,621		(a) 240,182	9,261
16. Workers' compensation	2,218,207,912	541,218,014	2,218,207,912	541,218,014	1,018,182,235	432,274,672	1,018,182,235	973,492,686	126,148,333
17.1 Other liability - occurrence	214,758,001	95,810,852	214,758,001	95,810,852	292,787,747	108,139,550	292,787,747	203,950,402	80,636,178
17.2 Other liability - claims - made	968,000	8,245,389	968,000	8,245,389	3,885,286	25,000,495	3,885,286	33,245,884	11,348,517
18.1 Products liability - occurrence	37,413,288	9,534,490	37,413,288	9,534,490	97,255,244	31,388,945	97,255,244	40,923,435	26,051,588
18.2 Products liability - claims - made	140,000	55,705	140,000	55,705	2,229,181	1,366,023	2,229,181	1,421,728	633,488
19.1, 19.2 Private passenger auto liability	928,961,541	115,217,544	928,961,541	115,217,544	481,160,176	62,289,980	481,160,176	177,507,524	45,536,999
19.3, 19.4 Commercial auto liability	227,937,715	37,322,799	227,937,715	37,322,799	308,291,050	29,373,120	308,291,050	66,695,919	12,201,002
21. Auto physical damage		19,386		19,386	(1,277,175)	(603,828)	(1,277,175)	(584,442)	6,449,702
22. Aircraft (all perils)		5,289,498		5,289,498		1,783,582		7,073,080	1,096,947
23. Fidelity	40,000	225,214	40,000	225,214	87,654	822,171	87,654	1,047,385	337,095
24. Surety		1,450,226		1,450,226	2,082,699	9,255,994	2,082,699	10,706,220	2,948,082
26. Burglary and theft		1,756		1,756	29,781	(5,226)	29,781	(3,470)	133,734
27. Boiler and machinery		22,854		22,854	19,252	(51,531)	19,252	(28,677)	25,781
28. Credit						652		652	34
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	5,257,830		5,257,830	X X X	3,327,778		8,585,608	152,879
31. Reinsurance-Nonproportional Assumed Liability	X X X	15,338,451		15,338,451	X X X	24,535,663		39,874,114	1,626,526
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	445,730		445,730	X X X	32,256		477,986	67,907
33. Aggregate write-ins for other lines of business									
34. TOTALS	3,980,575,825	893,000,381	3,980,575,825	893,000,381	2,411,985,567	766,388,650	2,411,985,567	1,659,389,031	338,953,048

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

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

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

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	224,435,173			224,435,173
1.2 Reinsurance assumed	87,962,756			87,962,756
1.3 Reinsurance ceded	224,435,174			224,435,174
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	87,962,755			87,962,755
2. Commission and brokerage:				
2.1 Direct, excluding contingent		175,195,120		175,195,120
2.2 Reinsurance assumed, excluding contingent		7,004,306		7,004,306
2.3 Reinsurance ceded, excluding contingent		175,195,120		175,195,120
2.4 Contingent-direct		108,147,599		108,147,599
2.5 Contingent-reinsurance assumed		12,556,643		12,556,643
2.6 Contingent-reinsurance ceded		108,147,599		108,147,599
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)		19,560,949		19,560,949
3. Allowances to manager and agents		4,760,484		4,760,484
4. Advertising	1,752,860	15,740,370	4,424	17,497,654
5. Boards, bureaus and associations	246,885	2,406,586	49	2,653,520
6. Surveys and underwriting reports	19,442	2,926,681	871	2,946,994
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	56,398,976	126,219,986	671,297	183,290,259
8.2 Payroll taxes	3,010,223	9,336,149	31,419	12,377,791
9. Employee relations and welfare	10,999,979	33,804,646	40,992	44,845,617
10. Insurance	5,319,406	879,911	6,378	6,205,695
11. Directors' fees		20,087		20,087
12. Travel and travel items	3,501,398	9,320,800	11,118	12,833,316
13. Rent and rent items	3,740,713	10,986,735	9,386	14,736,834
14. Equipment	2,946,926	9,002,959	11,974	11,961,859
15. Cost or depreciation of EDP equipment and software	590,868	4,516,968	3,603	5,111,439
16. Printing and stationery	661,582	2,097,873	1,661	2,761,116
17. Postage, telephone and telegraph, exchange and express	2,271,695	6,891,708	3,217	9,166,620
18. Legal and auditing	319,691	2,111,291	89,716	2,520,698
19. Totals (Lines 3 to 18)	91,780,644	241,023,234	886,105	333,689,983
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 834,600		44,349,682		44,349,682
20.2 Insurance department licenses and fees		1,203,507		1,203,507
20.3 Gross guaranty association assessments		(8,238)		(8,238)
20.4 All other (excluding federal and foreign income and real estate)		1,724,440		1,724,440
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		47,269,391		47,269,391
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	7,357,841	19,681,268	62,700	27,101,809
25. Total expenses incurred	187,101,240	327,534,842	948,805 (a)	515,584,887
26. Less unpaid expenses-current year	338,953,051	97,346,511		436,299,562
27. Add unpaid expenses-prior year	313,472,293	95,577,568		409,049,861
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year		21,079		21,079
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	161,620,482	325,786,978	948,805	488,356,265

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	3,487,546			3,487,546
2402. Other expenses	3,870,295	19,681,268	62,700	23,614,263
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	7,357,841	19,681,268	62,700	27,101,809

(a) Includes management fees of \$ 947,393 to affiliates and \$ 5,700,108 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 11,804,541	10,692,729
1.1 Bonds exempt from U.S. tax	(a) 27,125,494	30,262,034
1.2 Other bonds (unaffiliated)	(a) 71,594,153	69,948,520
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 2,045,245	2,199,552
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	4,677,679	4,472,954
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 2,742,612	2,742,612
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 5,790,844	5,545,362
7. Derivative instruments	(f)	
8. Other invested assets	3,011,321	3,011,321
9. Aggregate write-ins for investment income	(92,412)	(92,412)
10. Total gross investment income	128,699,477	128,782,672

11. Investment expenses		(g) 948,805
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 783,788
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)		1,732,593
17. Net investment income (Line 10 minus Line 16)		127,050,079

DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	(92,412)	(92,412)
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	(92,412)	(92,412)
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 \$ 1,312,893 accrual of discount less \$ 2,043,470 amortization of premium and less \$ 1,149,537 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 \$ 99,588 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 \$ 788,077 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 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(910,955)		(910,955)		
1.1 Bonds exempt from U.S. tax	182,078		182,078		
1.2 Other bonds (unaffiliated)	824,377	(1,145)	823,232	(11,668,819)	41,905
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	(113,449)		(113,449)	(10,065,627)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	10,115,937	(177,372)	9,938,565	11,410,831	662,045
2.21 Common stocks of affiliates				2,218,136	
3. Mortgage loans				(24,170)	
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	1,099		1,099		
7. Derivative instruments					
8. Other invested assets	15,051,779	(2,925,388)	12,126,391	10,415,743	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	25,150,866	(3,103,905)	22,046,961	2,286,094	703,950

DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, 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	5,680,000		(5,680,000)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	5,680,000		(5,680,000)
11. Title plants ( for Title insurers only )			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	4,701,690	3,136,746	(1,564,944)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	504	504	
13.3 Accrued retrospective premiums	6,725,562	7,614,146	888,584
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans	321,157	321,796	639
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	39,842,329	23,317,525	(16,524,804)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	3,484,076	2,804,951	(679,125)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	60,755,318	37,195,668	(23,559,650)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	60,755,318	37,195,668	(23,559,650)

<b>DETAILS OF WRITE-INS</b>			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	2,140,824	1,467,106	(673,718)
2302. Amounts receivable under high deductible policies	1,343,252	1,337,845	(5,407)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,484,076	2,804,951	(679,125)

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## NOTES TO FINANCIAL STATEMENTS

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### Note 1- Summary of Significant Accounting Policies

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Wisconsin, the accompanying financial statements of Liberty Mutual Fire 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 uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value, except that investments in stocks of subsidiaries and affiliates ("SCA") are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market valued, as specified by the SVO Manual.
5. Mortgage loans are reported at unpaid principal balances, less impairments, as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company carries its investments in SCA companies in accordance with SSAP No. 97, *Investments in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. 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. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2007.
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

On August 24, 2007, the Company and certain affiliates acquired all of the issued and outstanding voting securities of Ohio Casualty Corporation a holding company, which is the upstream parent of six property casualty insurance companies. The Company holds a 6% ownership interest in Ohio Casualty Corporation, at a cost of \$167,067,607.

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**NOTES TO FINANCIAL STATEMENTS**


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<u>Acquired Company</u>	<u>Date of Acquisition</u>	<u>% Ownership</u>	<u>Cost</u>	<u>Unamortized Goodwill</u> <u>December 31, 2007</u>	<u>Goodwill</u> <u>Amortization</u> <u>Current Year</u>
Ohio Casualty Corporation	August 24, 2007	6%	\$167,067,607	\$85,407,797	\$3,143,574

**B. Statutory Mergers**

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

**C. Impairment Loss**

Not applicable

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments****A. Mortgage Loans, including Mezzanine Real Estate Loans**

During 2007, the Company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

- (1) The maximum and minimum lending rates for mortgage loans during 2007 were 7.375% and 4.75% respectively.
- (2) As of December 31, 2007 the Company held commercial mortgage loans in good standing with an outstanding principal balance of \$67,078,478.
- (3) The maximum loan to value of any loan written during 2007 was 92%.
- (4) No loans had interest more than 180 days past due.
- (5) There were no taxes, assessments or any amounts advanced and not included in the mortgage loan.
- (6) Total recorded investment in impaired loans as of December 31, 2007 was \$51,179, of which there is a related allowance for credit losses of \$24,170.
- (7) Impaired loans, amounting to \$27,009, have no related allowance for credit losses.
- (8) The average recorded investment in impaired loans during 2007 was \$22,508.
- (9) Interest income of \$2,282 was recognized, on a cash basis, during the period the loan was impaired.
- (10) Refer to 5.A.9
- (11) There have been no changes to the allowance for credit losses since the allowance was established in 2007.

**B. Troubled Debt Restructuring for Creditors**

Not applicable

**C. Reverse Mortgages**

The Company has no reverse mortgages.

**D. Loan-Backed Securities**

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

**E. Repurchase Agreements**

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

**F. Real Estate**

The Company does not own real estate.

**G. Investments in Low-Income Housing Tax Credits ("LIHTC")**

1. There are six years remaining of unexpired tax credits. The required holding period for the LIHTC investment is 12 years.
2. The Company's LIHTC property is not currently subject to any regulatory reviews.
3. The carrying value of the Company's investment in LIHTC did not exceed 10% of its admitted assets.
4. The Company did not recognize any impairment loss on its LIHTC investment during the year.
5. The Company did not write-down its LIHTC investment or reclassify the LIHTC during the year due to the forfeiture or ineligibility of tax credits.



## NOTES TO FINANCIAL STATEMENTS

### Note 6- Joint Ventures, Partnerships & Limited Liability Companies

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.
- B. The company invests in 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 asset leads to impairment losses being recognized by management. The Company realized impairment losses of \$2,925,388 during the year.

### Note 7- Investment Income

- A. Accrued Investment Income

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

- B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2007.

### Note 8- Derivative Instruments

The Company maintains an active Derivative Use Policy (approved in 2004 by the State of New York). There are no current derivatives holdings or current year derivatives transactions executed under this policy. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives would be ancillary to the overall investment and immaterial to the underlying investment portfolio.

### Note 9 - Income Taxes

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

	December 31, 2007	December 31, 2006	Change
Total of gross deferred tax assets	205,300,000	187,682,000	17,618,000
Total of deferred tax liabilities	(86,856,000)	(83,829,000)	(3,027,000)
Net deferred tax asset	118,444,000	103,853,000	14,591,000
Net deferred tax asset non-admitted	(39,842,329)	(23,317,525)	(16,524,804)
Net admitted deferred tax asset	78,601,671	80,535,475	(1,933,804)

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

	2007	2006
Federal tax on operations	9,079,631	27,033,685
Net operating loss benefit	0	0
Foreign tax on operations	110,216	15,581
Income tax incurred on operations	9,189,847	27,049,266
Tax on capital gains	7,952,703	3,397,000
Total income tax incurred	17,142,550	30,446,266

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

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

	2007
Change in net deferred income tax (without unrealized gain or loss)	14,660,052
Tax effect of unrealized (gains) losses	(68,854)
Total change in net deferred income tax	14,591,198

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, excludible dividend income, foreign operations, revisions to prior year estimates, and changes in deferred taxes related to statutory non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$21,508,000 from the current year and \$28,880,000 from the preceding year.

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

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

Access Insurance Services, Co.  
 Amcco Capital Corporation  
 America First Insurance Company

Liberty Mutual Group Inc.  
 Liberty Mutual Holding Company, Inc.  
 Liberty Mutual Insurance Company

## NOTES TO FINANCIAL STATEMENTS

America First Lloyds Insurance Company	Liberty Mutual Managed Care, Inc.
American Ambassador Casualty Company	Liberty Mutual Personal Insurance Company
American Fire & Casualty Insurance Company *	Liberty Northwest Insurance Corporation
Avomark Insurance Company *	Liberty Personal Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty RE (Bermuda) Limited
Berkeley Management Corporation	Liberty Real Estate Corporation
Bridgefield Casualty Insurance Company	Liberty Sponsored Insurance (Vermont) Inc.
Bridgefield Employers Insurance Company	Liberty Surplus Insurance Corporation
Capitol Agency, Inc. (Arizona corporation)	Liberty-USA Corporation
Capitol Agency, Inc. (Ohio corporation)	LIH-Re of America Corporation
Capitol Agency, Inc. (Tennessee corporation)	LIH U.S. P&C Corporation
Cascade Disability Management, Inc.	LIIA Insurance Agency, Inc.
Colorado Casualty Insurance Company	LIU Specialty Insurance Agency, Inc.
Companies Agency Insurance Services of California	LLS Insurance Agency of Nevada, Inc.
Companies Agency of Alabama, Inc.	LM General Insurance Company
Companies Agency of Georgia, Inc.	LM Insurance Corporation
Companies Agency of Kentucky, Inc.	LM Personal Insurance Company
Companies Agency of Massachusetts, Inc.	LM Property & Casualty Insurance Company
Companies Agency of Michigan, Inc.	LMHC Massachusetts Holding, Inc.
Companies Agency of New York, Inc.	LRE Properties, Inc.
Companies Agency of Pennsylvania, Inc.	Mid-American Agency, Inc.
Companies Agency of Phoenix, Inc.	Mid-American Fire and Casualty Company
Consolidated Insurance Company	Missouri Agency, Inc.
Copley Venture Capital, Inc.	North Pacific Insurance Company
Countrywide Services Corporation	Oregon Automobile Insurance Company
Diversified Settlements, Inc.	OCASCO Budget, Inc *
Employers Insurance Company of Wausau	OCI Printing, Inc.*
Excelsior Insurance Company	Ohio Casualty Corporation *
Florida State Agency, Inc.	Ohio Casualty Insurance Company *
Globe American Casualty Company	Ohio Casualty of New Jersey, Inc *
Golden Eagle Insurance Corporation	Ohio Life Brokerage Services, Inc.*
Gulf States AIF, Inc.	Ohio Security Insurance Company *
Hawkeye-Security Insurance Company	Peerless Indemnity Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	Peerless Insurance Company
Helmsman Insurance Agency of Texas, Inc.	San Diego Insurance Company
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
LEXCO Limited	St. James Insurance Company
Liberty Assignment Corporation	Summit Consulting, Inc.
Liberty Energy Canada, Inc. *	Summit Consulting, Inc. of Louisiana
Liberty Financial Services, Inc.	Summit Holding Southeast, Inc.
Liberty Hospitality Group, Inc.	The First Liberty Insurance Corporation
Liberty Insurance Company of America	The Midwestern Indemnity Company
Liberty Insurance Corporation	The National Corporation
Liberty Insurance Holdings, Inc.	The Netherlands Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty Life Assurance Company of Boston	Wausau Signature Agency, Inc.
Liberty Life Holdings, Inc.	Wausau Business Insurance Company
Liberty Lloyds of Texas Insurance Company	Wausau General Insurance Company
Liberty Management Services, Inc.	Wausau Underwriters Insurance Company
Liberty Mexico Holdings, Inc.	West American Insurance Company *
Liberty Mutual Fire Insurance Company	

\* This company joined the consolidated group in 2007 and its activity from the date it joined the group is included in the consolidated return.

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

### **Note 10- Information concerning Parent, Subsidiaries and Affiliates**

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Group, Inc. ("LMGI"). LMGI is owned 100% by LMHC Massachusetts Holdings, Inc. ("LMHC MHI") and LMHC MHI is owned 100% by Liberty Mutual Holding Company, Inc. ("LMHCI").
- B. During 2007 the Company contributed capital to a non-insurance subsidiary in the amount of \$8,381.
- C. Refer to Note 25.
- D. At December 31, 2007, the Company reported \$913,721 net due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company guarantees, jointly and severally with Liberty Mutual Insurance Company ("LMIC"), \$27,000,000 of the medium term notes payable which are obligations of its parent company, LMGI.
- F. See Note 25 for information regarding Inter-Company Reinsurance Agreement.

The Company is party to a Federal Tax Sharing Agreement between LMIC and Affiliates (see Note 9 F). The Company has

## NOTES TO FINANCIAL STATEMENTS

an investment services agreement with LMIC. The Company incurred in 2007, \$947,393 and \$25,209,691 respectively under the LMIC investment services agreement and federal tax sharing agreement. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (see Note 25), all net loss expenses incurred and net other underwriting expenses incurred are allocated to the Company pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement (see Note 25).

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which the Company may borrow up to \$150,000,000 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, 2007, there have been no drawings under this agreement.

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in SCA companies greater than 10% of its admitted assets.
- J. The Company did not recognize any impairment write down for its subsidiary during the statement period.
- K. The Company does not hold investments in foreign subsidiaries.
- L. The Company did not utilize the look-through approach for the valuation of its downstream non-insurance holding company.

### **Note 11- Debt**

The Company entered into a short-term borrowing arrangement on June 15, 2007. The principal amount borrowed was \$60,000,000 at a rate of 5.85%. The loan was paid off on December 14, 2007. Interest paid on this loan in 2007 was \$783,262.

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

The Company's eligible direct employees are included 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; and the Thrift Incentive Plan, which is a defined contribution plan. The Company's eligible direct employees are also included in the Liberty postretirement health and life insurance benefit plans. Each of these plans is sponsored by the holding company, Liberty Mutual Group Inc. ("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, and a portion of the costs, in turn, are allocated to the Company through the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 25.

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

#### 1. Common Stock

The Company has 100,000 shares authorized, issued, and outstanding as of December 31, 2007. All shares have a stated par value of \$100.

#### 2. Preferred Stock

Not applicable

#### 3. Dividend Restrictions

There are no dividend restrictions.

#### 4. The maximum amount of dividends that can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of surplus, or the greater of (b) or (c); (b) net income for calendar year preceding date of dividend less realized gains for that calendar year, or (c) the aggregate of net income for three calendar years preceding the date of dividend less realized gains for those calendar years less dividends paid/credited within the first two of the preceding three calendar years. The maximum dividend payout that may be made without prior approval in 2008 is \$87,416,319.

#### 5. As of December 31, 2007, the Company has pre-tax restricted surplus of \$125,016,522 resulting from retroactive reinsurance contracts.

#### 6. The Company had no advances to surplus.

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

#### 8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2007.

#### 9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$147,822,394.

#### 10. Surplus Notes

Not applicable

## NOTES TO FINANCIAL STATEMENTS

## 11. Quasi re-organization (dollar impact)

Not applicable

## 12. Quasi re-organization (effective date)

Not applicable

## 13. The company did not pay a dividend to its parent during 2007.

**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 10 E.

## B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of \$27,418,574 that is offset by future premium tax credits of \$3,893,605. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2007.

During 2007 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

## C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$ 13,529,649

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.

**Note 15- Leases**

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

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

**NOTES TO FINANCIAL STATEMENTS**

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2008	\$3,653,413	\$10,050,929
2009	3,103,814	9,379,680
2010	2,173,785	6,909,868
2011	572,163	3,808,048
2012	-	2,541,826
2013 & thereafter	-	17,934,965
Total	<u>\$9,503,174</u>	<u>\$50,625,315</u>

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

Not applicable

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

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

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

## A. Transfers of Receivables reported as sales:

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

## B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income 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. 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 a 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, 2007 the total market value of fixed maturities on loan was \$22,161,560 with corresponding collateral value of \$23,208,532 of which \$6,262,936 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 Plans and the Uninsured Portion of Partially Insured Plans**

## A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and the net gain was \$79,205. Claim payment volume was \$3,672,683.

## B. Administrative Services Contract (ASC) Plans

Not applicable

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

Not applicable

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

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

**Note 20- Other Items**

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

## B. Troubled Debt Restructuring for Debtors

Not applicable

## C. Other Disclosures

## 1) Florida Special Disability Trust Fund

a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2007 and 2006.

b) The Company reported loss recoveries from the Special Disability Trust Fund of \$1,454,995 and \$2,191,006 in 2007 and 2006, respectively.

## NOTES TO FINANCIAL STATEMENTS

- c) The amount the Company was assessed by the Special Disability Trust Fund was \$1,256,100 and \$1,413,657 in 2007 and 2006, respectively.
- 2) Assets in the amount of \$160,018,134 and \$175,642,694 as of December 31, 2007 and 2006, respectively, were on deposit with government authorities or trustees as required by law.
- D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.
- E. Business Interruption Insurance Recoveries
- The Company does not purchase business interruption coverage.
- F. State Transferable Tax Credits
- The Company does not hold transferable state tax credits.
- G. The Company does not have deposits admitted under section 6603 of the Internal Revenue Services Code.
- H. Hybrid Securities
- The Company currently owns the following securities meeting the NAIC definition of "Hybrid Securities" per SVO report 9B.

<u>CUSIP</u>	<u>Issuer</u>	<u>Description</u>	<u>Book/Adjusted Carrying Value</u>
065912AA5	BankAmerica Instit-B	Redeemable Preferred	3,861,714

- I. Sub-Prime Lending

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

### **Note 21- Events Subsequent**

There were no events subsequent to December 31, 2007 that would require disclosure.

### **Note 22- Reinsurance**

- A. Excluding amounts arising pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of the Company's policyholder's surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer that exceed 5% of the Company's policyholder's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's policyholder's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2007.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$484,675,823	\$10,114,816	\$3,029,606,577	\$132,504,941	\$(2,544,930,754)	\$(122,390,125)
All Other	0	0	0	0	0	0
Total	\$484,675,823	\$10,114,816	\$3,029,606,577	\$132,504,941	\$(2,544,930,754)	\$(122,390,125)

Direct Unearned Premium Reserve: \$3,029,606,577

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, 2007 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$100,375,520	\$12,876,126	\$100,375,520	\$12,876,126
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(19,500,000)	0	(19,500,000)
Totals	\$100,375,520	\$(6,623,874)	\$100,375,520	\$(6,623,874)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.

## NOTES TO FINANCIAL STATEMENTS

F. The Company has one assumed retroactive contract as a result of the Inter-Company Reinsurance Agreement with LMIC

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$(231,088,478)	\$0
	2. Adjustment – Prior Year(s)	20,960,170	0
	3. Adjustment – Current Year	1,529,753	0
	4. Total	\$(208,598,555)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$(108,387,100)	\$0
	2. Adjustment – Prior Year(s)	(5,170,463)	0
	3. Adjustment – Current Year	(100,800)	0
	4. Total	\$(113,658,363)	\$0
c.	Amounts Recovered / Paid – Cumulative		
	1. Initial Reserves	\$(3,933,587)	\$0
	2. Adjustment – Prior Year(s)	(22,474,415)	0
	3. Adjustment – Current Year	(4,472,728)	0
	4. Total	\$(30,880,730)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$126,634,965	\$0
	2. Adjustment – Prior Year(s)	(3,656,218)	0
	3. Adjustment – Current Year	2,842,175	0
	4. Total	125,016,522	\$0
	5. Cumulative Total Transferred To Unassigned Funds	\$804,400	
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(208,598,555)	\$0

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

G. There are no contracts recorded as deposit accounting.

### **Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

- A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.
- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated as non-admitted and charged to surplus.

Total accrued retro premium	\$57,804,566
Less: Non-admitted amount	6,725,562
Admitted amount	\$51,079,004

### **Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses**

Reserves for incurred losses and loss adjustment expenses attributed to insured events in prior years have increase in 2007 as a result of unfavorable loss development trends in the workers compensation and asbestos and environmental lines of business, partially offset by favorable development in the personal auto and commercial multiple peril lines of business. Original estimates are revised as additional information becomes known regarding individual claims.

### **Note 25- Inter-Company Pooling Arrangements**

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

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	75.90%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	10.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	All Lines
	Liberty Insurance Corporation (LIC)	42404	3.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines

## NOTES TO FINANCIAL STATEMENTS

	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LMC)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FST)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share	Liberty Lloyd's of Texas Insurance Company			
Affiliated Companies:	(LLOT)	11041	0.00%	All Lines
	Liberty County Mutual Insurance Company	19544	0.00%	All Lines
	(LCMIC)			
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company	32352	0.00%	All Lines
	(LMPAC)			
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	Liberty Mutual Personal Insurance Company	12484	0.00%	All Lines
	(LMPICO)			

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2007, the Liberty Mutual Pool participation percentages were revised as follows:

	2007	2006
Liberty Mutual Insurance Company	75.9%	66.5%
Employers Insurance Company of Wausau	10.0%	16.0%
Liberty Insurance Corporation	3.0%	6.0%
Wausau General Insurance Company	0.0%	0.4%

### **Note 26- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$108,612,194 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$108,612,194 as of December 31, 2007.
- B. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

<u>Life Insurance Company &amp; Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$52,363,576
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$32,697,946
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$15,538,442



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## NOTES TO FINANCIAL STATEMENTS

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### Note 27 - Health Care Receivables

Not applicable

### Note 28 - Participating Policies

Not applicable

### Note 29 - Premium Deficiency Reserves

As of December 31, 2007, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

### Note 30- High Dollar Deductible Policies

As of December 31, 2007, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$481,228,765 and the amount billed and recoverable on paid claims was \$24,235,156.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2007, liabilities include \$357,434,944 of liabilities carried at a discounted value of \$220,957,302 representing a discount of \$136,477,642.

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

### Note 32 - Asbestos/Environmental Reserves

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

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

#### Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

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

In the third quarter of 2007, the Company completed its comprehensive biennial ground-up asbestos reserve study. The study was completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and it included all major segments of the Company's direct, assumed, and ceded asbestos claims. The result of the study, which reflects management's best estimate of the reserve requirement, is in the table below.

#### Uncertainty Regarding Reserving Methodologies

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

## NOTES TO FINANCIAL STATEMENTS

including managerial judgment.

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

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

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

The table below summarizes reserve and loss activity for the Company's asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in note 25. Net reserves for asbestos and environmental are allocated based on the Company's Inter-company Reinsurance Agreement, as discussed in Note 25.

**Asbestos:**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Direct Basis</b>					
Beginning Reserves	147,906,201	157,842,909	170,246,247	199,825,014	184,976,045
Incurred losses and LAE	42,701,592	41,207,366	55,423,884	10,051,868	23,120,247
Calendar year payments	32,764,884	28,804,028	25,845,117	24,900,837	39,865,589
Ending Reserves	157,842,909	170,246,247	199,825,014	184,976,045	168,230,703
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	18,695,699	26,225,890	48,959,084	51,387,983	54,346,270
Incurred losses and LAE	11,524,008	26,204,018	5,444,439	4,881,097	19,164,651
Calendar year payments	3,993,817	3,470,824	3,015,540	1,922,810	2,685,759
Ending Reserves	26,225,890	48,959,084	51,387,983	54,346,270	70,825,162
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	96,001,400	112,458,900	95,146,808	104,235,591	89,702,224
Incurred losses and LAE	31,300,300	353,194	21,936,876	1,220,418	8,512,624
Calendar year payments	14,842,800	17,665,286	12,848,093	15,753,785	18,481,360
Ending Reserves	112,458,900	95,146,808	104,235,591	89,702,224	79,733,488
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					89,676,756
Assumed Reinsurance Basis					56,933,403
Net of Ceded Reinsurance Basis					35,889,340
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					58,031,289
Assumed Reinsurance Basis					424,146
Net of Ceded Reinsurance Basis					20,858,719
<b><u>Environmental:</u></b>					
<b>Direct Basis</b>					
Beginning Reserves	44,650,400	32,170,537	71,018,037	68,599,727	50,551,386
Incurred losses and LAE	(5,487,659)	46,012,343	15,856,610	4,785,075	588,119
Calendar year payments	6,992,204	7,164,843	18,274,917	22,833,416	6,052,155
Ending Reserves	32,170,537	71,018,037	68,599,727	50,551,386	45,087,350

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**NOTES TO FINANCIAL STATEMENTS**


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<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	11,786,700	5,591,663	7,088,498	5,231,929	4,794,713
Incurred losses and LAE	(5,632,241)	2,033,774	(1,223,027)	88,103	147,542
Calendar year payments	562,796	536,939	633,542	525,319	856,735
Ending Reserves	5,591,663	7,088,498	5,231,929	4,794,713	4,085,520
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	30,645,900	25,773,800	52,671,344	42,682,147	39,536,597
Incurred losses and LAE	(800,000)	31,598,590	50,936	2,020,074	981,902
Calendar year payments	4,072,100	4,701,046	10,040,133	5,165,624	4,154,907
Ending Reserves	25,773,800	52,671,344	42,682,147	39,536,597	36,363,592
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis					29,762,114
Assumed Reinsurance Basis					2,416,197
Net of Ceded Reinsurance Basis					24,481,690
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis					19,147,410
Assumed Reinsurance Basis					60,329
Net of Ceded Reinsurance Basis					13,356,798

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop Insurance**

Not applicable

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	43,646,316	1.467	43,646,316	1.470
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	59,134,861	1.988	59,134,861	1.992
1.22 Issued by U.S. government sponsored agencies	18,958,823	0.637	18,958,823	0.638
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	1,210,625	0.041	1,210,625	0.041
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	223,285,636	7.505	223,285,636	7.520
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	141,847,350	4.768	141,847,350	4.777
1.43 Revenue and assessment obligations	410,830,865	13.810	410,830,865	13.836
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	41,106,209	1.382	41,106,209	1.384
1.512 Issued or guaranteed by FNMA and FHLMC	312,054,841	10.489	312,054,841	10.509
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	190,740,993	6.412	190,740,993	6.424
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	23,499,224	0.790	23,499,224	0.791
1.523 All other	51,263,870	1.723	51,263,870	1.726
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	516,081,139	17.347	516,081,139	17.381
2.2 Unaffiliated foreign securities	74,294,655	2.497	74,294,655	2.502
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	100,352,299	3.373	100,352,299	3.380
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	53,554,955	1.800	53,554,955	1.804
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	191,589,237	6.440	191,589,237	6.452
3.4 Other equity securities:				
3.41 Affiliated	214,218,007	7.201	208,538,007	7.023
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans	67,054,309	2.254	67,054,309	2.258
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	4,672,376	0.157	4,672,376	0.157
8. Cash, cash equivalents and short-term investments	12,963,919	0.436	12,963,919	0.437
9. Other invested assets	222,609,325	7.483	222,609,325	7.497
10. Total invested assets	2,974,969,834	100.000	2,969,289,834	100.000

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? Wisconsin
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change: 12/31/2004
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/22/2006
- 3.4 By what department or departments? Massachusetts Division of Insurance
- 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 [ X ] No [ ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [ X ]
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 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.

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

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

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Robert T. Muleski  
 175 Berkeley Street, Boston, MA 02116  
 Officer of Liberty Mutual Insurance Company

- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [X] No [ ]  
 11.11 Name of real estate holding company St. James/Arlington Real Estate LP  
 11.12 Number of parcels involved 2  
 11.13 Total book/adjusted carrying value \$ 25,414,659

11.2 If yes, provide explanation  
 Liberty Mutual Fire Insurance Company directly owns 5% of St. James/Arlington Real Estate LP

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

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

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

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

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

- 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.

13.11 If the response to 13.1 is No, please explain:

13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

13.21 If the response to 13.2 is Yes, provide information related to amendment(s):

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s):

### BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

### FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

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

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

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

18.21 To directors or other officers	\$	0
18.22 To stockholders not officers	\$	0
18.23 Trustees, supreme or grand (Fraternal only)	\$	0

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |                            |  |             |
|----------------------------|--|-------------|
| 19.21 Rented from others   |  | \$ <u>0</u> |
| 19.22 Borrowed from others |  | \$ <u>0</u> |
| 19.23 Leased from others   |  | \$ <u>0</u> |
| 19.24 Other                |  | \$ <u>0</u> |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 20.2 If answer is yes:
- |  |  |             |
|--|--|-------------|
| 20.21 Amount paid as losses or risk adjustment |  | \$ <u>0</u> |
| 20.22 Amount paid as expenses                  |  | \$ <u>0</u> |
| 20.23 Other amounts paid                       |  | \$ <u>0</u> |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

### INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No [ ]
- 22.2 If no, give full and complete information, relating thereto
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1). Yes [X] No [ ]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |  |  |                       |
|--|--|-----------------------|
| 23.21 Loaned to others                                 |  | \$ <u>22,161,560</u>  |
| 23.22 Subject to repurchase agreements                 |  | \$ <u>0</u>           |
| 23.23 Subject to reverse repurchase agreements         |  | \$ <u>0</u>           |
| 23.24 Subject to dollar repurchase agreements          |  | \$ <u>0</u>           |
| 23.25 Subject to reverse dollar repurchase agreements  |  | \$ <u>0</u>           |
| 23.26 Pledged as collateral                            |  | \$ <u>0</u>           |
| 23.27 Placed under option agreements                   |  | \$ <u>0</u>           |
| 23.28 Letter stock or securities restricted as to sale |  | \$ <u>0</u>           |
| 23.29 On deposit with state or other regulatory body   |  | \$ <u>160,018,134</u> |
| 23.291 Other   |  | \$ <u>0</u>           |

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
- If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245
ROYAL TRUST /RBC	77 King Street West, Toronto, Ontario M5W 1P9
BANK OF NEW YORK	919 Congress, Suite 500, Austin, TX 78701

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

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

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

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
JP MORGAN CHASE	BANK OF NEW YORK	01/01/2007	CUSTODIAN SOLD BUSINESS

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

1 Central Registration Depository Number(s)	2 Name	3 Address
105247	Barclays Global Investors	45 Fremont St. San Francisco, CA 94105
110126	Highland Capital Management LP	Two Galleria Tower, 13455 Noel Road, Suite 800, Dalla
106054	Matthews International Capital Managemen	Four Embarcadero Center, Suite 550, San Francisco, C
	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

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

27.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
530158-10-4	LIBERTY ALL-STAR EQUITY FUND	4,635,375
27.2999	Total	4,635,375

27.3 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
LIBERTY ALL-STAR EQUITY F	SCHLUMBERGER LTD	114,772	09/30/2007
LIBERTY ALL-STAR EQUITY F	CITIGROUP INC	111,342	09/30/2007
LIBERTY ALL-STAR EQUITY F	FEDERAL NATIONAL MORTG	84,178	09/30/2007
LIBERTY ALL-STAR EQUITY F	FREDDIE MAC	75,418	09/30/2007
LIBERTY ALL-STAR EQUITY F	WAL-MART STORES INC	75,325	09/30/2007

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	2,208,326,224	2,199,954,500	(8,371,724)
28.2 Preferred stocks	53,554,955	53,894,776	339,821
28.3 Totals	2,261,881,179	2,253,849,276	(8,031,903)

28.4 Describe the sources or methods utilized in determining the fair values: IDC, Bloomberg, NAIC-SVO, Broker Quotes, Analytically Determined

29.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes  No

29.2 If no, list exceptions:

#### OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 0

30.2 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
	\$
	\$
	\$

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



**GENERAL INTERROGATORIES**

**PART 1 - COMMON INTERROGATORIES**

31.2 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
	\$
	\$
	\$

\_\_\_\_\_

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

\$ \_\_\_\_\_ 0

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

**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	\$ 9,907	\$ 8,286
2.2 Premium Denominator	\$ 1,180,071,328	\$ 1,137,141,316
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 580,137	\$ 714,780
2.5 Reserve Denominator	\$ 2,549,423,417	\$ 2,379,425,063
2.6 Reserve Ratio (2.4/2.5)		

3.1 Does the reporting entity issue both participating and non-participating policies? YES [X] NO [ ]  
 3.2 If yes, state the amount of calendar year premiums written on:  
 3.21 Participating policies \$ 6,335,080,215  
 3.22 Non-participating policies \$ 143,297,096

4. For Mutual Reporting Entities and Reciprocal Exchange only:  
 4.1 Does the reporting entity issue assessable policies? YES [ ] NO [X]  
 4.2 Does the reporting entity issue non-assessable policies? YES [ ] NO [X]  
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 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

## GENERAL INTERROGATORIES

(Continued)

### PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: In 2007, the Company purchased a Workers Compensation Catastrophe Treaty with limits of \$400M part of \$500M xs \$700M.
- 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 v7.0 from RMS and AIR Classic/2 v8.0. For WC, Liberty Mutual utilizes RiskLink v7.0 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? In 2007, the Company has in force \$1.1B part of \$1.9B xs \$1.1B of traditional reinsurance. The Company also maintained \$775M of ILW triggered reinsurance covering peak zones, primarily through the issuance of Catastrophe Bonds.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES  NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract 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. 1
- 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 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
  - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- YES  NO

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 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, YES [ ] NO [X]
- (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, YES [ ] NO [X]
- (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 [X] NO [ ]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES [X] NO [ ] N/A [ ]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: YES [ ] NO [X]
- 11.2 If yes, give full information
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |    |             |
|---|----|-------------|
| 12.11 Unpaid losses   | \$ | 177,891,588 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 38,835,509  |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 23,375,822
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [X] NO [ ] N/A [ ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |          |
|------------|----------|
| 12.41 From | 8.000 %  |
| 12.42 To   | 10.000 % |
- 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 entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [X] NO [ ]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |    |             |
|----------------------------------|----|-------------|
| 12.61 Letters of Credit          | \$ | 792,259,193 |
| 12.62 Collateral and other funds | \$ | 51,093,309  |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 32,572,973
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [ ] NO [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 0
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
Premiums and recoverables were allocated pursuant to separate intercompany pooling agreements.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [ ] NO [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES [X] NO [ ]
- 14.5 If the answer to 14.4 is no, please explain:
- 15.1 Has the reporting entity guaranteed any financed premium accounts? YES [ ] NO [X]
- 15.2 If yes, give full information
- 16.1 Does the reporting entity write any warranty business? YES [X] 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	\$ (730,517)	\$ 8,499,007	\$ 3,624,428	\$ 2,314,286	\$ 1,948,039
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

(Continued)

### PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

YES [ ] NO [X]

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

17.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	0
17.12	Unfunded portion of Interrogatory 17.11	\$	0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	0
17.14	Case reserves portion of Interrogatory 17.11	\$	0
17.15	Incurred but not reported portion of Interrogatory 17.11	\$	0
17.16	Unearned premium portion of Interrogatory 17.11	\$	0
17.17	Contingent commission portion of Interrogatory 17.11	\$	0

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

17.18	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	0
17.19	Unfunded portion of Interrogatory 17.18	\$	0
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	0
17.21	Case reserves portion of Interrogatory 17.18	\$	0
17.22	Incurred but not reported portion of Interrogatory 17.18	\$	0
17.23	Unearned premium portion of Interrogatory 17.18	\$	0
17.24	Contingent commission portion of Interrogatory 17.18	\$	0

## FIVE-YEAR HISTORICAL DATA

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

	1 2007	2 2006	3 2005	4 2004	5 2003
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	3,926,002,421	4,079,094,206	3,658,840,797	3,757,230,977	3,683,847,523
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,004,950,580	1,959,252,250	1,775,841,350	1,470,184,096	1,219,780,215
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,707,461,220	1,597,063,454	1,435,449,021	1,369,131,790	952,700,183
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	36,159,337	32,826,801	23,765,204	17,672,253	20,673,905
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	18,761,642	11,471,427	8,205,252	12,095,835	22,141,938
6. Total (Line 34)	7,693,335,200	7,679,708,138	6,902,101,624	6,626,314,951	5,899,143,764
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	785,354,232	759,187,103	698,766,287	654,000,390	575,897,992
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	183,855,128	195,545,430	180,380,681	175,072,753	163,073,950
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	197,164,058	195,313,438	152,289,938	138,039,503	144,143,032
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	29,822,829	24,895,705	19,966,857	13,669,807	17,682,673
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	18,761,642	11,471,427	8,205,252	12,095,835	22,141,938
12. Total (Line 34)	1,214,957,889	1,186,413,103	1,059,609,015	992,878,288	922,939,585
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(65,389,363)	(35,831,805)	(78,401,721)	(74,559,357)	(87,435,761)
14. Net investment gain (loss) (Line 11)	141,144,337	129,278,747	133,270,308	128,078,844	178,461,836
15. Total other income (Line 15)	(9,215,093)	(8,303,200)	(11,248,165)	(18,279,432)	(23,091,035)
16. Dividends to policyholders (Line 17)	6,977,259	5,102,760	3,610,789	3,943,250	(240,136)
17. Federal and foreign income taxes incurred (Line 19)	9,189,847	27,049,266	17,922,875	(3,328,959)	(4,504,938)
18. Net income (Line 20)	50,372,775	52,991,716	22,086,758	34,625,764	72,680,114
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	3,565,128,451	3,420,760,390	3,016,812,078	2,774,088,615	2,560,602,577
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	106,169,541	82,310,609	69,934,129	67,138,962	88,540,196
20.2 Deferred and not yet due (Line 13.2)	275,048,165	275,281,586	206,978,256	191,577,831	154,019,888
20.3 Accrued retrospective premiums (Line 13.3)	51,079,004	69,581,565	70,410,069	76,682,925	79,659,423
21. Total liabilities excluding protected cell business (Page 3, Line 24)	2,603,833,443	2,507,229,875	2,186,837,908	2,101,344,073	2,009,372,918
22. Losses (Page 3, Line 1)	1,659,389,032	1,529,242,431	1,420,713,713	1,339,024,139	1,318,731,775
23. Loss adjustment expenses (Page 3, Line 3)	338,953,051	313,472,293	290,974,608	255,401,951	260,766,587
24. Unearned premiums (Page 3, Line 9)	484,675,823	468,376,826	419,930,093	403,391,948	383,526,057
25. Capital paid up (Page 3, Lines 28 & 29)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
26. Surplus as regards policyholders (Page 3, Line 35)	961,295,008	913,530,515	829,974,170	672,744,542	551,229,659
<b>Cash Flow</b> (Page 5)					
27. Net cash from operations (Line 11)	180,566,720	254,212,484	114,047,296	56,031,164	134,765,620
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	968,354,122	919,697,516	835,749,683	677,405,639	554,687,317
29. Authorized control level risk-based capital	191,184,380	158,722,416	140,134,594	143,092,200	130,474,775
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	71.0	77.1	85.1	82.9	84.8
31. Stocks (Lines 2.1 & 2.2)	15.4	9.6	8.6	10.1	9.9
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.3	1.2			
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	3.7	6.2	2.2	2.9	1.5
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	7.5	5.6	4.0	3.6	3.6
37. Receivables for securities (Line 8)	0.2	0.3		0.5	0.2
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	214,218,007	44,932,264	43,168,456	30,790,609	15,927,628
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated	25,620,108				
46. Total of above Lines 40 to 45	239,838,115	44,932,264	43,168,456	30,790,609	15,927,628
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	24.9	7.6	5.2	4.6	2.9

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
<b>Capital and Surplus Accounts</b> (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	2,217,240	23,279,156	3,001,168	15,711,707	42,439,243
49. Dividends to stockholders (Line 35)					(283,308,712)
50. Change in surplus as regards policyholders for the year (Line 38)	47,764,493	83,556,345	157,229,628	121,514,883	(150,548,370)
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	2,337,127,553	2,297,354,783	2,251,960,601	2,390,402,252	2,228,189,985
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,007,871,398	1,263,123,605	800,646,701	633,211,569	593,414,614
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	806,812,793	863,341,060	915,671,782	620,399,235	479,672,461
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	3,422,622	1,690,446	5,315,965	50,860,508	29,546,728
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	10,724,488	15,212,995	10,927,955	497,201	10,180,171
56. Total (Line 34)	4,165,958,854	4,440,722,889	3,984,523,004	3,695,370,765	3,341,003,959
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	401,485,489	374,227,410	373,706,037	406,155,830	340,356,193
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	100,000,740	112,931,045	91,958,460	77,602,412	76,229,838
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	89,124,148	83,347,035	96,464,757	89,407,207	59,422,623
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	3,189,058	1,638,408	5,315,965	50,860,508	29,546,728
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	10,724,488	15,212,995	10,927,955	497,201	10,180,171
62. Total (Line 34)	604,523,923	587,356,893	578,373,174	624,523,158	515,735,553
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	61.9	61.1	63.8	66.5	66.4
65. Loss expenses incurred (Line 3)	15.9	15.3	18.8	16.3	19.1
66. Other underwriting expenses incurred (Line 4)	27.8	26.8	24.9	24.9	24.4
67. Net underwriting gain (loss) (Line 8)	(5.5)	(3.2)	(7.6)	(7.7)	(10.0)
<b>Other Percentages</b>					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	27.7	26.4	25.4	26.2	25.7
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	77.8	76.4	82.6	82.8	85.5
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	126.4	129.9	127.7	147.6	167.4
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	31,239	49,421	51,164	34,414	73,384
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	3.4	6.0	7.6	6.2	10.5
<b>Two Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	112,836	134,597	133,723	164,918	154,064
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	13.6	20.0	24.3	23.5	18.9

**SCHEDULE D - SUMMARY BY COUNTRY**  
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description	1	2	3	4	
	Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds	
<b>BONDS</b>					
Governments (Including all obligations guaranteed by governments)	1. United States 2. Canada 3. Other Countries 4. Totals	162,846,207   162,846,207	164,813,922   164,813,922	163,684,770   163,684,770	160,768,927   160,768,927
States, Territories and Possessions (Direct and guaranteed)	5. United States 6. Canada 7. Other Countries 8. Totals	223,285,633   223,285,633	224,020,478   224,020,478	223,277,100   223,277,100	224,420,000   224,420,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States 10. Canada 11. Other Countries 12. Totals	141,847,348   141,847,348	142,903,478   142,903,478	141,772,683   141,772,683	142,680,000   142,680,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States 14. Canada 15. Other Countries 16. Totals	913,626,714   913,626,714	913,382,166   913,382,166	913,934,900   913,934,900	917,236,288   917,236,288
Public Utilities (unaffiliated)	17. United States 18. Canada 19. Other Countries 20. Totals	55,108,849  5,326,389 60,435,238	54,202,131  5,351,750 59,553,881	55,608,026  5,334,400 60,942,426	55,150,000  5,000,000 60,150,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States 22. Canada 23. Other Countries 24. Totals	535,735,376 18,100,649 52,078,242 605,914,267	526,788,433 17,892,465 50,228,860 594,909,758	549,566,240 18,284,620 52,289,215 620,140,075	547,393,162 18,300,000 52,250,000 617,943,162
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	2,107,955,407	2,099,583,683	2,123,751,954	2,123,198,377
<b>PREFERRED STOCKS</b>					
Public Utilities (unaffiliated)	27. United States 28. Canada 29. Other Countries 30. Totals	356,902   356,902	390,437   390,437	308,008   308,008	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States 32. Canada 33. Other Countries 34. Totals	18,569,214   18,569,214	18,875,500   18,875,500	20,985,160   20,985,160	
Industrial and Miscellaneous (unaffiliated)	35. United States 36. Canada 37. Other Countries 38. Totals	34,628,839   34,628,839	34,628,839   34,628,839	41,898,631   41,898,631	
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>	53,554,955	53,894,776	63,191,799	
<b>COMMON STOCKS</b>					
Public Utilities (unaffiliated)	41. United States 42. Canada 43. Other Countries 44. Totals	8,179,948  703,438 8,883,386	8,179,948  703,438 8,883,386	2,619,804  594,035 3,213,839	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States 46. Canada 47. Other Countries 48. Totals	14,743,403 193,196 2,764,798 17,701,397	14,743,403 193,196 2,764,798 17,701,397	4,667,748 63,125 1,267,100 5,997,973	
Industrial and Miscellaneous (unaffiliated)	49. United States 50. Canada 51. Other Countries 52. Totals	137,720,202 44,057 31,875,570 169,639,829	137,720,202 44,057 31,875,570 169,639,829	38,825,335 14,428 20,742,620 59,582,383	
Parent, Subsidiaries and Affiliates	53. Totals	214,218,007	214,218,007	198,567,607	
	<b>54. Total Common Stocks</b>	410,442,619	410,442,619	267,361,802	
	55. Total Stocks	463,997,574	464,337,395	330,553,601	
	56. Total Bonds and Stocks	2,571,952,981	2,563,921,078	2,454,305,555	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	2,446,225,489	7. Amortization of premium	2,043,476
2. Cost of bonds and stocks acquired, Column 7, Part 3	612,977,254	8. Foreign Exchange Adjustment:	
3. Accrual of discount	1,312,893	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1	(11,950,475)	8.3 Column 16, Part 2, Section 2	834,274
4.2 Column 15 - 17, Part 2, Section 1	(10,065,533)	8.4 Column 15, Part 4	1,025,822
4.3 Column 15, Part 2, Section 2	20,841,480	9. Book/adjusted carrying value at end of current period	2,571,952,981
4.4 Column 11 - 13, Part 4	(7,109,468)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	10,097,987	11. Subtotal (Lines 9 plus 10)	2,571,952,981
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	490,193,266	12. Total nonadmitted amounts	5,680,000
		13. Statement value of bonds and stocks, current period	2,566,272,981





**SCHEDULE P-PART 2-SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	One Year	Two Year
1. Prior	1,273,665	1,241,925	1,233,125	1,307,613	1,354,837	1,404,621	1,480,659	1,533,227	1,564,508	1,613,381	48,873	80,154
2. 1998	646,382	668,879	685,219	706,745	714,131	719,616	727,834	735,348	745,451	748,476	3,025	13,128
3. 1999	X X X	636,177	656,078	680,898	698,429	711,069	716,701	728,785	732,413	735,539	3,126	6,754
4. 2000	X X X	X X X	611,910	640,162	644,307	666,012	683,848	689,277	692,988	699,342	6,354	10,065
5. 2001	X X X	X X X	X X X	630,417	614,193	625,085	616,073	636,007	643,004	647,821	4,817	11,814
6. 2002	X X X	X X X	X X X	X X X	625,302	590,244	591,003	610,347	621,968	626,260	4,292	15,913
7. 2003	X X X	X X X	X X X	X X X	X X X	653,662	588,605	571,038	604,277	613,046	8,769	42,008
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	656,291	608,146	591,001	593,696	2,695	(14,450)
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	715,523	681,508	662,973	(18,535)	(52,550)
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	729,446	697,269	(32,177)	X X X
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	783,052	X X X	X X X
12. Totals											31,239	112,836

**SCHEDULE P-PART 3-SUMMARY**

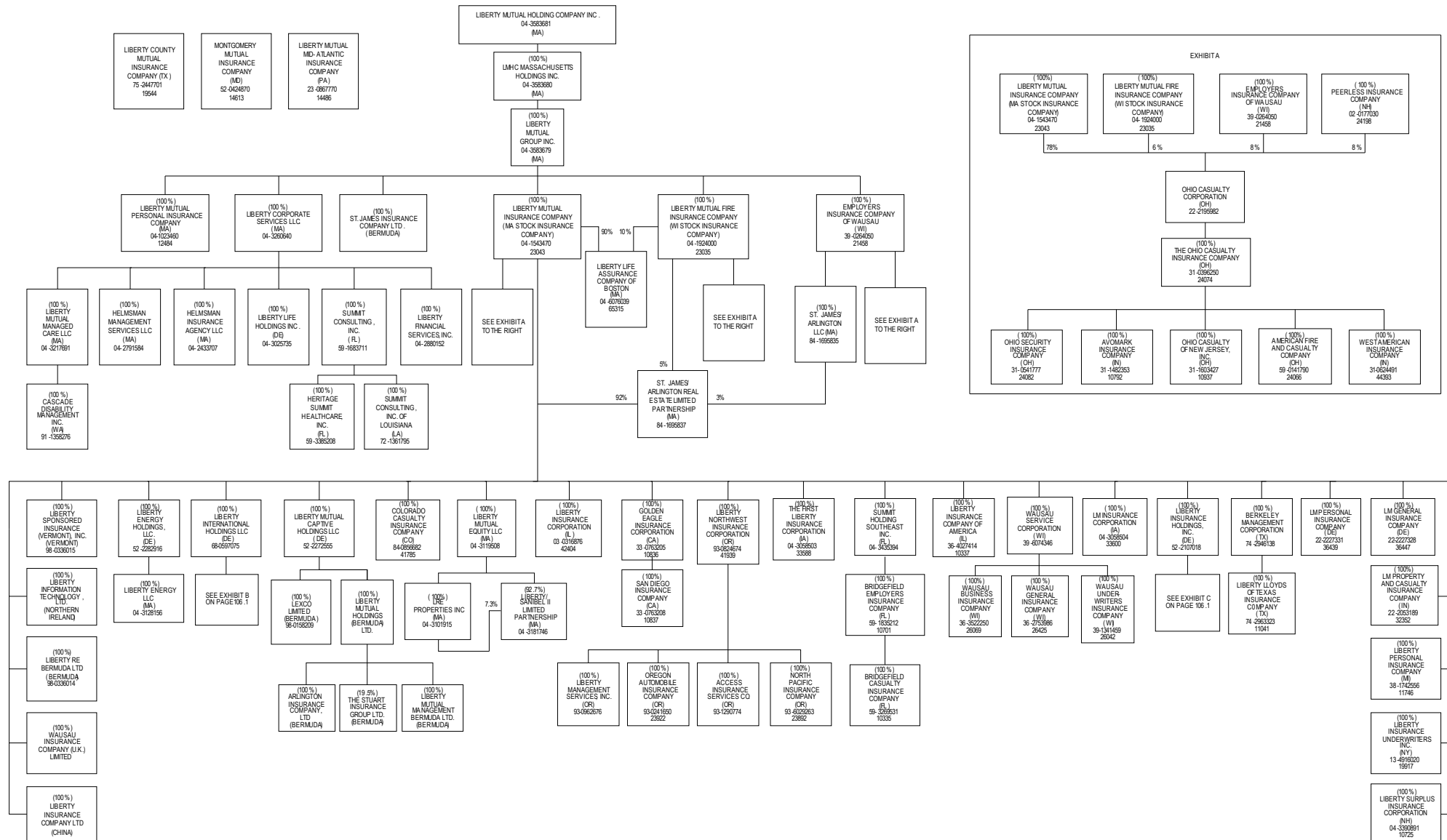
Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	000	239,799	419,192	530,676	651,305	738,585	828,024	901,508	966,965	1,035,003	X X X	X X X
2. 1998	259,451	416,374	509,273	577,952	617,461	644,411	665,208	679,242	689,309	697,598	X X X	X X X
3. 1999	X X X	257,773	409,730	505,175	573,035	618,772	651,093	670,733	683,511	690,982	X X X	X X X
4. 2000	X X X	X X X	270,357	424,434	504,989	560,641	611,279	632,177	647,120	657,762	X X X	X X X
5. 2001	X X X	X X X	X X X	284,699	429,440	501,236	544,193	575,568	592,146	605,360	X X X	X X X
6. 2002	X X X	X X X	X X X	X X X	267,925	410,554	493,736	534,998	569,463	585,141	X X X	X X X
7. 2003	X X X	X X X	X X X	X X X	X X X	247,217	377,793	442,039	488,545	519,794	X X X	X X X
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	226,242	347,850	406,148	452,872	X X X	X X X
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	263,056	402,487	472,249	X X X	X X X
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	252,415	390,800	X X X	X X X
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	259,813	X X X	X X X

**SCHEDULE P-PART 4-SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Prior	502,911	324,340	265,107	209,695	146,999	131,581	113,766	145,073	150,417	162,762
2. 1998	209,365	93,921	53,755	31,970	23,487	10,887	11,141	9,256	13,318	12,936
3. 1999	X X X	206,726	98,137	49,000	29,886	17,326	13,543	12,251	9,104	9,470
4. 2000	X X X	X X X	169,397	64,871	28,594	19,580	15,698	11,285	9,245	10,488
5. 2001	X X X	X X X	X X X	176,432	72,139	43,165	22,118	17,885	14,371	12,686
6. 2002	X X X	X X X	X X X	X X X	188,734	74,534	33,632	25,363	19,566	17,350
7. 2003	X X X	X X X	X X X	X X X	X X X	270,736	111,291	50,894	58,603	54,568
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	298,809	166,722	111,152	86,055
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	325,130	177,081	115,623
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	337,432	197,777
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	363,463

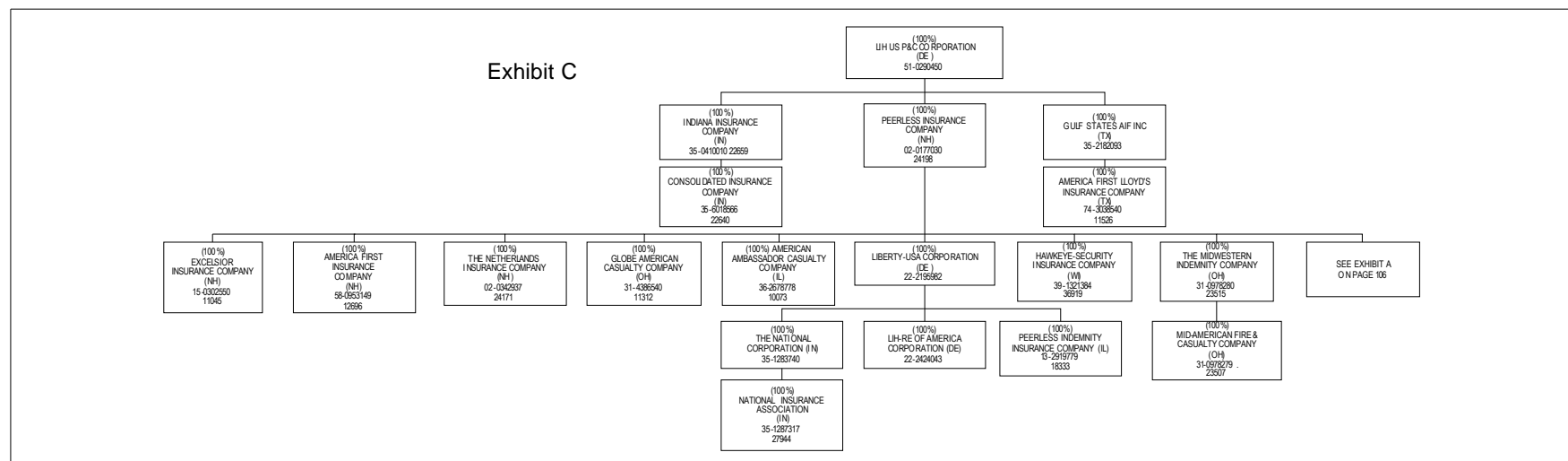
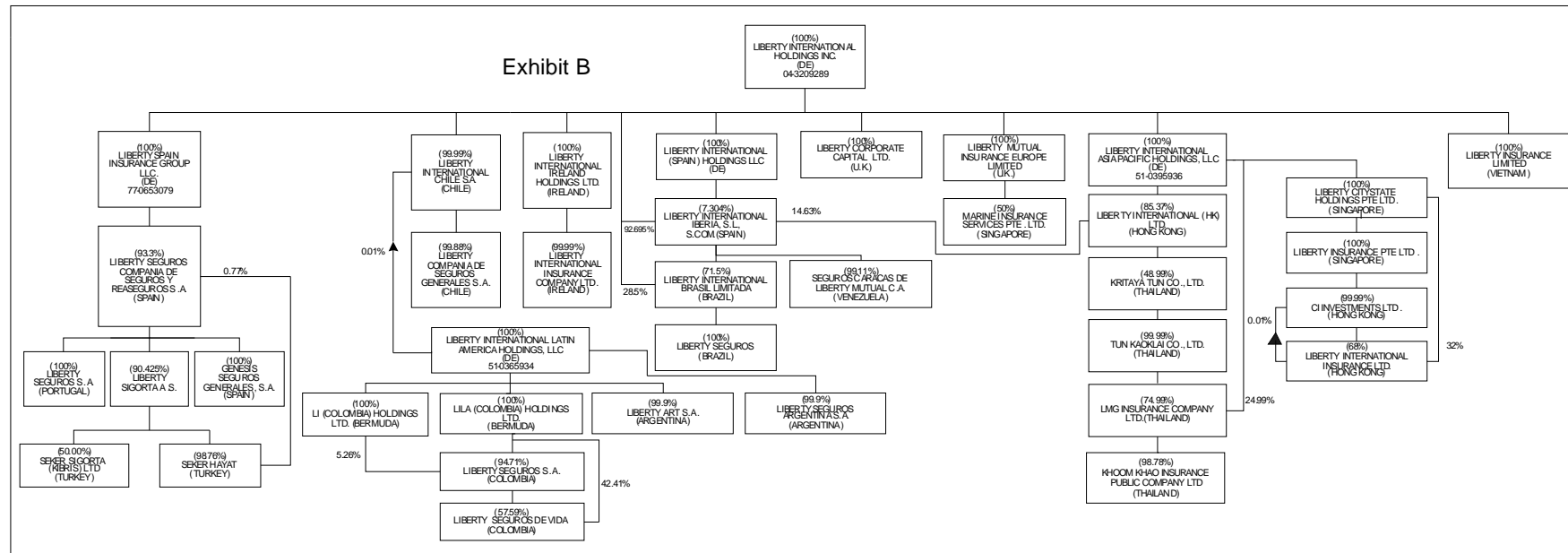


**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**



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

### PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

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**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation  
ASSETS**

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

**REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS**

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

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

2304. Amounts receivable under high deductible policies	24,235,156	1,343,252	22,891,904	24,765,601
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	24,235,156	1,343,252	22,891,904	24,765,601

**OVERFLOW PAGE FOR WRITE-INS**

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

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

2304. Collateral held for securities loaned	6,262,936	22,156,738
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	6,262,936	22,156,738

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

2704.		
2705.		
2706.		
2707.		
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