

ANNUAL STATEMENT

OF THE

Liberty Surplus Insurance Corporation

of **Manchester**

in the state of **New Hampshire**

TO THE

Insurance Department

OF THE

STATE OF

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

PROPERTY AND CASUALTY

2007



10725200720100100

ANNUAL STATEMENT

For the Year Ended December 31, 2007

OF THE CONDITION AND AFFAIRS OF THE

Liberty Surplus Insurance Corporation

NAIC Group Code 0111 0111 NAIC Company Code 10725 Employer's ID Number 04-3390891

Organized under the Laws of New Hampshire, State of Domicile or Port of Entry New Hampshire

Country of Domicile United States of America

Incorporated/Organized: June 23, 1997 Commenced Business: August 18, 1997

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

OFFICERS

Table with 2 columns: Name, Title. Rows include David Alan Cohen (President), Dexter Robert Legg (Vice President & Secretary), Laurance Henry Soyer Yahia (Vice President & Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents and their titles.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors or trustees and their titles.

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 lines for David Alan Cohen, Dexter Robert Legg, and Laurance Henry Soyer Yahia with printed names and titles.

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)	56,571,853		56,571,853	44,377,067
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E-Part 1), cash equivalents (\$ 998,921 Schedule E-Part 2) and short-term investments (\$ 13,557,069, Schedule DA)	14,555,990		14,555,990	20,038,246
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities	39,995		39,995	767
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	71,167,838		71,167,838	64,416,080
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	660,744		660,744	643,202
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	9,907,435		9,907,435	
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	11,789,409		11,789,409	11,592,594
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				
16.1 Current federal and foreign income tax recoverable and interest thereon				309,075
16.2 Net deferred tax asset				
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	17,402,233		17,402,233	39,568,037
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets				8,275
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	110,927,659		110,927,659	116,537,263
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	110,927,659		110,927,659	116,537,263

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				8,275
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)				8,275

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)		
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	325,931	60
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	412,802	
7.2 Net deferred tax liability	44,000	30,000
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 143,632,389 and including warranty reserves of \$ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	27,216,330	35,069,904
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	18,943	10,343,196
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	5,721,823	7,486,573
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	9,176,771	
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities		
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	42,916,600	52,929,733
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	42,916,600	52,929,733
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	4,200,000	4,200,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	51,800,000	51,800,000
33. Unassigned funds (surplus)	12,011,059	7,607,530
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)	68,011,059	63,607,530
36. TOTALS (Page 2, Line 26, Col. 3)	110,927,659	116,537,263

DETAILS OF WRITE-INS		
2301.		
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)		
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)		
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)		
3. Loss expenses incurred (Part 3, Line 25, Column 1)		
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)		
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)		
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)		
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	3,868,598	2,286,175
10. Net realized capital gains (losses) less capital gains tax of \$ (94) (Exhibit of Capital Gains (Losses))	(175)	(2,657)
11. Net investment gain (loss) (Lines 9 + 10)	3,868,423	2,283,518
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	190,800	134,718
15. Total other income (Lines 12 through 14)	190,800	134,718
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	4,059,223	2,418,236
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	4,059,223	2,418,236
19. Federal and foreign income taxes incurred	1,406,444	833,565
20. Net income (Line 18 minus Line 19) (to Line 22)	2,652,779	1,584,671
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	63,607,530	30,428,652
22. Net income (from Line 20)	2,652,779	1,584,671
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(14,000)	(418,000)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)		388,000
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	1,764,750	1,624,207
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		30,000,000
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
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		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	4,403,529	33,178,878
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	68,011,059	63,607,530

DETAILS OF WRITE-INS		
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)	190,800	134,718
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	190,800	134,718
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)		

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	(17,761,009)	18,155,293
2. Net investment income	3,790,623	2,038,828
3. Miscellaneous income	(10,304,983)	9,164,713
4. Total (Lines 1 through 3)	(24,275,369)	29,358,834
5. Benefit and loss related payments	(129,056)	(1,729,455)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions		
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	684,473	2,018,500
10. Total (Lines 5 through 9)	555,417	289,045
11. Net cash from operations (Line 4 minus Line 10)	(24,830,786)	29,069,789
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	20,715,169	7,601,193
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	220	
12.7 Miscellaneous proceeds		2,598
12.8 Total investment proceeds (Lines 12.1 to 12.7)	20,715,389	7,603,791
13. Cost of investments acquired (long-term only):		
13.1 Bonds	32,850,009	14,904,751
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	39,228	
13.7 Total investments acquired (Lines 13.1 to 13.6)	32,889,237	14,904,751
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)	(12,173,848)	(7,300,960)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		30,000,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	31,522,378	(39,664,591)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	31,522,378	(9,664,591)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(5,482,256)	12,104,238
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	20,038,246	7,934,008
19.2 End of year (Line 18 plus Line 19.1)	14,555,990	20,038,246

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

20.0001.		
20.0002.		
20.0003.		

NONE Underwriting and Investment Exhibit - Part 1

NONE Underwriting and Investment Exhibit - Part 1A

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire						
2. Allied lines		1,063,427		1,063,427		
3. Farmowners multiple peril						
4. Homeowners multiple peril						
5. Commercial multiple peril	4,144,476	14,742,876		16,609,873	2,277,479	
6. Mortgage guaranty						
8. Ocean marine		3,488,463		3,488,463		
9. Inland marine		6,807		6,286	521	
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	263,000			263,000		
17.1 Other liability - occurrence	134,240,304	17,956,402		117,606,630	34,590,076	
17.2 Other liability - claims-made	94,916,009	1,804,557		57,211,049	39,509,517	
18.1 Products liability - occurrence						
18.2 Products liability - claims-made	617,368			617,368		
19.1, 19.2 Private passenger auto liability						
19.3, 19.4 Commercial auto liability						
21. Auto physical damage						
22. Aircraft (all perils)						
23. Fidelity	(8,901)	290,665		290,209	(8,445)	
24. Surety						
26. Burglary and theft						
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X					
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	234,172,256	39,353,197		197,156,305	76,369,148	

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

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [] No [X]
 If yes: 1. The amount of such installment premiums \$ 0
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 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									
2. Allied lines		19,084	19,084			106,836	106,836		
3. Farmowners multiple peril									
4. Homeowners multiple peril									
5. Commercial multiple peril	(4,881,517)	21,512	(4,860,005)		11,610,599	1,439,134	13,049,733		
6. Mortgage guaranty									
8. Ocean marine	(58,248)	2,943,763	2,885,515		58,248	478,485	536,733		
9. Inland marine					10,358	2,195	12,553		
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake									
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)									
15. Other accident and health								(a)	
16. Workers' compensation					133,575		133,575		
17.1 Other liability - occurrence	28,593,368	4,285,856	32,879,224		239,685,108	2,481,149	242,166,257		
17.2 Other liability - claims - made	54,228,918	5,756,783	59,985,701		112,816,627	29,162	112,845,789		
18.1 Products liability - occurrence					1,121,070		1,121,070		
18.2 Products liability - claims - made					52,637		52,637		
19.1, 19.2 Private passenger auto liability									
19.3, 19.4 Commercial auto liability									
21. Auto physical damage									
22. Aircraft (all perils)									
23. Fidelity	200,000		200,000		261,032		261,032		
24. Surety									
26. Burglary and theft					9,872		9,872		
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	78,082,521	13,026,998	91,109,519		365,759,126	4,536,961	370,296,087		

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	35,902,270			35,902,270
1.2 Reinsurance assumed	14,774			14,774
1.3 Reinsurance ceded	35,917,044			35,917,044
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)				
2. Commission and brokerage:				
2.1 Direct, excluding contingent		31,876,145		31,876,145
2.2 Reinsurance assumed, excluding contingent		5,793,678		5,793,678
2.3 Reinsurance ceded, excluding contingent		37,669,823		37,669,823
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed				
2.6 Contingent-reinsurance ceded				
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)				
3. Allowances to manager and agents				
4. Advertising			120	120
5. Boards, bureaus and associations			1	1
6. Surveys and underwriting reports			24	24
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			18,257	18,257
8.2 Payroll taxes			854	854
9. Employee relations and welfare			1,115	1,115
10. Insurance			174	174
11. Directors' fees				
12. Travel and travel items			302	302
13. Rent and rent items			255	255
14. Equipment			326	326
15. Cost or depreciation of EDP equipment and software			98	98
16. Printing and stationery			45	45
17. Postage, telephone and telegraph, exchange and express			88	88
18. Legal and auditing			2,440	2,440
19. Totals (Lines 3 to 18)			24,099	24,099
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses			1,705	1,705
25. Total expenses incurred			25,804 (a)	25,804
26. Less unpaid expenses-current year				
27. Add unpaid expenses-prior year				
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)			25,804	25,804

DETAILS OF WRITE-INS				
2401. Other expenses			1,705	1,705
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)			1,705	1,705

(a) Includes management fees of \$ 25,804 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 963,856	897,502
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 1,646,807	1,728,660
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,266,566	1,268,608
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	(368)	(368)
10. Total gross investment income	3,876,861	3,894,402
11. Investment expenses		(g) 25,804
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		25,804
17. Net investment income (Line 10 minus Line 16)		3,868,598
DETAILS OF WRITE-INS		
0901. Miscellaneous Income / (Expense)	(368)	(368)
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)	(368)	(368)
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 \$ 93,461 accrual of discount less \$ 33,027 amortization of premium and less \$ 115,885 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 283,873 accrual of discount less \$ 271 amortization of premium and less \$ 223,582 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(488)		(488)		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	220		220		
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(268)		(268)		

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)					

NONE **Exhibit of Nonadmitted Assets**

NOTES TO FINANCIAL STATEMENTS

Note 1- Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the New Hampshire Insurance Commissioner, the accompanying financial statements of Liberty Surplus Insurance Corporation (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. The Company does not own common stocks.
4. The Company does not own preferred stocks.
5. The Company does not own mortgage loans.
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 does not own any subsidiaries, controlled, or affiliated entities.
8. The Company does not own any joint ventures, partnerships, or limited liability companies.
9. Derivative Securities refer to Note 8.
10. Refer to Note 29.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2007.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

C. Impairment Loss

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

B. Impairments on joint ventures, partnerships and limited liability companies

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2007.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

A. The components of the net deferred tax assets 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	15,000	13,000	2,000
Total of deferred tax liabilities	(59,000)	(43,000)	(16,000)
Net deferred tax (liability) asset	(44,000)	(30,000)	(14,000)
Net deferred tax asset non-admitted	0	0	0
Net deferred tax liability	(44,000)	(30,000)	(14,000)

B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.

NOTES TO FINANCIAL STATEMENTS

C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2007	2006
Federal tax on operations	1,406,444	833,565
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	1,406,444	833,565
Tax on capital (losses) gains	(94)	(1,431)
Total income tax incurred	1,406,350	832,134

The Company's deferred tax assets and liabilities result primarily from the reversal of discount accretion on bonds.

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

	2007
Change in net deferred income tax (without unrealized gain or loss)	(14,000)
Tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	(14,000)

D. Effective tax rates approximate the current statutory rate of 35%.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$1,325,000 from the current year and \$786,000 from the preceding year.

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

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

Access Insurance Services, Co.	Liberty Mutual Group Inc.
Amcco 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

NOTES TO FINANCIAL STATEMENTS

Liberty Life Assurance Company of Boston
 Liberty Life Holdings, Inc.
 Liberty Lloyds of Texas Insurance Company
 Liberty Management Services, Inc.
 Liberty Mexico Holdings, Inc.
 Liberty Mutual Fire Insurance Company

Wausau Signature Agency, Inc.
 Wausau Business Insurance Company
 Wausau General Insurance Company
 Wausau Underwriters Insurance Company
 West American 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 Insurance Company ("LMIC") an insurance company incorporated in Massachusetts. The ultimate parent of LMIC is Liberty Mutual Holding Company, Inc., a Massachusetts company.
- B. All Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. There have been no material transactions with the Company's affiliates during 2007.
- D. At December 31, 2007, the Company reported \$8,225,463 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 25 for information regarding inter-company pooling arrangement

There is a "Service Agreement" between the Company and LMIC, under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company has an investment services agreement with LMIC.

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

- G. The Company is part of an insurance holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies.
- J. Impairment of subsidiaries
 Refer to 10 I
- K. Investment in foreign insurance subsidiaries.
 Refer to 10 I
- L. Investment in downstream noninsurance holding companies.
 Refer to 10 I

Note 11- Debt

- A. The Company has no capital notes.
- B. The Company has no outstanding borrowed money.

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

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the Management Services Agreements described in Note 10 F.

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

- 1. Common Stock

The Company has 20,000 shares authorized, and 12,000 shares issued and outstanding as of December 31, 2007. All shares have a stated par value of \$350.

- 2. Preferred Stock

Not applicable

NOTES TO FINANCIAL STATEMENTS

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of policyholders' surplus. The maximum dividend payout that may be made without prior approval in 2008 is \$6,801,106.

5. The Company does not have restricted unassigned surplus.

6. The Company had no advances to surplus.

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

8. The Company does not hold special surplus funds.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

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

Note 14- Contingencies

A. Contingent Commitments

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

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.

As a result of the Liberty Mutual Inter-Company Reinsurance Agreement (see Note 25), all guaranty fund and other assessments liabilities are ceded to Liberty Mutual Insurance Company.

C. Gain Contingencies

Not applicable

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

The company did not have claims related extra contractual obligation losses and bad faith losses stemming from lawsuits in the current period.

E. All other Contingencies

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

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

Note 15- Leases

A. The Company is not involved in material lease obligations.

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

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 16- Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

The Company is not exposed to financial instruments with off-balance sheet risk or with 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 during the year.

B. Transfers and servicing of financial assets:

The Company did not have any transfers and servicing of financial assets during the year.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$6,683,992 and \$6,653,674 as of December 31, 2007 and 2006, respectively, were on deposit with government authorities or trustees as required by law.

D. As a result of the Liberty Mutual Inter-Company Reinsurance Agreement with LMIC (see Note 25), the Company has no net exposure to uncollectible premium receivable balances.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. The Company does not have deposits admitted under section 6603 of the Internal Revenue Services Code.

G. Hybrid Securities

The Company does not hold hybrid securities.

H. Sub-Prime Lending

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

Note 21- Events Subsequent

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

NOTES TO FINANCIAL STATEMENTS

Note 22- Reinsurance

- A. Excluding amounts arising pursuant to the inter-company Reinsurance Agreement, as described in Note 25, the unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus are listed below.

NAIC Code	Federal ID #	Reinsurer	Net Recoverable 12/31/07
10227	13-4924125	Munich Reins America Inc	\$ 54,061,370.05
26921	22-2005057	Everest Reinsurance Company	53,463,473.41
25364	13-1675535	Swiss Rein America Corp	50,730,632.25
32603	47-0574325	Berkley Insurance Company	47,126,072.59
19453	13-5616275	Transatlantic Reinsurance Company	20,208,545.59
20583	13-1290712	XL Reinsurance America, Inc.	19,512,466.89
10348	06-1430254	Arch Reinsurance Company	8,999,227.49
42439	13-2918573	Toa Re Insurance Company of America	8,003,602.64
	AA-3194101	Everest Reinsurance (Bermuda), Ltd.	5,956,147.98
38636	13-3031176	Partner Reinsurance Co of the US	5,733,567.68
20281	13-1963496	Federal Insurance Company	5,640,022.27
23680	47-0698507	Odyssey America Reins Corp	5,007,918.54
	AA-3194126	Arch Reinsurance Ltd.	4,768,677.14
	AA-1340125	Hannover Ruckversicherungs - AG	4,243,516.77
39845	48-0921045	Employers Reinsurance Company	4,229,759.47
	AA-1120126	Alea Rhine UK	2,408,900.68

- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2007.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	25,593,323	3,493,074	85,195,031	11,597,818	(59,601,708)	(8,104,744)
All Other	22,951	4,466	58,437,358	8,929,448	(58,414,407)	(8,924,982)
Total	25,616,274	3,497,540	143,632,389	20,527,266	(118,016,115)	(17,029,726)

Direct Unearned Premium Reserve: \$118,016,115

1. Additional or return commission predicated on loss experience or other profit sharing arrangements in this annual statement as a result of existing contractual arrangements are accrued as follows:

Direct	\$589,106
Assumed	0
Ceded	(589,106)
Net	\$0

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.
- F. The Company has no retroactive reinsurance.
- G. There are no contracts recorded as deposit accounting.

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not have net accrued retrospective premiums.

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

As a result of the Liberty Mutual Inter-Company Reinsurance Agreement (see Note 25), the Company has no net exposure to changes in incurred losses and loss adjustment expenses.

Note 25- Inter-Company Pooling Arrangements

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

NOTES TO FINANCIAL STATEMENTS

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	75.9%	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 General Insurance Company (WGIC)	26425	0.00%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LM Ins Corp)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FLIC)	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
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (Lloyds)	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
	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 Agreement, 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 their 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 their 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 that 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.

NOTES TO FINANCIAL STATEMENTS

Note 26- Structured Settlements

- A. As a result of the Liberty Mutual Inter-Company Reinsurance Agreement (see Note 25), the Company has no net exposure to contingent liabilities from the purchase of annuities.
- B. Not applicable

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

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

Note 30- High Dollar Deductible Policies

As a result of the Liberty Mutual Inter-Company Reinsurance Agreement (see Note 25), the Company does not have any net high dollar deductible policy liabilities.

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

Not applicable

Note 32 - Asbestos/Environmental Reserves

As a result of the Liberty Mutual Inter-Company Reinsurance Agreement (see Note 25), the Company has no net exposure to asbestos and environmental claims.

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	7,931,979	11.145	7,931,979	11.145
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	6,634,008	9.322	6,634,008	9.322
1.22 Issued by U.S. government sponsored agencies	998,663	1.403	998,663	1.403
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC	19,977,117	28.070	19,977,117	28.070
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other	1,918,135	2.695	1,918,135	2.695
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	16,052,965	22.556	16,052,965	22.556
2.2 Unaffiliated foreign securities	3,058,986	4.298	3,058,986	4.298
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	4,533,029	6.369	4,533,029	6.369
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	39,995	0.056	39,995	0.056
8. Cash, cash equivalents and short-term investments	10,022,961	14.084	10,022,961	14.084
9. Other invested assets				
10. Total invested assets	71,167,838	100.000	71,167,838	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? NEW HAMPSHIRE

- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]

2.2 If yes, date of change: _____

- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004

- 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). 06/23/2006

3.4 By what department or departments? State of New Hampshire Insurance Department

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

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

10. 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? Roy K. Morell
 175 Berkeley Street, Boston, MA 02117
 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 [] No [X]
 11.11 Name of real estate holding company _____
 11.12 Number of parcels involved _____
 11.13 Total book/adjusted carrying value \$ _____

11.2 If yes, provide explanation _____

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

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

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

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

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

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

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

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

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

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

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

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

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

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

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

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|----------------------------|--|----|--|
| 19.21 Rented from others | | \$ | |
| 19.22 Borrowed from others | | \$ | |
| 19.23 Leased from others | | \$ | |
| 19.24 Other | | \$ | |
- 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 | | \$ | |
| 20.22 Amount paid as expenses | | \$ | |
| 20.23 Other amounts paid | | \$ | |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [] No [X]
- 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 | | \$ | 0 |
| 23.22 Subject to repurchase agreements | | \$ | 0 |
| 23.23 Subject to reverse repurchase agreements | | \$ | 0 |
| 23.24 Subject to dollar repurchase agreements | | \$ | 0 |
| 23.25 Subject to reverse dollar repurchase agreements | | \$ | 0 |
| 23.26 Pledged as collateral | | \$ | 0 |
| 23.27 Placed under option agreements | | \$ | 0 |
| 23.28 Letter stock or securities restricted as to sale | | \$ | 0 |
| 23.29 On deposit with state or other regulatory body | | \$ | 6,683,993 |
| 23.291 Other | | \$ | 0 |

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

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 [] No [X]

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

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

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
27.2999	Total	

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

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	71,127,843	71,130,928	3,085
28.2 Preferred stocks			
28.3 Totals	71,127,843	71,130,928	3,085

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

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

29.2 If no, list exceptions:

OTHER

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

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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

1 Name	2 Amount Paid
	\$
	\$
	\$

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

\$ _____ 0

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

1 Name	2 Amount Paid
	\$
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? YES [] NO [X]
 1.2 If yes, indicate premium earned on U. S. business only. \$ 0
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
 1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:
 Most current three years:
 1.61 Total premium earned \$ 0
 1.62 Total incurred claims \$ 0
 1.63 Number of covered lives \$ 0
 All years prior to most current three years:
 1.64 Total premium earned \$ 0
 1.65 Total incurred claims \$ 0
 1.66 Number of covered lives \$ 0

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

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 0	\$ 0
2.2 Premium Denominator	\$ 0	\$ 0
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 0	\$ 0
2.5 Reserve Denominator	\$ 325,931	\$ 60
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 [] NO [X]
 3.2 If yes, state the amount of calendar year premiums written on:
 3.21 Participating policies \$ 0
 3.22 Non-participating policies \$ 0

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: The Company does not write Workers Compensation.
- 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: All property locations are tracked by the Company. The World cat software is used to analyze exposure concentrations and model wind and terrorism aggregations and clash event scenarios. Open Energy Software models are used for offshore energy business to track platform aggregations and perform windstorm analysis.
- 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? The Company has purchased proportional and risk catastrophe excess of loss reinsurance to protect from concentrations of insured exposures. The catastrophe reinsurance purchased protects the company for at least a 1-in-100 year return period for wind exposures and 1-in-250 year return period for earthquake exposures.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 4
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;
 - (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 - (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 - (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.
- YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 - (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.
- YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 - (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 - (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 - (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?
- YES NO

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or, YES [] NO [X]
 - (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or, YES [] NO [X]
 - (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. YES [] 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 [] NO [X]
- 11.2 If yes, give full information
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | | | | |
|--|---|--|----|---|
| | 12.11 Unpaid losses | | \$ | 0 |
| | 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | | \$ | 0 |
- 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? \$ 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [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 [] NO [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | | | | |
|--|----------------------------------|--|----|---|
| | 12.61 Letters of Credit | | \$ | 0 |
| | 12.62 Collateral and other funds | | \$ | 0 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 48,000,000
- 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. 10
- 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 [X] NO []
- If yes, disclose the following information for each of the following types of warranty coverage:

	1	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned
16.11 Home	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.12 Products	\$ 62,385	\$ 62,385	\$ 453,401	\$ 2,567,691	\$ 168,607
16.13 Automobile	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.14 Other*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

YES [] NO [X]

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	\$	0
17.12	Unfunded portion of Interrogatory 17.11	\$	0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	0
17.14	Case reserves portion of Interrogatory 17.11	\$	0
17.15	Incurred but not reported portion of Interrogatory 17.11	\$	0
17.16	Unearned premium portion of Interrogatory 17.11	\$	0
17.17	Contingent commission portion of Interrogatory 17.11	\$	0

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

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

FIVE-YEAR HISTORICAL DATA

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

	1 2007	2 2006	3 2005	4 2004	5 2003
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	249,797,640	251,697,942	255,788,171	194,777,859	155,689,442
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,070,234	24,070		149,250	240,639
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	22,375,815	10,423,669	8,034,180	17,322,927	18,951,425
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	281,764	285,150	101,228	490,559	
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
6. Total (Line 34)	273,525,453	262,430,831	263,923,579	212,740,595	174,881,506
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
12. Total (Line 34)					
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)					
14. Net investment gain (loss) (Line 11)	3,868,423	2,283,518	2,466,404	2,521,504	2,178,248
15. Total other income (Line 15)	190,800	134,718	774,116	(271,040)	(114,534)
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	1,406,444	833,565	1,089,307	785,271	(54,719)
18. Net income (Line 20)	2,652,779	1,584,671	2,151,213	1,465,193	2,118,433
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	110,927,659	116,537,263	58,771,986	59,105,479	50,042,001
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	9,907,435				
20.2 Deferred and not yet due (Line 13.2)					
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	42,916,600	52,929,733	28,343,334	26,879,057	18,261,705
22. Losses (Page 3, Line 1)					
23. Loss adjustment expenses (Page 3, Line 3)					
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
26. Surplus as regards policyholders (Page 3, Line 35)	68,011,059	63,607,530	30,428,652	32,226,422	31,780,296
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(24,830,786)	29,069,789	(76,423)	(1,181,973)	(14,043,702)
Risk-Based Capital Analysis					
28. Total adjusted capital	68,011,059	63,607,530	30,428,652	32,226,422	31,780,296
29. Authorized control level risk-based capital	15,920,410	17,078,525	13,869,432	10,543,171	6,002,016
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	79.5	68.9	82.4	96.7	98.8
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	20.5	31.1	17.6	3.3	1.2
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)	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
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45					
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)					

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)					
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	4,403,529	33,178,878	(1,797,770)	446,126	8,337,999
Gross Losses Paid (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)	62,421,073	32,901,921	52,949,731	16,187,850	4,388,544
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,861	(2,499)			
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,436,048	7,210,975	7,759,248	5,220,776	7,556,787
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
56. Total (Line 34)	64,858,982	40,110,397	60,708,979	21,408,626	11,945,331
Net Losses Paid (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)					
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)					
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)					
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)					
62. Total (Line 34)					
Operating Percentages (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)					
65. Loss expenses incurred (Line 3)					
66. Other underwriting expenses incurred (Line 4)					
67. Net underwriting gain (loss) (Line 8)					
Other Percentages					
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)					
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)					
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)					
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)					
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)					
Two Year Loss Development (000 omitted)					
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)					
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)					

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

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	15,564,650	15,752,945	15,527,739	15,624,620
	2. Canada				
	3. Other Countries				
	4. Totals	15,564,650	15,752,945	15,527,739	15,624,620
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	19,977,117	20,093,669	19,976,722	20,019,267
	14. Canada				
	15. Other Countries				
	16. Totals	19,977,117	20,093,669	19,976,722	20,019,267
Public Utilities (unaffiliated)	17. United States	2,042,618	1,957,900	2,076,440	2,000,000
	18. Canada				
	19. Other Countries	1,066,168	1,070,350	1,066,230	1,000,000
	20. Totals	3,108,786	3,028,250	3,142,670	3,000,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	15,928,482	15,803,484	15,902,955	15,985,277
	22. Canada				
	23. Other Countries	1,992,818	1,896,590	1,990,650	2,000,000
	24. Totals	17,921,300	17,700,074	17,893,605	17,985,277
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	56,571,853	56,574,938	56,540,736	56,629,164
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	56,571,853	56,574,938	56,540,736	

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	<u>44,377,067</u>	7. Amortization of premium	<u>33,027</u>
2. Cost of bonds and stocks acquired, Column 7, Part 3	<u>32,850,009</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount	<u>93,461</u>	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2		9. Book/adjusted carrying value at end of current period	<u>56,571,853</u>
4.4 Column 11 - 13, Part 4		10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	<u>(488)</u>	11. Subtotal (Lines 9 plus 10)	<u>56,571,853</u>
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	<u>20,715,169</u>	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	<u>56,571,853</u>

NONE **Schedule P - Part 1 - Summary**

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

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

States, Etc.	1 Is Insurer Licen- sed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	NO	4,025,981	3,892,643	42,674	1,997,802	5,249,833		
2. Alaska	AK	NO	847,946	828,462		447,277	1,271,262		
3. Arizona	AZ	NO	2,287,765	2,929,333	13,784	449,574	5,975,567		
4. Arkansas	AR	NO	684,972	743,414	348,708	1,028,390	2,449,672		
5. California	CA	NO	82,911,331	85,137,671	23,771,436	38,647,614	128,767,144		
6. Colorado	CO	NO	2,291,114	2,488,602	461,971	47,103	4,280,247		
7. Connecticut	CT	NO	2,261,487	2,508,288	94,250	1,323,502	3,623,741		
8. Delaware	DE	NO	823,084	562,109	(10,000)	273,189	695,537		
9. Dist. Columbia	DC	NO	1,194,721	1,046,054		(4,499,512)	2,013,075		
10. Florida	FL	NO	11,477,615	12,936,029	4,407,850	8,440,094	15,972,847		
11. Georgia	GA	NO	6,805,463	6,688,863	658,257	2,500,810	9,627,331		
12. Hawaii	HI	NO	1,840,922	1,053,635	(5,000)	465,243	1,682,885		
13. Idaho	ID	NO	370,657	408,663	243,817	418,806	902,196		
14. Illinois	IL	NO	6,142,748	6,202,222	2,215,940	947,805	14,509,045		
15. Indiana	IN	NO	3,706,301	3,963,197	154,041	1,731,313	6,544,806		
16. Iowa	IA	NO	460,633	452,831	3,000	182,183	430,351		
17. Kansas	KS	NO	3,796,153	2,197,822	10,151,250	24,009,335	17,169,233		
18. Kentucky	KY	NO	1,154,497	1,147,169	391,507	590,736	1,941,378		
19. Louisiana	LA	NO	2,726,780	2,502,172	490,026	(7,479,307)	3,039,410		
20. Maine	ME	NO	997,674	1,077,480	413,372	664,247	1,435,057		
21. Maryland	MD	NO	4,437,314	2,761,766	116,059	1,198,732	2,715,026		
22. Massachusetts	MA	NO	5,414,355	5,580,669	2,288,271	2,608,148	13,833,360		
23. Michigan	MI	NO	2,780,512	2,258,826	604,451	1,392,098	3,627,220		
24. Minnesota	MN	NO	961,479	1,081,294	47,794	(110,236)	2,296,037		
25. Mississippi	MS	NO	881,619	936,887	246,738	(147,109)	1,719,202		
26. Missouri	MO	NO	3,143,476	3,767,840	184,227	2,449,107	6,690,293		
27. Montana	MT	NO	155,814	102,637	(2,500)	30,682	117,480		
28. Nebraska	NE	NO	119,214	249,936	13,497	325,150	505,191		
29. Nevada	NV	NO	2,754,172	3,025,102	230,219	2,484,073	7,010,294		
30. New Hampshire	NH	YES				(114)	(600)		
31. New Jersey	NJ	NO	6,560,366	7,562,516	3,908,444	2,484,792	19,129,872		
32. New Mexico	NM	NO	264,652	255,546	5,059	147,176	279,394		
33. New York	NY	NO	12,681,762	12,426,681	4,878,475	4,519,832	30,896,694		
34. No. Carolina	NC	NO	1,713,019	1,798,379	227,455	689,652	2,512,695		
35. No. Dakota	ND	NO	227,955	338,930		338,295	427,329		
36. Ohio	OH	NO	2,803,821	3,665,314	1,174,679	1,404,265	8,398,503		
37. Oklahoma	OK	NO	1,598,857	1,680,243		1,050,700	3,071,587		
38. Oregon	OR	NO	1,638,336	2,089,133	101,681	533,381	4,395,590		
39. Pennsylvania	PA	NO	9,842,670	10,797,998	1,143,639	4,394,336	19,534,842		
40. Rhode Island	RI	NO	437,898	475,790	(6,500)	179,210	679,621		
41. So. Carolina	SC	NO	1,189,149	1,169,799	201,045	727,567	2,341,632		
42. So. Dakota	SD	NO	1,112,246	663,072	(2,123)	508,878	552,551		
43. Tennessee	TN	NO	2,734,423	2,816,908	650,244	649,965	4,869,747		
44. Texas	TX	NO	14,026,084	14,436,383	3,482,477	6,448,455	29,142,825		
45. Utah	UT	NO	974,710	945,771	95,950	451,601	3,880,196		
46. Vermont	VT	NO	638,597	691,521	(379)	301,529	1,554,071		
47. Virginia	VA	NO	3,387,110	3,179,466	129,722	1,251,925	3,841,942		
48. Washington	WA	NO	9,570,218	9,727,653	44,914	3,470,409	12,270,292		
49. West Virginia	WV	NO	216,540	234,736	(20,086)	38,549	410,846		
50. Wisconsin	WI	NO	2,437,234	2,014,347	1,151,287	1,947,372	4,103,400		
51. Wyoming	WY	NO	182,808	178,899		232,367	200,422		
52. American Samoa	AS	NO							
53. Guam	GU	NO	32,000	46,951			29,945		
54. Puerto Rico	PR	NO	56,961	81,507		(10,841)	490,184		
55. U.S. Virgin Islands	VI	NO	2,305,997	2,337,695		1,468,954	958,520		
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO				(13,287)	23,774		
58. Aggregate other alien	OT	X X X	83,044	197,433		5,217	23,751,058		
59. Totals	(a)	1	234,172,256	238,344,287	64,741,622	115,537,034	443,841,652		

DETAILS OF WRITE-INS									
5801. Other alien	X X X		83,044	197,433		5,217	23,751,058		
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		83,044	197,433		5,217	23,751,058		

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

