

**ANNUAL STATEMENT**

OF THE

**LIBERTY MUTUAL INSURANCE COMPANY**

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of **BOSTON**

in the state of **MASSACHUSETTS**

TO THE

**Insurance Department**

OF THE

STATE OF

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

PROPERTY AND CASUALTY

**2007**



23043200720100100

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

NAIC Group Code 0111 0111 NAIC Company Code 23043 Employer's ID Number 04-1543470
Organized under the Laws of Massachusetts, State of Domicile or Port of Entry Massachusetts
Country of Domicile United States of America
Incorporated/Organized: January 1, 1912 Commenced Business: July 1, 1912
Statutory Home Office: 175 Berkeley Street Boston, MA 02116
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 (Senior Vice President & Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents such as James Paul Condrin, III, Stuart Michael McGuigan, etc.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors/trustees such as Edmund Francis Kelly, James Paul Condrin, III, 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. Senior 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)	15,335,083,671		15,335,083,671	14,335,788,460
2. Stocks (Schedule D):				
2.1 Preferred stocks	322,986,839		322,986,839	234,308,916
2.2 Common stocks	7,648,869,947	271,819,000	7,377,050,947	5,069,085,324
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	429,255,101		429,255,101	249,560,880
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	418,561,083		418,561,083	326,163,102
4.2 Properties held for the production of income (less \$ 0 encumbrances)	1,069,882		1,069,882	1,111,445
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 212,635,233, Schedule E-Part 1), cash equivalents (\$ 92,190,216, Schedule E-Part 2) and short-term investments (\$ 523,294,378, Schedule DA)	828,119,827		828,119,827	1,207,665,883
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	4,644,249,806	1,597,635	4,642,652,171	3,447,295,251
8. Receivables for securities	13,535,760		13,535,760	41,352,591
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	29,641,731,916	273,416,635	29,368,315,281	24,912,331,852
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	175,281,336		175,281,336	168,971,988
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	963,823,216	35,685,825	928,137,391	703,139,102
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 34,554 earned but unbilled premiums)	1,638,538,797	3,827	1,638,534,970	1,462,229,358
13.3 Accrued retrospective premiums	438,736,647	51,047,015	387,689,632	462,717,401
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	685,885,885		685,885,885	740,190,011
14.2 Funds held by or deposited with reinsured companies	28,022,671		28,022,671	78,959,530
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	2,597,574	2,437,580	159,994	
16.1 Current federal and foreign income tax recoverable and interest thereon	118,948,060		118,948,060	13,749,786
16.2 Net deferred tax asset	900,020,000	269,859,863	630,160,137	555,086,006
17. Guaranty funds receivable or on deposit	29,552,458		29,552,458	32,691,812
18. Electronic data processing equipment and software	263,119,215	213,712,586	49,406,629	42,760,804
19. Furniture and equipment, including health care delivery assets (\$ 0 )	98,104,898	98,104,898		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	238,266,862		238,266,862	235,522,572
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	633,225,209	82,381,943	550,843,266	511,661,867
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	35,855,854,744	1,026,650,172	34,829,204,572	29,920,012,089
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	35,855,854,744	1,026,650,172	34,829,204,572	29,920,012,089

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets	212,369,467	72,186,660	140,182,807	164,433,785
2302. Cash surrender value life insurance	204,675,583		204,675,583	162,038,957
2303. Equities and deposits in pools and associations	32,235,326		32,235,326	20,497,883
2398. Summary of remaining write-ins for Line 23 from overflow page	183,944,833	10,195,283	173,749,550	164,691,242
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	633,225,209	82,381,943	550,843,266	511,661,867

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	12,594,762,751	10,169,462,164
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	106,915,231	108,972,670
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	2,572,655,246	2,084,590,736
4. Commissions payable, contingent commissions and other similar charges	134,968,818	130,587,309
5. Other expenses (excluding taxes, licenses and fees)	414,446,861	355,278,576
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	250,690,878	208,364,692
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 949,875 and interest thereon \$ 565,850	1,515,726	1,306,151
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 1,937,007,225 and including warranty reserves of \$ 0 )	3,678,689,493	3,114,705,894
10. Advance premium	39,998,380	22,746,128
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	12,802,684	3,999,999
12. Ceded reinsurance premiums payable (net of ceding commissions)	851,675,481	819,145,981
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,878,182,260	1,866,405,417
14. Amounts withheld or retained by company for account of others	632,437,218	619,561,207
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	116,580,664	120,072,864
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	286,356,848	274,794,753
19. Payable to parent, subsidiaries and affiliates	81,311,436	159,008,230
20. Payable for securities	31,683,685	278,480,820
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	(679,769,042)	(369,600,531)
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	23,005,904,618	19,967,883,060
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	23,005,904,618	19,967,883,060
27. Aggregate write-ins for special surplus funds	948,875,402	811,135,623
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	891,966,161	1,013,209,431
32. Gross paid in and contributed surplus	4,348,951,176	3,148,160,105
33. Unassigned funds (surplus)	5,622,257,215	4,968,373,870
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)	11,823,299,954	9,952,129,029
36. TOTALS (Page 2, Line 26, Col. 3)	34,829,204,572	29,920,012,089

<b>DETAILS OF WRITE-INS</b>		
2301. Other liabilities	228,177,879	180,862,751
2302. Retroactive reinsurance reserve - ceded	(1,731,268,038)	(1,526,795,171)
2303. Amounts held under uninsured plans	566,100,759	485,811,161
2398. Summary of remaining write-ins for Line 23 from overflow page	257,220,358	490,520,728
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	(679,769,042)	(369,600,531)
2701. Special surplus from retroactive reinsurance	948,875,402	811,135,623
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)	948,875,402	811,135,623
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)	8,956,741,384	7,561,989,751
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	5,546,958,789	4,620,877,038
3. Loss expenses incurred (Part 3, Line 25, Column 1)	1,420,100,022	1,154,043,918
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	2,485,993,287	2,026,669,564
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	9,453,052,098	7,801,590,520
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(496,310,714)	(239,600,769)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	1,120,268,910	1,551,030,687
10. Net realized capital gains (losses) less capital gains tax of \$ 68,614,908 (Exhibit of Capital Gains (Losses))	130,465,745	87,552,787
11. Net investment gain (loss) (Lines 9 + 10)	1,250,734,655	1,638,583,474
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 2,452,922 amount charged off \$ 18,575,071 )	(16,122,150)	(10,569,394)
13. Finance and service charges not included in premiums	42,881,092	36,586,068
14. Aggregate write-ins for miscellaneous income	(138,935,612)	(104,691,538)
15. Total other income (Lines 12 through 14)	(112,176,670)	(78,674,864)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	642,247,271	1,320,307,841
17. Dividends to policyholders	52,957,399	33,933,356
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)	589,289,872	1,286,374,485
19. Federal and foreign income taxes incurred	148,786,079	279,364,285
20. Net income (Line 18 minus Line 19) (to Line 22)	440,503,793	1,007,010,200
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	9,952,129,029	7,924,696,832
22. Net income (from Line 20)	440,503,793	1,007,010,200
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 8,412,697	514,906,079	106,820,347
25. Change in net unrealized foreign exchange capital gain (loss)	15,632,030	15,696,893
26. Change in net deferred income tax	258,633,786	46,814,885
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(515,400,694)	(64,172,262)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	8,532,557	30,872,892
29. Change in surplus notes	(121,243,271)	222,976
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	1,200,791,572	878,363,148
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(4,373,207)	(2,163,559)
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	73,188,280	7,966,677
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,871,170,925	2,027,432,197
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	11,823,299,954	9,952,129,029

<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)	(149,132,505)	(138,546,786)
1402. Retroactive reinsurance gain/(loss)	10,196,893	33,855,248
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)	(138,935,612)	(104,691,538)
3701. Other changes in surplus	2,906,223	7,966,677
3702. Change in Accumulated Translation Adjustment	70,282,057	
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)	73,188,280	7,966,677

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	9,223,321,576	7,925,771,687
2. Net investment income	1,210,416,490	1,640,060,957
3. Miscellaneous income	23,905,763	(330,121,679)
4. Total (Lines 1 through 3)	10,457,643,829	9,235,710,965
5. Benefit and loss related payments	3,081,818,804	4,227,407,671
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	3,322,090,636	2,955,810,621
8. Dividends paid to policyholders	44,154,714	32,254,759
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	323,659,120	282,295,169
10. Total (Lines 5 through 9)	6,771,723,274	7,497,768,220
11. Net cash from operations (Line 4 minus Line 10)	3,685,920,555	1,737,942,745
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	5,557,215,024	3,833,043,341
12.2 Stocks	504,104,047	862,072,147
12.3 Mortgage loans	5,573,224	
12.4 Real estate		
12.5 Other invested assets	217,239,089	412,223,716
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(21,371)	(29,967)
12.7 Miscellaneous proceeds		199,382,979
12.8 Total investment proceeds (Lines 12.1 to 12.7)	6,284,110,013	5,306,692,216
13. Cost of investments acquired (long-term only):		
13.1 Bonds	6,483,884,771	5,588,354,159
13.2 Stocks	2,857,753,849	892,858,849
13.3 Mortgage loans	185,422,200	210,060,880
13.4 Real estate	109,364,828	29,496,608
13.5 Other invested assets	941,378,081	1,317,300,995
13.6 Miscellaneous applications	176,983,105	
13.7 Total investments acquired (Lines 13.1 to 13.6)	10,754,786,834	8,038,071,491
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)	(4,470,676,821)	(2,731,379,275)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(121,243,271)	222,976
16.2 Capital and paid in surplus, less treasury stock	1,200,791,572	878,363,148
16.3 Borrowed funds	209,575	(101,467,514)
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders	4,373,207	2,163,559
16.6 Other cash provided (applied)	(670,174,459)	343,974,855
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	405,210,210	1,118,929,906
<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)	(379,546,056)	125,493,376
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,207,665,883	1,082,172,507
19.2 End of year (Line 18 plus Line 19.1)	828,119,827	1,207,665,883

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	245,172,537	95,048,370	104,064,225	236,156,682
2. Allied lines	104,589,540	34,134,020	47,036,688	91,686,872
3. Farmowners multiple peril	4,247,542			4,247,542
4. Homeowners multiple peril	1,309,462,282	603,030,420	700,315,677	1,212,177,025
5. Commercial multiple peril	190,914,714	86,205,738	93,182,788	183,937,664
6. Mortgage guaranty				
8. Ocean marine	31,699,461	8,029,025	14,417,877	25,310,609
9. Inland marine	506,881,197	26,366,851	30,334,407	502,913,641
10. Financial guaranty				
11.1 Medical malpractice - occurrence	(3,361)			(3,361)
11.2 Medical malpractice - claims-made				
12. Earthquake	33,515,999	11,100,902	15,315,123	29,301,778
13. Group accident and health	24,350			24,350
14. Credit accident and health (group and individual)				
15. Other accident and health	(82,511)	126,220	602	43,107
16. Workers' compensation	3,082,679,590	(27,683,365)	111,946,715	2,943,049,510
17.1 Other liability - occurrence	593,007,431	173,790,873	238,298,295	528,500,009
17.2 Other liability - claims-made	148,657,541	53,306,930	76,040,024	125,924,447
18.1 Products liability - occurrence	110,954,453	37,309,500	42,464,100	105,799,853
18.2 Products liability - claims-made	8,219,709	426,341	1,697,748	6,948,302
19.1, 19.2 Private passenger auto liability	1,783,063,096	736,971,862	847,724,936	1,672,310,022
19.3, 19.4 Commercial auto liability	387,927,555	113,211,286	140,303,924	360,834,917
21. Auto physical damage	602,832,854	527,438,595	610,862,254	519,409,195
22. Aircraft (all perils)	58,324,498	16,494,971	19,456,449	55,363,020
23. Fidelity	4,664,516	1,376,595	1,968,182	4,072,929
24. Surety	235,686,107	97,099,124	128,799,746	203,985,485
26. Burglary and theft	600,881	196,337	238,940	558,278
27. Boiler and machinery	2,915,674	1,437,625	1,383,363	2,969,936
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	106,047,723	4,155,990	11,128,113	99,075,600
31. Reinsurance-Nonproportional Assumed Liability	37,187,963	1,749,936	2,938,119	35,999,780
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
<b>34. TOTALS</b>	<b>9,589,191,341</b>	<b>2,601,324,146</b>	<b>3,239,918,295</b>	<b>8,950,597,192</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	103,915,946	148,279			104,064,225
2. Allied lines	46,848,367	188,321			47,036,688
3. Farmowners multiple peril					
4. Homeowners multiple peril	700,315,677				700,315,677
5. Commercial multiple peril	63,617,402	29,565,386			93,182,788
6. Mortgage guaranty					
8. Ocean marine	10,806,234	3,611,643			14,417,877
9. Inland marine	28,449,599	1,884,808			30,334,407
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	15,279,864	35,259			15,315,123
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	602				602
16. Workers' compensation	492,725,732	6,305,439	(34,554)	(387,049,902)	111,946,715
17.1 Other liability - occurrence	266,780,048	(2,664,459)		(25,817,294)	238,298,295
17.2 Other liability - claims-made	43,719,790	32,320,233			76,040,023
18.1 Products liability - occurrence	51,310,509	371,914		(9,218,323)	42,464,100
18.2 Products liability - claims-made	1,697,748				1,697,748
19.1, 19.2 Private passenger auto liability	847,724,936				847,724,936
19.3, 19.4 Commercial auto liability	153,117,984	3,836,576		(16,650,636)	140,303,924
21. Auto physical damage	610,415,753	446,993		(493)	610,862,253
22. Aircraft (all perils)	19,456,449				19,456,449
23. Fidelity	1,816,497	151,686			1,968,183
24. Surety	112,247,408	16,552,338			128,799,746
26. Burglary and theft	234,460	4,480			238,940
27. Boiler and machinery	1,310,081	73,282			1,383,363
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	4,025,040	7,103,072			11,128,112
31. Reinsurance-Nonproportional Assumed Liability	2,938,119				2,938,119
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	3,578,754,245	99,935,250	(34,554)	(438,736,648)	3,239,918,293
35. Accrued retrospective premiums based on experience					438,736,647
36. Earned but unbilled premiums					34,554
37. Balance (Sum of Line 34 through 36)					3,678,689,494

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	13,469,098	378,456,352	1,292,026	59,497,817	88,547,122	245,172,537
2. Allied lines	11,000,307	180,974,224	1,223,095	27,319,121	61,288,966	104,589,539
3. Farmowners multiple peril		5,596,234		1,348,692		4,247,542
4. Homeowners multiple peril	15,283,940	1,736,503,436	1,620,264	298,983,805	144,961,552	1,309,462,283
5. Commercial multiple peril	115,299,515	168,502,277	49,755,562	58,127,526	84,515,114	190,914,714
6. Mortgage guaranty						
8. Ocean marine	55,386,078	8,800,004	1,412,056	10,298,938	23,599,739	31,699,461
9. Inland marine	928,902,236	46,914,125	25,433,139	156,048,094	338,320,209	506,881,197
10. Financial guaranty						
11.1 Medical malpractice - occurrence		(4,478)	50	(1,067)		(3,361)
11.2 Medical malpractice - claims-made						
12. Earthquake	7	50,070,052	(14)	8,574,712	7,979,335	33,515,998
13. Group accident and health	2,111	260,833	(448)	7,732	230,414	24,350
14. Credit accident and health (group and individual)						
15. Other accident and health	(133,780)		(173)	(49,774)	(1,668)	(82,511)
16. Workers' compensation	247,987,142	4,500,357,345	100,230,878	1,025,333,503	740,562,272	3,082,679,590
17.1 Other liability - occurrence	279,136,236	727,080,972	8,634,382	189,742,907	232,101,252	593,007,431
17.2 Other liability - claims-made	194,374,356	128,959,554	4,486,798	39,516,347	139,646,819	148,657,542
18.1 Products liability - occurrence	31,276,763	111,175,944	(341,468)	28,283,135	2,873,651	110,954,453
18.2 Products liability - claims-made	9,927,367	822,889		2,530,547		8,219,709
19.1, 19.2 Private passenger auto liability	291,107,548	2,002,624,131	19,910,460	428,912,701	101,666,343	1,783,063,095
19.3, 19.4 Commercial auto liability	99,810,526	471,730,529	15,789,870	106,909,607	92,493,763	387,927,555
21. Auto physical damage	190,886,424	1,482,833,527	9,702,156	1,020,228,060	60,361,193	602,832,854
22. Aircraft (all perils)	104,594,027		4,142,831	16,054,607	34,357,753	58,324,498
23. Fidelity	12,374,319	950,718	129,437	1,521,159	7,268,799	4,664,516
24. Surety	277,852,379	11,337,144	6,226,709	56,715,300	3,014,825	235,686,107
26. Burglary and theft	469,996	333,286	1,910	154,261	50,050	600,881
27. Boiler and machinery	10,548	4,072,902	(4)	658,055	509,716	2,915,675
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	74,735,758	67,038,713	32,898,601	2,828,148	106,047,722
31. Reinsurance-Nonproportional Assumed Liability	X X X	3,968,044	44,702,054	11,482,134		37,187,964
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	2,879,017,143	12,097,055,802	361,390,283	3,581,096,520	2,167,175,367	9,589,191,341

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 \$ 235,186,877

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 234,143,124

**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	2,917,472	202,224,166	90,798,643	114,342,995	52,486,275	63,940,548	102,888,722	43.568
2. Allied lines	1,767,499	121,225,466	54,677,598	68,315,367	28,459,414	41,306,476	55,468,305	60.498
3. Farmowners multiple peril		87,912	36,998	50,914	17,659	111,857	(43,284)	(1.019)
4. Homeowners multiple peril	4,223,395	799,189,304	275,810,751	527,601,948	320,908,034	216,858,602	631,651,380	52.109
5. Commercial multiple peril	52,134,035	130,303,798	136,074,074	46,363,759	199,973,819	207,120,477	39,217,101	21.321
6. Mortgage guaranty								
8. Ocean marine	14,293,666	10,934,241	14,676,674	10,551,233	34,978,715	26,213,057	19,316,891	76.319
9. Inland marine	515,987,079	34,759,171	263,990,540	286,755,710	79,654,124	49,735,686	316,674,148	62.968
10. Financial guaranty								
11.1 Medical malpractice - occurrence		4,220	39,912	(35,692)	260,680	275,165	(50,177)	1,492.919
11.2 Medical malpractice - claims - made								
12. Earthquake	1,274	(335)	(28,904)	29,843	192,424	(206,078)	428,345	1.462
13. Group accident and health	297,360	819,908	818,924	298,344	2,318,610	2,259,991	356,963	1,465.967
14. Credit accident and health (group and individual)								
15. Other accident and health	254,721	618,212	506,517	366,416	1,822,986	2,122,135	67,267	156.047
16. Workers' compensation	290,685,096	2,277,249,914	1,926,008,524	641,926,486	7,388,809,491	5,863,045,805	2,167,690,172	73.655
17.1 Other liability - occurrence	413,746,524	233,057,481	537,248,614	109,555,391	1,547,983,552	1,170,982,602	486,556,341	92.064
17.2 Other liability - claims - made	39,638,396	38,501,248	68,901,430	9,238,214	252,336,255	190,202,434	71,372,035	56.678
18.1 Products liability - occurrence	41,673,562	29,345,927	65,704,867	5,314,622	310,608,871	278,644,585	37,278,908	35.235
18.2 Products liability - claims - made	964,547	181,441	2,061,430	(915,442)	10,790,914	7,528,629	2,346,843	33.776
19.1, 19.2 Private passenger auto liability	170,641,929	1,255,806,293	569,005,182	857,443,040	1,347,282,107	1,226,417,407	978,307,740	58.500
19.3, 19.4 Commercial auto liability	98,834,091	237,108,140	202,785,935	133,156,296	506,222,029	401,360,932	238,017,393	65.963
21. Auto physical damage	114,108,665	774,899,641	617,998,660	271,009,646	(4,435,920)	(23,725,467)	290,299,193	55.890
22. Aircraft (all perils)	41,376,442	6,942,629	26,593,462	21,725,609	53,684,680	46,158,183	29,252,106	52.837
23. Fidelity	707,820	83,874	1,617,940	(826,246)	7,949,656	9,815,610	(2,692,200)	(66.100)
24. Surety	29,186,545	(530,249)	14,647,163	14,009,133	81,260,216	59,095,284	36,174,065	17.734
26. Burglary and theft	22,392	32,592	131,466	(76,482)	(26,336)	836,423	(939,241)	(168.239)
27. Boiler and machinery	1,316	(71)	17,985	(16,740)	(217,660)	118,868	(353,268)	(11.895)
28. Credit			1,320	(1,320)	4,952	9,337	(5,705)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	47,480,992	24,451,368	23,029,624	65,164,763	83,196,681	4,997,706	5.044
31. Reinsurance-Nonproportional Assumed Liability	X X X	59,757,375	48,832,900	10,924,475	302,644,525	243,583,647	69,985,353	194.405
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	1,651,627	744,823	906,804	3,627,914	2,453,286	2,081,432	
33. Aggregate write-ins for other lines of business								
34. TOTALS	1,833,463,826	6,261,734,917	4,944,154,796	3,151,043,947	12,594,762,749	10,169,462,162	5,576,344,534	62.301

**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	1,408,121	70,148,090	30,015,399	41,540,812	9,637,457	14,275,000	12,966,994	52,486,275	10,737,765
2. Allied lines	2,225,366	34,788,431	16,046,139	20,967,658	4,370,140	12,342,685	9,221,069	28,459,414	5,843,989
3. Farmowners multiple peril		23,266	5,607	17,659				17,659	67,354
4. Homeowners multiple peril	3,306,009	269,932,850	73,423,215	199,815,644	(44,455)	179,525,592	58,388,747	320,908,034	73,694,104
5. Commercial multiple peril	110,519,800	151,513,598	139,092,342	122,941,056	95,843,833	96,068,954	114,880,023	199,973,820	73,606,726
6. Mortgage guaranty									
8. Ocean marine	56,025,832	17,730,162	56,459,435	17,296,559	29,900,659	1,361,393	13,579,896	34,978,715	7,709,399
9. Inland marine	59,521,697	15,163,572	42,075,631	32,609,638	89,659,100	18,244,277	60,858,889	79,654,126	6,849,727
10. Financial guaranty									
11.1 Medical malpractice - occurrence		504,042	121,474	382,568	101	(160,678)	(38,688)	260,679	17,111
11.2 Medical malpractice - claims - made									
12. Earthquake	539	179,083	45,384	134,238	(16,410)	128,464	53,869	192,423	19,958
13. Group accident and health		3,379,601	2,454,886	924,715	2,147,108	(310,618)	442,594	(a) 2,318,611	190,755
14. Credit accident and health (group and individual)									
15. Other accident and health		175,612	42,323	133,289	369,000	1,857,215	536,519	(a) 1,822,985	70,290
16. Workers' compensation	1,368,610,170	5,829,789,497	3,090,554,939	4,107,844,728	1,004,347,810	5,194,529,717	2,917,912,764	7,388,809,491	957,465,849
17.1 Other liability - occurrence	639,029,360	570,667,652	482,492,642	727,204,370	705,416,464	915,411,334	800,048,616	1,547,983,552	612,028,587
17.2 Other liability - claims - made	123,495,497	57,547,690	118,460,685	62,582,502	361,467,996	137,059,894	308,774,136	252,336,256	86,135,243
18.1 Products liability - occurrence	65,674,808	59,370,383	52,678,415	72,366,776	180,787,177	140,574,904	83,119,985	310,608,872	197,731,556
18.2 Products liability - claims - made		557,051	134,249	422,802	11,294,615	2,365,613	3,292,115	10,790,915	4,808,174
19.1, 19.2 Private passenger auto liability	126,457,333	1,138,923,866	390,880,038	874,501,161	60,458,999	586,941,288	174,619,340	1,347,282,108	345,627,423
19.3, 19.4 Commercial auto liability	152,388,573	319,104,669	188,213,195	283,280,047	117,820,118	357,425,519	252,303,655	506,222,029	92,605,606
21. Auto physical damage	807,206	239,457	899,525	147,138	1,396,849	(2,212,584)	3,767,322	(4,435,919)	48,953,235
22. Aircraft (all perils)	124,798,056	6,374,825	91,025,587	40,147,294	27,063,229	(4,203,990)	9,321,852	53,684,681	8,325,831
23. Fidelity	2,998,520	557,286	1,846,432	1,709,374	16,253,953	1,353,697	11,367,367	7,949,657	2,558,551
24. Surety	16,421,353	572,013	5,986,147	11,007,219	84,245,717	10,994,907	24,987,627	81,260,216	22,375,942
26. Burglary and theft	6,365	11,195	4,232	13,328	789,555	(787,900)	41,318	(26,335)	1,015,041
27. Boiler and machinery		228,539	55,078	173,461	8,396	(339,256)	60,261	(217,660)	195,680
28. Credit						6,525	1,572	4,953	261
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	55,168,351	15,261,424	39,906,927	X X X	35,435,078	10,177,243	65,164,762	1,160,355
31. Reinsurance-Nonproportional Assumed Liability	X X X	153,384,510	36,965,667	116,418,843	X X X	245,356,630	59,130,948	302,644,525	12,345,330
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	4,457,297	1,074,209	3,383,088	X X X	322,563	77,738	3,627,913	515,413
33. Aggregate write-ins for other lines of business									
34. TOTALS	2,853,694,605	8,760,492,588	4,836,314,299	6,777,872,894	2,803,217,411	7,943,566,223	4,929,893,771	12,594,762,757	2,572,655,255

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	369,702,087			369,702,087
1.2 Reinsurance assumed	592,817,993			592,817,993
1.3 Reinsurance ceded	294,882,767			294,882,767
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	667,637,313			667,637,313
2. Commission and brokerage:				
2.1 Direct, excluding contingent		179,171,153		179,171,153
2.2 Reinsurance assumed, excluding contingent		637,110,385		637,110,385
2.3 Reinsurance ceded, excluding contingent		763,119,080		763,119,080
2.4 Contingent-direct		21,935,387		21,935,387
2.5 Contingent-reinsurance assumed		109,817,937		109,817,937
2.6 Contingent-reinsurance ceded		36,448,406		36,448,406
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)		148,467,376		148,467,376
3. Allowances to manager and agents		36,132,070		36,132,070
4. Advertising	13,304,208	119,469,409	496,979	133,270,596
5. Boards, bureaus and associations	1,873,858	18,265,990	5,473	20,145,321
6. Surveys and underwriting reports	147,562	22,213,508	97,860	22,458,930
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	428,068,230	958,009,693	75,412,238	1,461,490,161
8.2 Payroll taxes	22,847,591	70,861,371	3,529,511	97,238,473
9. Employee relations and welfare	83,489,842	256,577,264	4,604,962	344,672,068
10. Insurance	40,374,289	6,678,521	716,530	47,769,340
11. Directors' fees		152,237		152,237
12. Travel and travel items	26,575,610	70,744,869	1,248,970	98,569,449
13. Rent and rent items	28,392,011	83,389,319	1,054,425	112,835,755
14. Equipment	22,367,169	68,332,456	1,345,179	92,044,804
15. Cost or depreciation of EDP equipment and software	4,484,690	34,283,783	404,735	39,173,208
16. Printing and stationery	5,021,408	15,922,855	186,645	21,130,908
17. Postage, telephone and telegraph, exchange and express	17,242,168	52,308,065	361,481	69,911,714
18. Legal and auditing	2,426,455	16,024,696	10,078,287	28,529,438
19. Totals (Lines 3 to 18)	696,615,091	1,829,366,106	99,543,275	2,625,524,472
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 6,334,610		336,614,086		336,614,086
20.2 Insurance department licenses and fees		9,134,614		9,134,614
20.3 Gross guaranty association assessments		(62,526)		(62,526)
20.4 All other (excluding federal and foreign income and real estate)		13,088,503		13,088,503
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		358,774,677		358,774,677
21. Real estate expenses			32,987,505	32,987,505
22. Real estate taxes			4,894,804	4,894,804
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	55,847,617	149,385,128	7,043,580	212,276,325
25. Total expenses incurred	1,420,100,021	2,485,993,287	144,469,164	(a) 4,050,562,472
26. Less unpaid expenses-current year	2,572,655,246	738,860,016	61,246,541	3,372,761,803
27. Add unpaid expenses-prior year	2,084,590,736	635,590,826	58,639,751	2,778,821,313
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year		159,994		159,994
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	932,035,511	2,382,884,091	141,862,374	3,456,781,976

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	26,470,478			26,470,478
2402. Other expenses	29,377,139	149,385,128	7,043,580	185,805,847
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	55,847,617	149,385,128	7,043,580	212,276,325

(a) Includes management fees of \$ 0 to affiliates and \$ 48,632,934 to non-affiliates.

### EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 132,557,572	115,165,214
1.1 Bonds exempt from U.S. tax	(a) 144,257,904	165,507,267
1.2 Other bonds (unaffiliated)	(a) 502,627,313	505,197,317
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 16,677,683	16,934,032
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	38,681,586	36,563,302
2.21 Common stocks of affiliates	501	501
3. Mortgage loans	(c) 18,895,067	18,895,067
4. Real estate	(d) 69,752,979	69,752,979
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 52,175,002	52,228,162
7. Derivative instruments	(f)	
8. Other invested assets	381,453,477	381,453,477
9. Aggregate write-ins for investment income	4,661,462	4,661,462
10. Total gross investment income	1,361,740,546	1,366,358,780
11. Investment expenses		(g) 144,469,164
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 84,612,296
14. Depreciation on real estate and other invested assets		(i) 17,008,410
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		246,089,870
17. Net investment income (Line 10 minus Line 16)		1,120,268,910

DETAILS OF WRITE-INS			
0901. Miscellaneous Income/(Expense)		4,661,462	4,661,462
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)		4,661,462	4,661,462
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 \$ 22,318,491 accrual of discount less \$ 24,059,654 amortization of premium and less \$ 38,871,514 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 \$ 637,657 paid for accrued interest on purchases.
- (d) Includes \$ 66,258,736 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 6,279,000 accrual of discount less \$ 182,458 amortization of premium and less \$ 947,252 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 \$ 74,239,701 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 17,008,410 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	716,383		716,383		
1.1 Bonds exempt from U.S. tax	22,961		22,961		
1.2 Other bonds (unaffiliated)	(393,330)	(3,410)	(396,740)	(49,447,930)	123,471,953
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)	(257,023)		(257,023)	(71,820,133)	
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	103,707,656	(1,939,352)	101,768,304	47,093,457	13,286,615
2.21 Common stocks of affiliates	3,507,852		3,507,852	221,767,901	(534,228)
3. Mortgage loans				(154,755)	
4. Real estate	(944,154)		(944,154)		
5. Contract loans					
6. Cash, cash equivalents and short-term investments	(21,371)		(21,371)		3,742,312
7. Derivative instruments					
8. Other invested assets	114,848,789	(20,164,348)	94,684,441	375,880,236	
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	221,187,763	(22,107,110)	199,080,653	523,318,776	139,966,652

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	271,819,000		(271,819,000)
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)	1,597,635	2,300,145	702,510
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	273,416,635	2,300,145	(271,116,490)
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	35,685,825	20,859,359	(14,826,466)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,827	3,353	(474)
13.3 Accrued retrospective premiums	51,047,015	50,634,071	(412,944)
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	2,437,580	2,139,944	(297,636)
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	269,859,863	94,673,994	(175,185,869)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	213,712,586	211,328,371	(2,384,215)
19. Furniture and equipment, including health care delivery assets	98,104,898	27,291,290	(70,813,608)
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	82,381,943	100,144,114	17,762,171
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,026,650,172	509,374,641	(517,275,531)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	1,026,650,172	509,374,641	(517,275,531)

DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	72,186,660	91,247,443	19,060,783
2302. Amounts billed and receivable under high deductible policies	10,195,283	8,896,671	(1,298,612)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	82,381,943	100,144,114	17,762,171

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

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

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

## C. Accounting Policies

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

In addition, the Company 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, controlled and affiliated ("SCA") companies are carried according to Note 1 C(7).
4. Preferred stocks are carried at cost or market as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1 C(7).
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, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual. Schedule D Part 6-Section 1 illustrates the valuation method used for each SCA company.
8. 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. 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 78% ownership interest in Ohio Casualty Corporation, at a cost of \$2,171,878,895.

## NOTES TO FINANCIAL STATEMENTS

Statutory Purchase Method:

<u>Acquired Company</u>	<u>Date of Acquisition</u>	<u>% Ownership</u>	<u>Cost</u>	<u>Unamortized Goodwill December 31, 2007</u>	<u>Goodwill Amortization Current Year</u>
Liberty Personal Insurance Company	July 1, 1998	100.00%	\$49,434,445	\$946,599	\$1,893,198
Liberty Insurance Holdings, Inc.	May 10, 1999	100.00%	\$1,472,492,028	\$9,109,570	\$6,832,178
Colorado Casualty Insurance Company	September 29, 1998	100.00%	\$46,319,965	\$2,962,500	\$3,950,000
Summit Holding Southeast, Inc.	September 30, 1998	100.00%	\$229,350,130	\$13,673,733	\$18,231,653
Ohio Casualty Corporation	August 24, 2007	78.00%	\$2,171,878,895	\$1,110,301,355	\$40,866,457

### B. Statutory Mergers

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

### C. Impairment Loss

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

### Note 4- Discontinued Operations

The Company has no discontinued operations to report.

### Note 5- Investments

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

The \$39,500,000 mortgage from its subsidiary Liberty Sanibel II Limited Partnership held by the Company and due to mature on June 17, 2010, was paid down in August 2007 from the proceeds of Liberty Sanibel II Limited Partnership's sale of its Sanibel Harbor Resort & Spa property.

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 loans in good standing with an outstanding principal balance of \$429,409,856.
- (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 \$327,546, of which there is a related allowance for credit losses of \$154,755.
- (7) \$172,791 of impaired loans have no related allowance for credit losses.
- (8) The average recorded investment in impaired loans during 2007 was \$143,993.
- (9) Interest income of \$14,607, 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

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

#### G. Investments in Low Income Housing Tax Credits

The Company does not hold investments in low income housing 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 \$20,164,348 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 are ancillary to the overall investment and immaterial to the underlying investment portfolio.

### Note 9 - Income Taxes

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

	December 31, 2007	December 31, 2006	Change
Total of gross deferred tax assets	1,779,382,000	1,295,722,000	483,660,000
Total of deferred tax liabilities	(879,362,000)	(645,962,000)	(233,400,000)
Net deferred tax asset (liability)	900,020,000	649,760,000	250,260,000
Net deferred tax asset non-admitted	(269,859,863)	(94,673,994)	(175,185,869)
Net admitted deferred tax asset (liability)	630,160,137	555,086,006	75,074,131

- B. The Company has not provided for deferred taxes on unremitted earnings of subsidiaries outside the United States where such earnings are permanently reinvested. At December 31, 2007, unremitted earnings of foreign subsidiaries were \$795,066,262. If these earnings were distributed in the form of dividends or otherwise, the Company would be subject to U.S. income taxes less an adjustment for applicable foreign tax credits.
- C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2007	2006
Federal tax on operations	121,468,882	264,731,889
Net operating loss benefit	0	0
Foreign tax on operations	27,317,197	14,632,396
Income tax incurred on operations	148,786,079	279,364,285
Tax on capital gains	68,614,908	47,107,112
Total income tax incurred	217,400,987	326,471,397

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

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

	2007
Change in net deferred income tax (without unrealized gain or loss)	258,633,786
Tax effect of unrealized (gains) losses	(8,412,697)
Total change in net deferred income tax	250,221,089

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, excludible dividend income, partnership income, foreign operations, intercompany transactions, revisions to prior year estimates, and changes in deferred taxes related to non-admitted assets.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$250,372,000 from the current year and \$218,143,000 from the preceding year.

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

## NOTES TO FINANCIAL STATEMENTS

The Company has a foreign tax credit of \$60,022,517 as follows:

Year Generated	Amount	Expiration
2002	2,610,904	2012
2003	43,702,558	2013
2004	13,709,055	2014

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

Access Insurance Services, Co.	Liberty Mutual Group Inc.
Ambco Capital Corporation	Liberty Mutual Holding Company, Inc.
America First Insurance Company	Liberty Mutual Insurance Company
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").

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## NOTES TO FINANCIAL STATEMENTS

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- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.
- C. During 2007, the Company had the following capital transactions with its parent and subsidiaries:
1. Received capital contributions of \$1,200,791,572 from its parent, LMGI.
  2. Contributed capital to its subsidiaries in the amount of \$1,010,595,452.
- Included in the contributed capital amount was a contribution of 100% of the share capital of Liberty Spain Insurance Group LLC to Liberty International Holdings, LLC, effective January 1, 2007. The statutory carrying value of Liberty Spain Insurance Group, LLC on January 1, 2007 was \$362,280,726. Also included in the contributed capital amount was a contribution of \$28,735,855 to capitalize Liberty Insurance Company, Ltd., effective October 1, 2007.
3. Received return of capital distributions from its non-insurance subsidiaries in the amount of \$137,375,965.
  4. Received ordinary dividends from its non-insurance subsidiaries in the amount of \$366,000,038.
- D. At December 31, 2007, the Company reported \$156,955,426 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 Fire Insurance Company, \$27,000,000 of the medium term notes payable which are obligations of its parent company, LMGI.

The Company guarantees the performance of LMGI under a \$1,000,000,000 commercial paper program. The amount outstanding as of December 31, 2007 was \$0.

The Company guarantees the performance of the obligations of LMGI under a \$750,000,000 five-year revolving credit agreement. The revolving line of credit serves as a back-up facility for the commercial paper program. The amount outstanding at December 31, 2007 was \$0.

The Company is contingently liable for the performance of Liberty Corporate Capital Limited's obligations under standby letters of credit in the aggregate amount of \$703,398,000 (£354M) of which \$534,503,000 (£269M) has been collateralized. As of December 31, 2007, there have been no drawings under the standby letters of credit.

The Company guarantees the performance of Liberty Corporate Capital Limited under a credit agreement in the amount of the greater of \$100,000,000, £65,000,000 or €85,000,000. As of December 31, 2007, there have been no drawings under the credit agreement.

The Company guarantees that, if America First Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay America First Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$5,000,000. As of December 31, 2007, \$6,049,444 in "qualifying Louisiana investment" was held.

The Company guarantees that, if Liberty Personal Insurance Company should suffer any reduction to its capital or surplus as a direct result of a default of an obligor under any "qualifying Louisiana investment" as defined in Louisiana Revised Statutes 22.1068, the Company shall pay Liberty Personal Insurance Company a sufficient amount to reimburse it for such reduction, not exceeding \$7,000,000. As of December 31, 2007, \$4,119,213 in "qualifying Louisiana investment" was held.

The Company guarantees the future non-cancellable lease obligations of Liberty Information Technology Ltd. in the amount of \$11,751,727.

The Company guarantees the future non-cancellable lease obligations of Liberty Insurance Underwriters, Inc. in the amount of \$30,000,000.

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

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

The Company guarantees the performance of LMIE under a credit agreement in the amount of \$20,000,000. As of December 31, 2007, there are no outstanding borrowings under the agreement.

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

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

The Company guarantees obligations of Liberty Insurance Company Limited for tax liabilities and other indebtedness prior to and arising from the conversion to a limited liability subsidiary. The amount of these obligations as of December 31, 2007 was \$7,422,815.

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

American Fire and Casualty Company  
 America First Insurance Company  
 America First Lloyds Insurance Company

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**NOTES TO FINANCIAL STATEMENTS**


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American Ambassador Insurance Company  
 Avomark Insurance Company  
 Bridgefield Casualty Insurance Company  
 Bridgefield Employers Insurance Company  
 Cascade Disability Management, Inc.  
 Colorado Casualty Insurance Company  
 Companies Agency, Inc.  
 Companies Agency of Alabama, Inc.  
 Companies Agency of Georgia, Inc.  
 Companies Agency of Kentucky, Inc.  
 Companies Agency of Massachusetts, Inc.  
 Companies Agency of Michigan, Inc.  
 Companies Agency of New York, Inc.  
 Companies Agency of Pennsylvania, Inc.  
 Consolidated Insurance Company  
 Employers Insurance Company of Wausau  
 Excelsior Insurance Company  
 Globe American Casualty Company  
 Golden Eagle Insurance Corporation  
 Hawkeye-Security Insurance Company  
 Helmsman Insurance Agency, LLC  
 Helmsman Management Services, LLC  
 Indiana Insurance Company  
 Liberty Energy Holdings LLC  
 Liberty Insurance Company of America  
 Liberty Insurance Corporation  
 Liberty Insurance Underwriters Inc.  
 Liberty Life Assurance Company of Boston  
 Liberty Lloyd's of Texas Insurance Company  
 Liberty Mutual Equity, LLC  
 Liberty Mutual Group Inc.  
 Liberty Mutual Managed Care, Inc.  
 Liberty Mutual Mid-Atlantic Insurance Company  
 Liberty Mutual Personal Insurance Company  
 Liberty Northwest Insurance Company  
 Liberty Personal Insurance Company  
 Liberty Surplus Insurance Corporation  
 LIU Specialty Agency, Inc.  
 LM General Insurance Company  
 LM Insurance Corporation  
 LM Personal Insurance Company  
 LM Property and Casualty Insurance Company  
 Mid-American Fire and Casualty Company  
 Montgomery Mutual Insurance Company  
 National Insurance Association  
 North Pacific Insurance Company  
 Ohio Casualty of New Jersey, Inc.  
 Ohio Security Insurance Company  
 Oregon Automobile Insurance Company  
 Peerless Indemnity Insurance Company  
 Peerless Insurance Company  
 San Diego Insurance Company  
 The First Liberty Insurance Corporation  
 The Midwestern Indemnity Company  
 The Netherlands Insurance Company  
 The Ohio Casualty Insurance Company  
 Wausau Business Insurance Company  
 Wausau General Insurance Company  
 Wausau Signature Agency, LLC  
 Wausau Underwriters Insurance Company  
 West American Insurance Company

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

There are service agreements between the Company and Helmsman Insurance Agency, LLC

Under these agreements, the SCA companies provide the Company with agency services, claims administration services and managed care services and the Company pays reasonable fees for all services which it receives under these agreements.

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

## NOTES TO FINANCIAL STATEMENTS

See Note 25 for information regarding the Inter-Company Reinsurance Agreement.

The Company is party to revolving lines of credit with the following SCA companies:

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

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

- 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 SCA companies during the statement period.
- K. The Company does not use CARVM in calculating its investment in its foreign subsidiaries.
- L. Investments in downstream non-insurance holding companies

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

	Carrying Value
Summit Holdings Southeast, Inc.	\$107,305,461
LM Captive Holdings, LLC	29,969,674
Berkeley Management Corporation	15,908,041
Liberty Mutual Equity LLC	<u>(16,584,600)</u>
Total	\$136,598,576

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

### **Note 11- Debt**

Debt consists of the following obligation as of December 31, 2007:

The Company maintains \$100,000,000 revolving line of credit with LMGI. Outstanding borrowings as of December 31, 2007 totaled \$949,875. Interest is paid quarterly in arrears based on average borrowings at a variable interest rate. \$72,204 of interest was paid in 2007.

The Company entered into a short term borrowing arrangement on June 15, 2007. The principal amount borrowed was 780,000,000 at a rate of 5.85%. The loan was paid off on December 14, 2007. Interest paid on this loan in 2007 was \$10,182,402.

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

- A. The U.S. Liberty Mutual Retirement Benefit Plan and Supplemental Income at Retirement Plan (SIRP) defined benefit pension plans are sponsored by the Holding Company, LMGI. Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations as of December 31, 2007 and December 31, 2006. (The Employees' Thrift-Incentive plan and Supplemental Income at Retirement Plan (SIRP) defined contribution pension plans are also sponsored by LMGI.)

The Company continues to sponsor non-contributory defined benefit and contributory defined contribution pension plans covering substantially all Canadian and certain U.S. employees. The benefits and eligibility are based on age, years of service and the employee's compensation, as more fully defined in the Plan. As of December 31, 2007, the Company accrued pension cost in accordance with the actuarially determined amounts, with an offset for the incremental asset amortization.

The Company's U.S. postretirement health and life benefit obligations are also sponsored by LMGI. Accordingly, the plan assets and obligations are not included in the Company's summary of assets and obligations as of December 31, 2007 and

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006. However, the Company continues to provide certain health care and life insurance benefits for retired Canadian employees. Substantially all Canadian employees may become eligible for these benefits if they reach retirement age and have ten years of service working for the Company, as more fully defined in the Plan. Also, the Company provides a Death Benefit Only life insurance benefit for certain U.S. employees.

A summary of assets, obligations, and assumptions of the Canadian Pension Plans and Postretirement Benefit Plans are as follows at December 31, 2007 and 2006:

	<u>Pension Plans</u>		<u>Postretirement</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>(1) Change in benefit obligations</b>				
a. Benefit obligations, beginning of year	\$114,155,113	\$131,581,245	\$3,825,476	\$2,123,919
b. Service costs	2,632,261	3,835,373	-	-
c. Interest costs	6,312,435	7,319,269	198,015	278,323
d. Eligibility costs	-	-	80,003	328,484
e. Amendments	1,799,639	-	-	-
f. Actuarial (gains)/losses	(14,471,746)	(23,677,910)	(490,508)	459,148
g. Foreign currency exchange rate change	8,575,238	(309,879)	50,924	(30,117)
h. Other	-	-	-	848,890
i. Benefits paid	(4,759,688)	(4,592,985)	(246,814)	(183,171)
j. Benefit obligations, end of year	<u>\$114,243,252</u>	<u>\$114,155,113</u>	<u>\$3,417,096</u>	<u>\$3,825,476</u>
<b>(2) Change in plan assets</b>				
a. Fair value of plan assets at beginning of year	\$43,235,784	\$36,094,429	\$ -	\$ -
b. Actual return on plan assets	331,939	6,873,418	-	-
c. Foreign currency exchange rate changes	7,468,934	(446,406)	-	-
d. Employer contributions	4,043,550	5,307,328	246,814	183,171
e. Benefits paid	(4,759,688)	(4,592,985)	(246,814)	(183,171)
f. Fair value of plan assets at end of the year	<u>\$50,320,519</u>	<u>\$43,235,784</u>	<u>\$ -</u>	<u>\$ -</u>
<b>(3) Reconciliation of funding status</b>				
a. Funded status of the plan	\$(63,922,733)	\$(70,919,328)	\$(3,817,096)	\$(3,825,476)
b. Unrecognized net (gain)/loss	8,431,862	18,712,521	674,992	1,133,006
c. Unrecognized prior service costs	2,311,727	596,773	-	-
d. Unrecognized net transition (asset)/obligation	1,505,328	2,430,882	998,423	949,788
e. Net amount recognized	<u>\$(51,673,816)</u>	<u>\$(49,179,152)</u>	<u>\$(2,143,681)</u>	<u>\$(1,742,682)</u>
<b>(4) Vested accumulated benefit obligation</b>	\$92,252,207	\$92,149,334	\$3,817,096	\$3,825,476
<b>(5) Non-vested benefit obligation</b>	\$ -	\$ -	\$4,161,162	\$4,003,796
<b>(6) Components of net periodic benefit costs</b>				
a. Service costs	\$2,632,261	\$3,835,373	\$ -	\$ -
b. Eligibility costs	-	-	80,003	328,484
c. Interest costs	6,312,435	7,319,269	198,015	278,323
d. Expected return on plan assets	(3,243,506)	(2,767,324)	-	-
e. Amortization of unrecognized:				
Net (gain)/Loss	1,072,418	3,310,324	35,540	476
Prior service cost	162,401	80,912	-	-
Net transition (asset)/obligation	36,412	60,078	108,214	103,279
Total net periodic benefit cost	<u>\$6,972,421</u>	<u>\$11,838,632</u>	<u>\$421,772</u>	<u>\$710,562</u>
<b>(7) Amounts recognized in the statutory financial statements consist of</b>				
Prepaid Benefit Cost	\$7,399,553	\$5,490,359	\$ -	\$ -
Accrued benefit liability	(60,499,521)	(55,903,679)	(2,143,681)	(1,742,682)
Minimum pension liability	1,059,181	1,114,822	-	-
Intangible asset	366,970	119,346	-	-
Net amount recognized	<u>\$(51,673,816)</u>	<u>\$(49,179,152)</u>	<u>\$(2,143,681)</u>	<u>\$(1,742,682)</u>
Change in additional pension liability	(55,641)	(1,013,825)	-	-
<b>(8) Weighted-average assumptions used to determine net periodic benefit costs:</b>				
Discount rate	5.70%	5.50%	5.70%	5.50%
Expected return on plan assets	7.50%	7.50%	-	-
Rate of compensation increase	4.70%	4.70%	-	-
<b>Weighted-average assumptions used to determine projected benefit obligation:</b>				
Discount rate	6.00%	5.70%	6.00%	5.70%
Rate of compensation increase	4.70%	4.70%	-	-
<b>(9) The measurement date used to determine the pension and other postretirement measurements is December 31.</b>				
<b>(10) The weighted average healthcare cost trend rate assumed for 2008 is 8.0% graded to 5.0% for 2012.</b>				

## NOTES TO FINANCIAL STATEMENTS

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

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on postretirement benefit obligation:	\$ 225,701	\$ (220,178)
Effect on total of service cost and interest cost:	\$ 24,051	\$ (19,925)

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

Asset Category	2007	2006
Equity Investments	68%	70%
Debt Investments	22%	20%
Other	10%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Narrative description of investment policy

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

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

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

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

Assets	Minimum %	Target Mix %	Maximum %
Equity Investments	45	70	85
Debt Investments	15	30	40
Other	0	0	10

### Narrative description of expected long term rate of return assumption

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

### (13) Expected Future Benefit Payments

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

Year	Pension	Postretirement Benefits
2008	\$ 5,100,001	\$ 201,040
2009	5,202,990	213,310
2010	5,375,018	223,059
2011	5,514,979	235,015
2012	5,685,761	247,059
2013-2017	33,196,098	1,494,749

### (14) Expected Company Contributions

The Company expects to contribute \$6,426,808 and \$201,040 to the pension plan and post retirement plan respectively in 2008.

## NOTES TO FINANCIAL STATEMENTS

B. The Company continues to sponsor various defined contribution savings plans for Canadian and certain U.S. employees. The Company's expense charged to operations amounted to approximately \$1,027,214 and \$951,433 in 2007 and 2006 respectively. The Company's contribution to the defined contribution plans is based on the employee contribution amounts and profitability.

C. Multi-employer Plans

Not applicable

D. The Company's eligible U.S. employees participate in non contributory defined benefit pension plans and contributory defined contribution pension plans sponsored by LMGI, a holding company. The Company has no legal obligation for benefits under these plans subsequent to September 24, 2003. LMGI allocates defined benefit pension amounts to the Company based on paid amounts. LMGI allocates defined contribution pension and postretirement amounts to the Company based on Statutory incurred amounts.

LMGI allocated \$213,151,566 and \$232,775,234 of defined benefit pension expense to the Company in 2007 and 2006, respectively. LMGI allocated \$120,848,235 and \$87,108,337 of defined contribution pension expense to the Company in 2007 and 2006, respectively. LMGI allocated \$46,020,823 and \$49,283,740 of postretirement expense to the Company in 2007 and 2006, respectively.

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

### Note 13- Capital and Surplus, 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 which can be paid by Massachusetts-domiciled insurance companies to shareholders without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2008 is \$1,182,329,996.

5. As of December 31, 2007, the Company has pre-tax restricted surplus of \$948,875,402 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 \$875,306,397.

10. Surplus Notes

(1) Date Issued	(2) Interest Rate	(3) Amount of Note(s)	(4) Carrying Value	(5) Interest Paid Current Year	(6) Total Interest Paid	(7) Unapproved Interest	(8) Date of Maturity
May 18, 1995	8.500%	150,000,000	149,821,718	12,750,000	159,375,000	0	5/15/2025
Oct 21, 1996	7.875%	250,000,000	249,737,427	19,687,500	216,562,500	0	10/15/2026
Oct 15, 1997	7.697%	500,000,000	492,407,016	38,485,000	384,850,000	0	10/15/2097
Total		\$900,000,000	\$891,966,161	\$70,922,500	\$760,787,500	\$0	

Pursuant to the approval of the Company's domiciliary state, the Company retired a \$121,361,000 surplus note, maturing on May 4, 2007. Interest paid in the current year on this note was \$4,975,801.

The surplus debenture, in the amount of \$150,000,000 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by Merrill Lynch & Co., Goldman Sachs & Co. and Salomon Brothers Inc. and is administered by The Bank of New York as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of \$250,000,000 was issued pursuant to Rule 144A under the Securities Act of 1993, underwritten by CS First Boston, Morgan Stanley & Co. and Salomon Brothers Inc. and is administered by The Bank of New York as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

The surplus debenture in the amount of \$500,000,000 was issued pursuant to Rule 144A under the Securities Act of 1993,



## NOTES TO FINANCIAL STATEMENTS

underwritten by CS First Boston, Goldman Sachs & Co. and Merrill Lynch & Co. and is administered by The Bank of New York as registrar/paying agent. The surplus debenture has the following repayment conditions and restrictions: All interest and maturity payments must be approved by the Massachusetts Division of Insurance.

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

13. The Company paid an ordinary dividend of \$4,373,207 to LMGI in March.

### **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 \$208,106,979 that is offset by future premium tax credits of \$29,552,458. 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 have been 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	\$ 3,203,239

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 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, furniture and fixtures. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all

## NOTES TO FINANCIAL STATEMENTS

PP&E at the end of each respective lease. The following is a schedule of the Company's minimum lease obligations:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2008	\$27,729,402	\$76,286,552
2009	23,557,949	71,191,769
2010	16,499,028	52,445,898
2011	4,342,714	28,903,083
2012	-	19,292,459
2013 & thereafter	-	136,126,384
Total	\$72,129,093	\$384,246,145

- 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 and 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 \$190,728,174 with corresponding collateral value of \$199,484,619 of which \$115,599,368 represents cash collateral.

- C. Wash Sales

In the course of the Company's asset management, securities are sold and reacquired within 30 days of the sale date. The details by NAIC designation 3 or below of securities sold during the year, and reacquired within 30 days of the sale date are:

	<u>Number of Transactions</u>	<u>Book Value of Securities Sold</u>	<u>Cost of Securities Repurchased</u>	<u>Gains / (Loss)</u>
Bonds: NAIC 3	1	\$396,033	\$1,260,000	(7,613)

The security sale was related to a tender offer. Subsequent to the tender, market conditions had changed making the security an attractive purchase to our portfolio.

**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 net gain was \$601,166. Claim payment volume was \$27,875,662.

- B. Administrative Services Contract (ASC) Plans

Not applicable

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

Not applicable

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

Full Name and Address of MGA or TPA	FEIN #	Exclusive Contract	Type of Business Written	Type of Authority Granted	Total Direct Written Premiums
Asurion Insurance Services Inc* 648 Grassmere Park, Ste 300, Nashville, TN 37211	62-1463468	N	Inland Marine	U, P, CA	\$ 872,667,489

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

U – Underwriting  
P – Premium Collection  
CA – Claims Adjustment

**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

- The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2007 and 2006.
- The Company received payments from the Special Disability Trust Fund of \$11,043,410 in 2007 and \$14,570,189 in 2006.
- The amount the Company was assessed by the Special Disability Trust Fund was \$559,112 in 2007 and \$589,324 in 2006.

2) Assets in the amount of \$1,866,387,070 and \$1,622,279,097 as of December 31, 2007 and 2006, respectively, were on deposit with government authorities or trustees as required by law. Assets valued at \$891,430,820 and \$851,977,298 at December 31, 2007 and 2006, respectively, were maintained as compensating balances or pledged as collateral for bank loans and other financing arrangements.

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 is not holding transferable state tax credits at year end.

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>
05563RAA6	Bank of NY Capital	Redeemable Preferred	5,075,988
065912AA5	BankAmerica Instit-B	Redeemable Preferred	28,758,270
338899AA5	Fleet Capital Trust II	Redeemable Preferred	2,952,426

I. Sub-Prime Lending

1. The Company has not purchased securities characterized by the market as sub-prime. The Company looks at such factors as FICO scores, loan to value ratios and levels of documentation when evaluating securities. The Company’s only exposure to sub-prime was inherited through past acquisitions of insurance companies.

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

3. Direct Exposure through Other Investments

<u>Actual Cost</u>	<u>Book Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Type of Investment</u>
\$270,071	\$208,486	\$212,819	Residential mortgage backed securities

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

## NOTES TO FINANCIAL STATEMENTS

### 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, the unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of the Company's policyholder's surplus are listed below.

<u>Reinsurer</u>	<u>Naic No.</u>	<u>Federal ID No.</u>	<u>Recoverable Amount</u>
National Workers' Compensation Reins Pool		AA-9992118	\$1,585,398,000
Swiss Re Group			
Employers Reinsurance Corporation	39845	48-0921045	
European International Reinsurance Co. Ltd.		AA-3160001	
North American Elite Insurance Company	29700	13-3440360	
North American Specialty Insurance Company	29874	02-0311919	
SR International Business Ins Co. Ltd.		AA-1121405	
Swiss Reinsurance America Corporation	25364	13-1675535	
Swiss Reinsurance Australia Ltd.		AA-1934100	
Swiss Reinsurance Company		AA-1460146	
Swiss Reinsurance Co. Canada		AA-1560160	
Swiss Reinsurance Co. U.K. Ltd.		AA-1121400	
Swiss Reinsurance Frankona Rueckvers.		AA-1340090	
Swiss Reinsurance Germany AG		AA-1340045	
Swiss Reinsurance Italia Spa		AA-1360240	
Swiss Reinsurance Life and Health America Inc.	82627	06-0839705	
Swiss Reinsurance Life and Health Canada		AA-1560016	
Swiss Reinsurance Specialty Insurance (UK) Ltd.		AA-1120512	
Westport Insurance Corporation	34207	13-1941868	
Total Swiss Re Group			\$945,828,000

- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the 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	ommissio Equity
Affiliates	\$4,562,444,828	\$178,851,029	\$1,214,398,733	\$34,458,647	\$3,348,046,095	\$144,392,382
All Other	100,902,078	22,969,455	722,608,492	157,114,394	(621,706,414)	134,144,939
Total	\$4,663,346,906	\$201,820,484	\$1,937,007,225	\$191,573,041	\$2,726,339,681	\$10,247,443

Direct Unearned Premium Reserve: \$952,349,812

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	\$21,158,516	\$107,602,749	\$31,031,465	\$97,729,800
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	0	148,005,000	(148,005,000)
Totals	\$21,158,516	\$107,602,749	\$179,036,465	\$(50,275,200)

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

## NOTES TO FINANCIAL STATEMENTS

- D. During the current year, the Company wrote off reinsurance balances of \$2,763,974. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$2,740,628
Loss Expenses Incurred	23,346
Total	\$2,763,974
Reinsurer	Amount
Excess And Casualty Reinsurance Association	\$2,096,808
Dominion Insurance Company Of America	324,774
Union Indemnity Insurance Company Of New York	249,826
Stockholm Re. (Bermuda) Limited	126,831
All Other	(34,265)
Total	\$2,763,974

- E. The Company commuted several ceded reinsurance treaties in the current year with the reinsurers listed below. The net effect of all commutations was an increase in Net Income of \$71,006. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$567,619
Other Income	(496,613)
Total	\$71,006
Reinsurer	Amount
Ashmont Insurance Company Limited	\$(446,613)
Harper Insurance, Ltd.	355,752
Excess Insurance Company Limited	187,833
River Thames Insurance Company Limited	(30,144)
NRG Victory Reinsurance Limited	4,178
Total	\$71,006

- F. The Company has two assumed and eighteen ceded retroactive contracts that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$8,115,008	\$1,762,076,556
	2. Adjustment – Prior Year(s)	(5,635,910)	(164,723,598)
	3. Adjustment – Current Year	(2,811,792)	(14,422,615)
	4. Total	\$(332,694)	\$1,582,930,343
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$2,482,101	\$825,140,188
	2. Adjustment – Prior Year(s)	1,099,525	40,343,339
	3. Adjustment – Current Year	(25,573)	739,502
	4. Total	\$3,556,053	\$866,223,029
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	\$(17,144,434)	\$12,711,492
	2. Adjustment – Prior Year(s)	7,215,509	177,796,317
	3. Adjustment – Current Year	1,339,274	35,287,280
	4. Total	\$(8,589,651)	\$225,795,089
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$11,511,527	\$(949,647,860)
	2. Adjustment – Prior Year(s)	(480,074)	27,270,620
	3. Adjustment – Current Year	1,446,945	(20,125,163)
	4. Total	5,494,986	(943,380,416)
	5. Cumulative Total Transferred to Unassigned Funds	\$6,983,412	\$878,013
e.	Other insurers included in the above transactions:		
	Employers Insurance Company of Wausau, 21458	\$(5,924,592)	\$0
	Allianz Cornhill International, AA-1120140	5,107,805	0
	Wettereau Insurance Co. Ltd., AA-33191047	484,093	0
	National Indemnity Insurance Company, 20087		828,868,043
	North American Specialty Insurance Company, 29874		672,268,076
	Partner Re Co LTD, AA-3190686		243,336,496
	Federal Insurance Company, 20281		155,288,381
	ACE INA Overseas Insurance Company, AA-1560515		128,464,679
	American Re-Insurance Company, 10227		48,467,086
	Everest Reinsurance Company, 26921		2,356,473

## NOTES TO FINANCIAL STATEMENTS

	Swiss Reinsurance America Corporation, 25364		2,291,559
	American National Insurance Company, 60739		1,630,507
	North European Financial Re, 1995 2210 680		1,512,184
	Other		1,169,376
	Employers Insurance Company of Wausau, 21458		(208,598,555)
	Liberty Mutual Fire Insurance Company, 23035		(208,598,555)
	Liberty Insurance Corporation, 42404		(62,579,566)
	Wausau Business Insurance Company, 26069		(8,343,942)
	Wausau Underwriters Insurance Company, 26042		(8,343,942)
	LM Insurance Corporation, 33600		(4,171,972)
	The First Liberty Insurance Corporation, 33588		(2,085,985)
	Total	\$(332,694)	\$1,582,930,343

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. At December 31, 2007, the deposit balance for reinsurance contracts accounted for under the deposit method was \$15,897,274.

**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 non-admitted and charged to surplus.

Total accrued retro premium	\$438,736,647
Less: Non-admitted amount	51,047,015
Admitted amount	<u>\$387,689,632</u>

**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 increased 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 the Lead Company 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
	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 Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

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 (LMPICO)	12484	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) 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%

- (i) Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2008, Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company novated their 100% Quota Share agreements with Liberty Mutual Insurance Company to substitute Peerless Insurance Company as the reinsurer.

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

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$824,366,550 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 \$824,366,550 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:

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$397,439,539
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$248,177,411

### **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.

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## NOTES TO FINANCIAL STATEMENTS

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### **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 \$3,652,526,329 and the amount billed and recoverable on paid claims was \$183,944,833.

### **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 \$2,712,931,220 of liabilities carried at a discounted value of \$1,677,065,920 representing a discount of \$1,035,865,300.

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 collectibles 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 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



## NOTES TO FINANCIAL STATEMENTS

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	1,122,608,066	1,198,027,681	1,292,169,022	1,516,671,866	1,403,968,179
Incurring losses and LAE	324,105,080	312,763,911	420,667,283	76,293,677	175,482,674
Calendar year payments	248,685,466	218,622,570	196,164,438	188,997,364	302,579,821
Ending Reserves	<u>1,198,027,681</u>	<u>1,292,169,022</u>	<u>1,516,671,866</u>	<u>1,403,968,179</u>	<u>1,276,871,032</u>

### **Assumed Reinsurance Basis**

Beginning Reserves	141,900,355	199,054,512	371,599,450	390,034,788	412,488,186
Incurring losses and LAE	87,467,224	198,888,495	41,323,289	37,047,524	145,459,704
Calendar year payments	30,313,067	26,343,557	22,887,951	14,594,126	20,384,912
Ending Reserves	<u>199,054,512</u>	<u>371,599,450</u>	<u>390,034,788</u>	<u>412,488,186</u>	<u>537,562,978</u>

### **Net of Ceded Reinsurance Basis**

Beginning Reserves	728,650,626	853,563,051	722,164,271	791,148,137	680,839,880
Incurring losses and LAE	237,569,277	2,680,742	166,500,890	9,262,969	64,610,816
Calendar year payments	112,656,852	134,079,522	97,517,024	119,571,226	140,273,519
Ending Reserves	<u>853,563,051</u>	<u>722,164,271</u>	<u>791,148,137</u>	<u>680,839,880</u>	<u>605,177,177</u>

### **Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	680,646,580
Assumed Reinsurance Basis	432,124,529
Net of Ceded Reinsurance Basis	272,400,092
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	440,457,482
Assumed Reinsurance Basis	3,219,270
Net of Ceded Reinsurance Basis	158,317,680

### Environmental:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Direct Basis</b>					
Beginning Reserves	338,896,537	244,174,378	539,026,902	520,671,947	383,685,018
Incurring losses and LAE	(41,651,334)	349,233,682	120,351,668	36,318,717	4,463,818
Calendar year payments	53,070,825	54,381,158	138,706,623	173,305,646	45,935,847
Ending Reserves	<u>244,174,378</u>	<u>539,026,902</u>	<u>520,671,947</u>	<u>383,685,018</u>	<u>342,212,989</u>

### **Assumed Reinsurance Basis**

Beginning Reserves	89,461,052	42,440,720	53,801,704	39,710,344	36,391,866
Incurring losses and LAE	(42,748,707)	15,436,348	(9,282,775)	668,699	1,119,844
Calendar year payments	4,271,625	4,075,364	4,808,585	3,987,177	6,502,612
Ending Reserves	<u>42,440,720</u>	<u>53,801,704</u>	<u>39,710,344</u>	<u>36,391,866</u>	<u>31,009,098</u>

### **Net of Ceded Reinsurance Basis**

Beginning Reserves	232,602,381	195,623,142	399,775,500	323,957,500	300,082,774
Incurring losses and LAE	(6,072,000)	239,833,299	386,606	15,332,362	7,452,633
Calendar year payments	30,907,239	35,680,941	76,204,606	39,207,088	31,535,748
Ending Reserves	<u>195,623,142</u>	<u>399,775,500</u>	<u>323,657,500</u>	<u>300,082,774</u>	<u>275,999,659</u>

### **Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	225,894,445
Assumed Reinsurance Basis	18,338,938
Net of Ceded Reinsurance Basis	185,816,027
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	145,328,840
Assumed Reinsurance Basis	457,900
Net of Ceded Reinsurance Basis	101,378,095

### 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	613,294,772	2.069	613,294,772	2.088
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	592,412,402	1.999	592,412,402	2.017
1.22 Issued by U.S. government sponsored agencies	236,181,908	0.797	236,181,908	0.804
1.3 Foreign government (including Canada, excluding mortgage-backed securities)	702,678,704	2.371	702,678,704	2.393
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	1,370,335,003	4.623	1,370,335,003	4.666
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	833,296,550	2.811	833,296,550	2.837
1.43 Revenue and assessment obligations	2,158,004,146	7.280	2,158,004,146	7.348
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	265,554,076	0.896	265,554,076	0.904
1.512 Issued or guaranteed by FNMA and FHLMC	2,201,424,945	7.427	2,201,424,945	7.496
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	1,454,463,625	4.907	1,454,463,625	4.952
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	175,668,496	0.593	175,668,496	0.598
1.523 All other	667,135,205	2.251	667,135,205	2.272
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	3,498,582,957	11.803	3,498,582,957	11.913
2.2 Unaffiliated foreign securities	566,050,882	1.910	566,050,882	1.927
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	517,006,739	1.744	517,006,739	1.760
3.2 Preferred stocks:				
3.21 Affiliated	131,322		131,322	
3.22 Unaffiliated	322,855,517	1.089	322,855,517	1.099
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	1,637,948,842	5.526	1,637,948,842	5.577
3.4 Other equity securities:				
3.41 Affiliated	5,971,660,656	20.146	5,699,841,656	19.408
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans	429,255,101	1.448	429,255,101	1.462
5. Real estate investments:				
5.1 Property occupied by company	418,561,083	1.412	418,561,083	1.425
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)	1,069,882	0.004	1,069,882	0.004
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	13,535,760	0.046	13,535,760	0.046
8. Cash, cash equivalents and short-term investments	350,373,537	1.182	350,373,537	1.193
9. Other invested assets	4,644,249,806	15.668	4,642,652,171	15.808
10. Total invested assets	29,641,731,916	100.000	29,368,315,281	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? Massachusetts
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ 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 [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? 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  
 11.12 Number of parcels involved  
 11.13 Total book/adjusted carrying value Various  
5  
 11.2 If yes, provide explanation Liberty Mutual Insurance Company directly owns 100% of Liberty Real Estate Holdings, LLC and directly owns 92% of St. James/Arlington Real Estate LP. \$ 507,043,066

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?  
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
 c. Compliance with applicable governmental laws, rules and regulations;  
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
 e. Accountability for adherence to the code. Yes [X] No [ ]  
 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>190,728,174</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>891,430,820</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>1,866,387,068</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	77 King Street West, Toronto, Ontario M5W 1P9
JP MORGAN CHASE	259 George Street, Sydney, Australia
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
2528	LAZARD ASSET MANAGEMENT	30 Rockefeller Plaza, New York, NY 10112
106054	MATTHEWS INTERNATIONAL CAPITAL	Four Embarcadero Center, Suite 550, San Francisco, C
110126	HIGHLAND CAPITAL MANAGEMENT LP	Two Galleria Tower, 13455 Noel Road, Suite 800, Dalla
105247	BARCLAYS GLOBAL INVESTORS	45 Fremont Street, San Francisco, CA 94105
	STANCORP MORTGAGE INVESTORS	1100 SW Sixth Avenue, Portland, OR 97204
	ENHANCED INVESTMENT TECHNOLOGI	2401 PGA Boulevard, Suite 100 Palm Beach Gardens,

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	25,797,952
27.2999	Total	25,797,952

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	638,757	09/30/2007
LIBERTY ALL-STAR EQUITY F	CITIGROUP INC	619,667	09/30/2007
LIBERTY ALL-STAR EQUITY F	FEDERAL NATIONAL MORTG	468,491	09/30/2007
LIBERTY ALL-STAR EQUITY F	FREDDIE MAC	419,733	09/30/2007
LIBERTY ALL-STAR EQUITY F	WAL-MART STORES INC	419,217	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	15,950,568,265	15,980,853,641	30,285,376
28.2 Preferred stocks	322,986,839	324,902,623	1,915,784
28.3 Totals	16,273,555,104	16,305,756,264	32,201,160

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? \$ 49,051,557

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
Insurance Services Office, Inc.	\$ 16,731,655
	\$
	\$

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

1 Name	2 Amount Paid

31.1 Amount of payments for legal expenses, if any? \$ 43,413,677

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? \$ 1,929,397

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 \$ 9,913  
 1.65 Total incurred claims \$ 16,243  
 1.66 Number of covered lives \$ 2

1.7 Group policies:  
 Most current three years:  
 1.71 Total premium earned \$ 0  
 1.72 Total incurred claims \$ 0  
 1.73 Number of covered lives \$ 0  
 All years prior to most current three years:  
 1.74 Total premium earned \$ 0  
 1.75 Total incurred claims \$ 0  
 1.76 Number of covered lives \$ 0

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 75,198	\$ 55,102
2.2 Premium Denominator	\$ 8,956,741,384	\$ 7,561,989,751
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 4,403,242	\$ 4,753,286
2.5 Reserve Denominator	\$ 18,953,022,721	\$ 15,477,731,463
2.6 Reserve Ratio (2.4/2.5)	0.00	0.00

3.1 Does the reporting entity issue both participating and non-participating policies? YES [X] NO [ ]  
 3.2 If yes, state the amount of calendar year premiums written on:  
 3.21 Participating policies \$ 2,865,122,813  
 3.22 Non-participating policies \$ 13,894,330

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, the Company employ RiskLink v7.0 from RMS and AIR Classic/2 v 8.0. For WC the Company utilizes RiskLink v 7.0 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 \$1.0B part of \$1.9 B xs \$1.1B 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 [ X ] 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 [ X ] NO [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 5
- 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 [ X ]
- 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 [ X ]
- 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 [ X ] 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 [ X ] 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 [ X ]

**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 [ ] NO [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES [X] NO [ ] N/A [ ]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? YES [X] NO [ ]
- 11.2 If yes, give full information The Company guarantees policies issued by Liberty Life Assurance Company of Boston and Liberty Mutual Insurance Europe LTD.
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |                  |
|---|------------------|
| 12.11 Unpaid losses   | \$ 1,350,197,158 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ 294,761,513   |
- 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? \$ 177,422,484
- 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          | \$ 6,013,247,273 |
| 12.62 Collateral and other funds | \$ 387,798,221   |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 247,228,865
- 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 allocation 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 [ ] NO [X]
- If yes, disclose the following information for each of the following types of warranty coverage:

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

\* Disclose type of coverage: \_\_\_\_\_

**GENERAL INTERROGATORIES**  
(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   
 Incurred 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	\$	938,000
17.12	Unfunded portion of Interrogatory 17.11	\$	938,000
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	\$	938,000
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)	9,245,077,794	9,228,935,929	8,596,074,589	8,556,639,474	7,684,489,319
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,321,961,946	2,768,196,493	2,298,660,168	2,106,544,565	1,904,646,200
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,270,979,670	2,220,376,327	1,849,814,156	1,684,367,521	1,698,258,022
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	308,999,249	283,321,347	226,816,610	423,297,509	527,055,474
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	190,444,569	122,448,204	98,408,543	126,957,992	238,081,809
6. Total (Line 34)	15,337,463,228	14,623,278,300	13,069,774,066	12,897,807,061	12,052,530,824
<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)	6,114,506,014	5,048,594,237	4,646,796,895	4,383,902,397	3,641,666,075
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,493,593,006	1,300,377,111	1,199,538,716	1,193,878,941	1,032,128,554
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,597,564,173	1,298,834,358	1,012,716,155	945,591,093	912,147,358
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	240,292,462	165,556,441	132,780,359	94,175,379	111,968,371
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	143,235,686	76,284,989	54,565,246	80,931,381	139,970,917
12. Total (Line 34)	9,589,191,341	7,889,647,136	7,046,397,371	6,698,479,191	5,837,881,275
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(496,310,714)	(239,600,769)	(520,024,924)	(497,103,623)	(552,743,624)
14. Net investment gain (loss) (Line 11)	1,250,734,655	1,638,583,474	1,092,891,029	822,517,261	784,044,296
15. Total other income (Line 15)	(112,176,670)	(78,674,864)	(78,809,145)	(120,642,855)	(149,310,470)
16. Dividends to policyholders (Line 17)	52,957,399	33,933,356	24,011,749	26,222,615	(1,517,657)
17. Federal and foreign income taxes incurred (Line 19)	148,786,079	279,364,285	(114,095,184)	(38,311,422)	(10,157,457)
18. Net income (Line 20)	440,503,793	1,007,010,200	584,140,395	216,859,590	93,665,316
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	34,829,204,572	29,920,012,089	26,011,608,289	23,956,964,668	22,145,151,648
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	928,137,391	703,139,102	636,279,658	609,392,140	673,579,903
20.2 Deferred and not yet due (Line 13.2)	1,638,534,970	1,462,229,358	1,376,405,401	1,273,321,091	973,405,672
20.3 Accrued retrospective premiums (Line 13.3)	387,689,632	462,717,401	468,226,952	509,941,443	503,447,580
21. Total liabilities excluding protected cell business (Page 3, Line 24)	23,005,904,618	19,967,883,060	18,086,911,457	16,701,614,750	16,022,057,314
22. Losses (Page 3, Line 1)	12,594,762,751	10,169,462,164	9,499,145,761	8,942,817,093	8,363,851,842
23. Loss adjustment expenses (Page 3, Line 3)	2,572,655,246	2,084,590,736	1,934,981,136	1,698,423,690	1,648,044,862
24. Unearned premiums (Page 3, Line 9)	3,678,689,493	3,114,705,894	2,792,535,119	2,682,556,143	2,423,884,665
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)	11,823,299,954	9,952,129,029	7,924,696,832	7,255,349,918	6,123,094,334
<b>Cash Flow</b> (Page 5)					
27. Net cash from operations (Line 11)	3,685,920,555	1,737,942,745	1,596,160,322	1,303,925,502	1,243,811,524
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	11,886,831,983	10,007,632,029	7,976,676,447	7,297,299,791	6,154,213,257
29. Authorized control level risk-based capital	2,289,668,717	1,807,577,710	1,612,464,662	1,590,667,365	1,708,635,780
<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)	52.2	57.5	58.4	58.9	59.4
31. Stocks (Lines 2.1 & 2.2)	26.2	21.3	24.5	25.4	31.1
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	1.5	1.0	0.2		
33. Real estate (Lines 4.1, 4.2 & 4.3)	1.4	1.3	1.5	1.2	1.3
34. Cash, cash equivalents and short-term investments (Line 5)	2.8	4.8	5.0	3.4	2.5
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)	15.8	13.8	10.3	10.9	5.7
37. Receivables for securities (Line 8)		0.2	0.1	0.2	0.1
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)				2	
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	131,322	131,322	131,322	3,797,881	11,152,881
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	5,971,660,656	3,577,413,444	4,016,798,661	3,691,777,264	4,176,578,575
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)					
44. Affiliated mortgage loans on real estate		39,500,000	39,500,000		
45. All other affiliated	3,397,656,837	2,525,870,295	1,533,031,957	1,595,066,199	492,125,527
46. Total of above Lines 40 to 45	9,369,448,815	6,142,915,061	5,589,461,940	5,290,641,346	4,679,856,983
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)	79.2	61.7	70.5	50.9	68.4

## 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)	514,906,079	106,820,347	(253,467,664)	373,180,256	568,313,452
49. Dividends to stockholders (Line 35)	(4,373,207)	(2,163,559)	(100,000,000)		
50. Change in surplus as regards policyholders for the year (Line 38)	1,871,170,925	2,027,432,197	669,346,914	1,132,255,584	2,115,345,114
<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)	5,127,438,809	5,036,541,040	4,910,452,276	5,259,538,361	4,272,433,449
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,767,945,082	1,875,813,948	1,148,216,467	965,040,593	905,262,632
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,059,486,667	1,155,873,076	1,093,077,356	1,002,156,124	667,265,848
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	31,438,191	51,970,685	41,114,562	951,457,166	337,627,913
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	108,889,994	183,117,093	127,619,834	87,681,215	107,004,255
56. Total (Line 34)	8,095,198,743	8,303,315,842	7,320,480,495	8,265,873,459	6,289,594,097
<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)	1,755,682,915	2,488,612,275	2,485,144,663	2,324,106,243	2,129,589,960
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	740,377,079	750,991,450	611,523,898	513,192,188	481,588,572
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	606,276,723	554,257,787	641,485,593	569,510,755	374,092,504
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	13,846,327	10,895,410	35,351,313	319,505,288	185,208,608
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	34,860,903	101,166,421	72,670,898	(3,815,981)	64,067,666
62. Total (Line 34)	3,151,043,947	3,905,923,343	3,846,176,365	3,722,498,493	3,234,547,310
<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)	(7.5)	(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)	27.1	26.7	25.5	25.8	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)	81.1	79.3	88.9	92.3	95.3
<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)	237,131	328,648	340,224	228,846	463,785
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)	2.4	4.1	4.7	3.7	11.5
<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)	856,463	895,068	889,237	1,096,707	973,675
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)	10.8	12.3	14.5	27.4	21.7

**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	1,693,941,866	1,718,848,838	1,710,834,638	1,666,302,995
	2. Canada	487,831,982	496,525,169	411,583,119	482,298,297
	3. Other Countries	177,670,495	187,082,311	170,506,719	177,436,663
	4. Totals	2,359,444,343	2,402,456,318	2,292,924,476	2,326,037,955
States, Territories and Possessions (Direct and guaranteed)	5. United States	1,370,335,003	1,378,633,703	1,369,551,800	1,382,000,000
	6. Canada	7,066,595	7,093,800	5,721,573	7,010,514
	7. Other Countries				
8. Totals	1,377,401,598	1,385,727,503	1,375,273,373	1,389,010,514	
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States	833,296,550	840,890,824	832,697,318	839,310,000
	10. Canada				
	11. Other Countries				
12. Totals	833,296,550	840,890,824	832,697,318	839,310,000	
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	5,797,728,034	5,798,783,189	5,800,826,888	5,818,170,789
	14. Canada	26,942,630	26,944,642	18,020,104	26,586,695
	15. Other Countries				
16. Totals	5,824,670,664	5,825,727,831	5,818,846,992	5,844,757,484	
Public Utilities (unaffiliated)	17. United States	420,477,444	416,093,042	424,867,236	421,693,000
	18. Canada	6,779,930	6,986,708	6,890,000	6,650,000
	19. Other Countries	19,108,433	18,946,718	18,813,137	18,655,750
20. Totals	446,365,807	442,026,468	450,570,373	446,998,750	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	3,901,055,495	3,875,312,210	3,956,845,959	3,947,676,331
	22. Canada	230,617,747	231,212,654	202,897,120	231,859,370
	23. Other Countries	362,231,467	362,015,239	351,228,709	365,559,753
24. Totals	4,493,904,709	4,468,540,103	4,510,971,788	4,545,095,454	
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	15,335,083,671	15,365,369,047	15,281,284,320	15,391,210,157
<b>PREFERRED STOCKS</b>					
Public Utilities (unaffiliated)	27. United States	1,654,531	1,696,531	1,380,345	
	28. Canada				
	29. Other Countries				
30. Totals	1,654,531	1,696,531	1,380,345		
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	149,506,259	151,380,045	171,982,739	
	32. Canada				
	33. Other Countries				
34. Totals	149,506,259	151,380,045	171,982,739		
Industrial and Miscellaneous (unaffiliated)	35. United States	171,694,727	171,694,727	217,829,693	
	36. Canada				
	37. Other Countries				
38. Totals	171,694,727	171,694,727	217,829,693		
Parent, Subsidiaries and Affiliates	39. Totals	131,322	131,322		
	<b>40. Total Preferred Stocks</b>	322,986,839	324,902,625	391,192,777	
<b>COMMON STOCKS</b>					
Public Utilities (unaffiliated)	41. United States	61,496,635	61,496,635	28,113,447	
	42. Canada				
	43. Other Countries	17,029,979	17,029,979	13,899,283	
44. Totals	78,526,614	78,526,614	42,012,730		
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	97,485,879	97,485,879	54,726,335	
	46. Canada	403,914	403,914	125,958	
	47. Other Countries	43,772,761	43,772,761	29,309,107	
48. Totals	141,662,554	141,662,554	84,161,400		
Industrial and Miscellaneous (unaffiliated)	49. United States	918,174,211	918,174,211	374,469,672	
	50. Canada	214,970	214,970	28,918	
	51. Other Countries	538,630,942	538,630,942	395,093,909	
52. Totals	1,457,020,123	1,457,020,123	769,592,499		
Parent, Subsidiaries and Affiliates	53. Totals	5,971,660,656	5,971,660,656	5,865,993,835	
	<b>54. Total Common Stocks</b>	7,648,869,947	7,648,869,947	6,761,760,464	
	55. Total Stocks	7,971,856,786	7,973,772,572	7,152,953,241	
	56. Total Bonds and Stocks	23,306,940,457	23,339,141,619	22,434,237,561	

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

1. Book/adjusted carrying value of bonds and stocks, prior year	19,639,182,700	7. Amortization of premium	24,059,654
2. Cost of bonds and stocks acquired, Column 7, Part 3	9,341,638,620	8. Foreign Exchange Adjustment:	
3. Accrual of discount	22,318,491	8.1 Column 15, Part 1	100,659,041
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1	(52,073,924)	8.3 Column 16, Part 2, Section 2	19,487,339
4.2 Column 15 - 17, Part 2, Section 1	(71,824,308)	8.4 Column 15, Part 4	16,077,960
4.3 Column 15, Part 2, Section 2	351,549,925	9. Book/adjusted carrying value at end of current period	23,306,940,457
4.4 Column 11 - 13, Part 4	(82,001,161)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	107,304,499	11. Subtotal (Lines 9 plus 10)	23,306,940,457
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	6,061,319,071	12. Total nonadmitted amounts	271,819,000
		13. Statement value of bonds and stocks, current period	23,035,121,457

## SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

### SCHEDULE P-PART 1-SUMMARY

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	651,186	241,489	165,923	59,211	30,927	24	6,222	547,312	X X X
2. 1998	6,769,415	815,574	5,953,841	5,583,737	706,520	460,799	43,236	587,042	5,873	189,346	5,875,949	X X X
3. 1999	6,720,251	966,729	5,753,522	5,619,914	795,333	481,814	61,846	596,626	9,476	186,650	5,831,699	X X X
4. 2000	7,087,145	1,145,396	5,941,749	5,569,912	968,572	457,883	66,808	577,336	7,694	144,801	5,562,057	X X X
5. 2001	7,360,430	1,185,180	6,175,250	5,457,574	1,216,233	417,823	64,477	549,860	6,379	173,300	5,138,168	X X X
6. 2002	8,403,889	1,587,640	6,816,249	5,135,713	1,015,499	372,171	51,164	621,919	5,063	268,817	5,058,077	X X X
7. 2003	9,358,670	2,125,712	7,232,958	4,576,872	944,239	344,052	31,442	658,007	4,972	275,714	4,598,278	X X X
8. 2004	9,735,452	2,372,825	7,362,627	4,292,650	1,089,304	283,738	49,788	648,791	30,616	260,663	4,055,471	X X X
9. 2005	10,026,338	2,163,392	7,862,946	4,749,747	1,343,718	222,826	44,483	644,180	36,379	243,357	4,192,173	X X X
10. 2006	10,911,643	2,280,775	8,630,868	3,404,590	572,826	147,649	13,245	645,447	46,526	225,612	3,565,089	X X X
11. 2007	11,480,314	2,523,576	8,956,738	2,557,684	645,028	68,446	9,125	532,073	54,697	156,797	2,449,353	X X X
12. Totals	X X X	X X X	X X X	47,599,579	9,538,761	3,423,124	494,825	6,092,208	207,699	2,131,279	46,873,626	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	3,658,982	1,067,440	1,830,814	1,105,506	199,662	150,992	747,602	299,613	52,939		35,400	3,866,448	X X X
2. 1998	292,102	46,176	107,668	65,439	8,683	1,938	35,952	4,237	12,017		2,927	338,632	X X X
3. 1999	312,999	77,543	99,755	68,596	6,782	1,103	27,927	10,495	12,036		3,517	301,762	X X X
4. 2000	312,519	102,774	157,990	105,814	9,084	3,116	28,852	10,526	13,686		7,537	299,901	X X X
5. 2001	382,985	177,671	185,887	124,723	11,135	4,819	49,589	18,485	13,184		9,921	317,082	X X X
6. 2002	358,897	203,283	299,752	220,843	21,689	11,991	67,228	18,856	17,301		11,683	309,894	X X X
7. 2003	420,452	155,411	546,750	232,248	16,240	3,264	121,114	27,521	22,384		12,801	708,496	X X X
8. 2004	523,674	139,278	726,402	245,245	20,203	3,954	163,520	27,864	63,426	84	17,696	1,080,800	X X X
9. 2005	786,501	251,370	971,418	330,031	25,958	4,826	219,652	37,002	50,549	13,689	27,116	1,417,160	X X X
10. 2006	992,854	215,442	1,586,019	464,154	34,092	3,624	379,219	53,542	97,708		46,711	2,353,130	X X X
11. 2007	1,398,465	226,163	2,819,888	552,850	32,514	3,014	493,370	64,159	276,073		154,530	4,174,124	X X X
12. Totals	9,440,430	2,662,551	9,332,343	3,515,449	386,042	192,641	2,334,025	572,300	631,303	13,773	329,839	15,167,429	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	3,316,850	549,598
2. 1998	7,088,000	873,419	6,214,581	104.706	107.093	104.379			75.900	288,155	50,477
3. 1999	7,157,853	1,024,392	6,133,461	106.512	105.965	106.604			75.900	266,615	35,147
4. 2000	7,127,262	1,265,304	5,861,958	100.566	110.469	98.657			75.900	261,921	37,980
5. 2001	7,068,037	1,612,787	5,455,250	96.028	136.079	88.341			75.900	266,478	50,604
6. 2002	6,894,670	1,526,699	5,367,971	82.041	96.162	78.753			75.900	234,523	75,371
7. 2003	6,705,871	1,399,097	5,306,774	71.654	65.818	73.369			75.900	579,543	128,953
8. 2004	6,722,404	1,586,133	5,136,271	69.051	66.846	69.761			75.900	865,553	215,247
9. 2005	7,670,831	2,061,498	5,609,333	76.507	95.290	71.339			75.900	1,176,518	240,642
10. 2006	7,287,578	1,369,359	5,918,219	66.787	60.039	68.570			75.900	1,899,277	453,853
11. 2007	8,178,513	1,555,036	6,623,477	71.239	61.620	73.950			75.900	3,439,340	734,784
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	12,594,773	2,572,656

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

**SCHEDULE P-PART 2-SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	One Year	Two Year
1. Prior	9,667,117	9,426,214	9,359,416	9,924,780	10,283,211	10,661,078	11,238,202	11,637,196	11,874,618	12,245,574	370,956	608,378
2. 1998	4,906,037	5,076,794	5,200,815	5,364,198	5,420,257	5,461,888	5,524,259	5,581,288	5,657,971	5,680,937	22,966	99,649
3. 1999	X X X	4,828,585	4,979,634	5,168,014	5,301,078	5,397,013	5,439,760	5,531,479	5,559,018	5,582,747	23,729	51,268
4. 2000	X X X	X X X	4,644,398	4,858,829	4,890,289	5,055,030	5,190,404	5,231,611	5,259,776	5,308,012	48,236	76,401
5. 2001	X X X	X X X	X X X	4,784,867	4,661,726	4,744,393	4,675,995	4,827,291	4,880,403	4,916,976	36,573	89,685
6. 2002	X X X	X X X	X X X	X X X	4,746,041	4,479,955	4,485,710	4,632,536	4,720,734	4,753,302	32,568	120,766
7. 2003	X X X	X X X	X X X	X X X	X X X	4,961,292	4,467,512	4,334,180	4,586,463	4,653,018	66,555	318,838
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	4,981,252	4,615,829	4,485,696	4,506,157	20,461	(109,672)
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	5,430,817	5,172,644	5,031,968	(140,676)	(398,849)
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	5,536,497	5,292,261	(244,236)	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	5,943,357	X X X	X X X
12. Totals											237,131	856,463

**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 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	000	1,820,075	3,181,667	4,027,830	4,943,402	5,605,862	6,284,705	6,842,446	7,339,267	7,855,676	X X X	X X X
2. 1998	1,969,231	3,160,276	3,865,383	4,386,655	4,686,531	4,891,079	5,048,929	5,155,444	5,231,852	5,294,780	X X X	X X X
3. 1999	X X X	1,956,499	3,109,851	3,834,277	4,349,339	4,696,482	4,941,798	5,090,863	5,187,848	5,244,549	X X X	X X X
4. 2000	X X X	X X X	2,052,007	3,221,454	3,832,867	4,255,268	4,639,608	4,798,222	4,911,638	4,992,415	X X X	X X X
5. 2001	X X X	X X X	X X X	2,160,865	3,259,450	3,804,384	4,130,426	4,368,564	4,494,385	4,594,687	X X X	X X X
6. 2002	X X X	X X X	X X X	X X X	2,033,552	3,116,107	3,747,456	4,060,632	4,322,227	4,441,221	X X X	X X X
7. 2003	X X X	X X X	X X X	X X X	X X X	1,876,379	2,867,447	3,355,078	3,708,056	3,945,243	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	1,717,177	2,640,180	3,082,660	3,437,296	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	1,996,597	3,054,879	3,584,372	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	1,915,831	2,966,168	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	1,971,977	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	3,817,091	2,461,741	2,012,161	1,591,587	1,115,724	998,701	863,482	1,101,106	1,141,661	1,235,367
2. 1998	1,589,082	712,857	408,001	242,653	178,264	82,629	84,563	70,250	101,087	98,175
3. 1999	X X X	1,569,049	744,856	371,911	226,832	131,506	102,792	92,982	69,096	71,884
4. 2000	X X X	X X X	1,285,725	492,373	217,028	148,611	119,146	85,654	70,169	79,605
5. 2001	X X X	X X X	X X X	1,339,117	547,533	327,625	167,876	135,746	109,077	96,294
6. 2002	X X X	X X X	X X X	X X X	1,432,487	565,713	255,265	192,508	148,504	131,681
7. 2003	X X X	X X X	X X X	X X X	X X X	2,054,883	844,699	386,288	444,795	414,170
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	2,267,963	1,265,418	843,645	653,165
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	2,467,737	1,344,047	877,569
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	2,561,110	1,501,122
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	2,758,675



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

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	YES	21,234,205	21,516,512	(189)	22,088,890	33,954,432	87,356,921	1,960
2. Alaska	AK	YES	6,244,874	8,318,737		856,912	1,422,458	7,156,458	180
3. Arizona	AZ	YES	46,220,653	46,137,598	(132)	31,413,516	39,935,293	38,476,463	10,485
4. Arkansas	AR	YES	7,946,176	8,770,192	6,013	2,511,991	2,068,383	21,301,081	305
5. California	CA	YES	288,848,602	282,721,236	4,866	184,816,525	166,897,759	277,174,773	67,074
6. Colorado	CO	YES	37,399,674	36,956,410	(464)	17,828,827	22,621,568	38,170,138	6,906
7. Connecticut	CT	YES	22,351,963	24,027,650	15,049	15,020,896	30,547,542	106,817,758	64,740
8. Delaware	DE	YES	5,765,456	5,779,121	1,500	6,090,845	6,403,341	28,045,882	4,567
9. Dist. Columbia	DC	YES	18,657,671	19,869,709	153	6,184,114	9,676,919	29,942,967	1,726
10. Florida	FL	YES	199,585,895	182,462,531	147,358	113,046,266	127,790,242	295,965,932	145,946
11. Georgia	GA	YES	78,246,588	75,591,882	89,101	48,076,661	45,244,192	73,247,436	8,358
12. Hawaii	HI	YES	14,138,877	14,376,705	417	22,060,902	23,892,631	7,847,753	5,853
13. Idaho	ID	YES	11,996,315	11,743,770	4	5,035,633	5,753,723	7,597,494	1,411
14. Illinois	IL	YES	61,695,261	61,520,277	3,488	193,961,679	182,482,593	187,722,785	20,786
15. Indiana	IN	YES	15,901,803	15,283,588	26,176	9,780,632	4,055,541	36,095,970	7,827
16. Iowa	IA	YES	12,106,893	12,054,599	57	6,168,776	8,608,619	16,273,159	1,854
17. Kansas	KS	YES	16,681,293	16,546,977	6,358	7,654,813	15,001,302	47,439,494	1,131
18. Kentucky	KY	YES	11,374,628	11,785,058	2,321	20,185,360	7,576,853	112,819,018	7,468
19. Louisiana	LA	YES	55,786,842	60,423,765	7,242	31,061,422	45,490,797	116,883,341	7,479
20. Maine	ME	YES	5,361,218	5,917,955	(239)	3,126,934	8,417,369	30,251,341	8,495
21. Maryland	MD	YES	23,133,830	23,349,127	21,296	12,591,855	26,124,421	67,835,256	15,259
22. Massachusetts	MA	YES	377,790,636	384,621,406	14,846	274,877,719	236,495,306	431,711,957	7,291,270
23. Michigan	MI	YES	49,694,563	49,271,063	4,227	27,194,873	38,075,833	105,794,085	5,901
24. Minnesota	MN	YES	29,742,677	29,539,391	16,937	11,229,875	13,111,794	66,527,265	11,869
25. Mississippi	MS	YES	16,600,111	16,910,871	1,801	6,801,688	2,763,917	52,545,333	527
26. Missouri	MO	YES	21,405,475	21,377,637	18,060	16,126,843	14,772,136	44,726,459	6,733
27. Montana	MT	YES	10,228,328	11,101,701	12,299	3,564,554	5,535,561	7,674,732	316
28. Nebraska	NE	YES	4,764,636	6,259,918	9,896	4,300,837	8,157,948	22,590,868	1,577
29. Nevada	NV	YES	26,331,324	23,128,899	44	10,802,311	13,682,080	12,741,515	5,238
30. New Hampshire	NH	YES	8,775,159	8,921,703	21,723	7,009,206	12,216,468	57,466,848	39,610
31. New Jersey	NJ	YES	77,267,653	80,319,108	15,406	79,720,235	41,267,960	388,447,478	160,903
32. New Mexico	NM	YES	17,929,058	17,031,008	55	8,377,251	10,088,539	14,269,330	1,396
33. New York	NY	YES	249,862,277	234,510,519	202,866	105,326,596	220,740,318	701,677,926	297,610
34. No. Carolina	NC	YES	121,078,518	113,263,875	17,124	60,765,146	85,869,945	120,561,013	626,597
35. No. Dakota	ND	YES	3,811,250	3,803,238		1,371,711	2,084,234	2,345,491	56
36. Ohio	OH	YES	68,923,368	66,784,501		29,416,634	34,221,221	92,861,930	19,206
37. Oklahoma	OK	YES	27,174,583	25,791,379	7,954	13,552,806	14,611,348	49,102,730	2,705
38. Oregon	OR	YES	18,549,987	18,769,108	241	9,624,669	15,805,584	19,908,740	5,480
39. Pennsylvania	PA	YES	69,480,718	67,485,231	44,508	39,137,655	51,337,611	275,366,756	54,706
40. Rhode Island	RI	YES	6,416,176	6,596,427		7,534,993	5,254,590	32,359,562	9,123
41. So. Carolina	SC	YES	13,834,042	14,584,156	13,468	12,206,684	11,162,405	40,521,338	3,041
42. So. Dakota	SD	YES	5,095,895	5,370,302	(62)	1,273,880	2,941,546	2,871,543	96
43. Tennessee	TN	YES	26,774,915	27,595,320	2,714	15,950,734	20,330,077	96,199,844	6,975
44. Texas	TX	YES	200,882,510	200,214,716	991,277	90,597,202	161,310,266	384,354,256	25,161
45. Utah	UT	YES	15,558,239	15,684,190	(179)	6,539,882	8,733,506	11,705,131	1,903
46. Vermont	VT	YES	2,664,619	2,981,966	80,431	2,850,105	494,845	19,869,564	3,018
47. Virginia	VA	YES	36,231,166	37,005,744	(4,910)	21,629,542	14,127,065	93,050,873	16,287
48. Washington	WA	YES	41,037,511	41,093,751		17,647,620	22,125,535	21,057,984	7,662
49. West Virginia	WV	YES	4,771,599	3,786,879		1,571,374	1,523,363	21,484,182	1,426
50. Wisconsin	WI	YES	32,195,998	32,583,769	22,888	23,454,343	15,017,340	88,548,223	10,477
51. Wyoming	WY	YES	6,808,725	6,628,222		3,900,593	5,486,688	4,365,672	40
52. American Samoa	AS	NO							
53. Guam	GU	NO	7,419	5,155			(50,129)	21,796	
54. Puerto Rico	PR	YES	19,337,537	17,309,001		6,128,739	24,675,272	27,623,630	
55. U.S. Virgin Islands	VI	YES	233,599	234,266		356,868	(581,115)	(295,982)	
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	YES	172,573,107	174,199,207		129,038,032	157,840,099	328,546,674	
58. Aggregate other alien	OT	X X X	134,505,042	129,942,276	2,903	24,019,181	(7,922,184)	383,885,861	
59. Totals	(a) 53		2,879,017,137	2,839,859,302	1,826,892	1,833,463,830	2,077,272,950	5,656,912,027	9,006,719

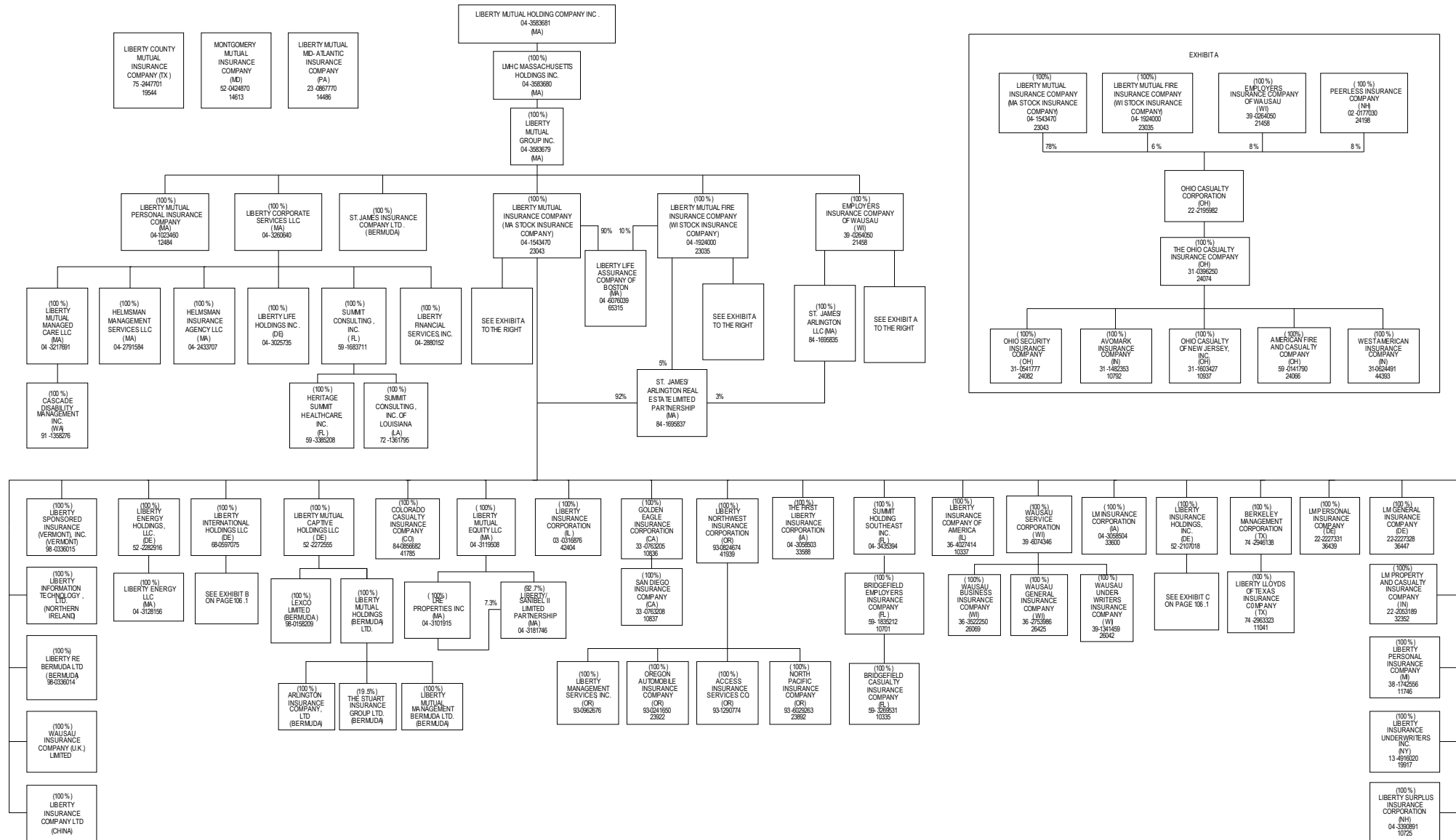
DETAILS OF WRITE-INS									
5801. Other alien	X X X		134,505,042	129,942,276	2,903	24,019,181	(7,922,184)	383,885,861	
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	X X X		134,505,042	129,942,276	2,903	24,019,181	(7,922,184)	383,885,861	

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

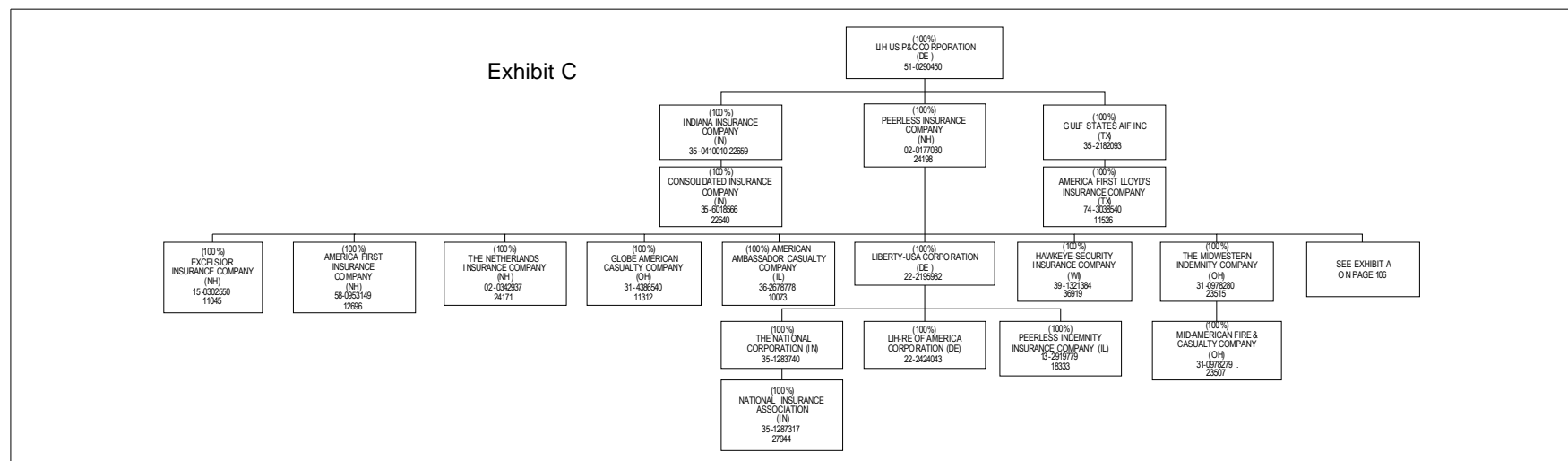
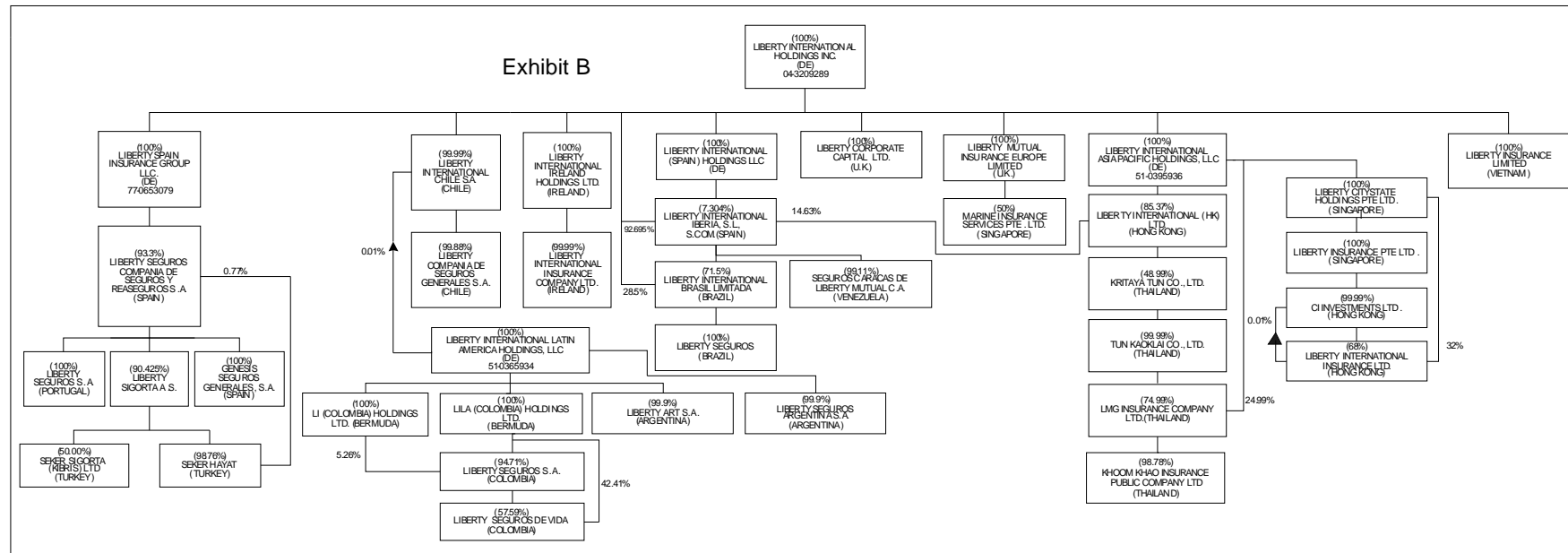
- \*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- \*States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation
- \*Location of Principal place of garaging of each individual car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

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

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



## 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 billed and receivable under high deductible policies	183,944,833	10,195,283	173,749,550	164,691,242
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)	183,944,833	10,195,283	173,749,550	164,691,242

**OVERFLOW PAGE FOR WRITE-INS**

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

	1 Current Year	2 Prior Year
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES</b>		
2304. Deposit liability	141,620,989	83,425,300
2305. Collateral held for securities loaned	115,599,369	407,095,428
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)	257,220,358	490,520,728
<b>REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS</b>		
2704.		
2705.		
2706.		
2707.		
2708.		
2709.		
2710.		
2711.		
2712.		
2713.		
2714.		
2715.		
2716.		
2717.		
2718.		
2719.		
2720.		
2721.		
2722.		
2723.		
2724.		
2725.		
2797. Totals (Lines 2704 through 2725) (Page 3, Line 2798)		
<b>REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS</b>		
3004.		
3005.		
3006.		
3007.		
3008.		
3009.		
3010.		
3011.		
3012.		
3013.		
3014.		
3015.		
3016.		
3017.		
3018.		
3019.		
3020.		
3021.		
3022.		
3023.		
3024.		
3025.		
3097. Totals (Lines 3004 through 3025) (Page 3, Line 3098)		

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