

**ANNUAL STATEMENT**

**OF THE**

**LM INSURANCE CORPORATION**

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**of** **HOFFMAN ESTATES**

**in the state of** **ILLINOIS**

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**TO THE**

**Insurance Department**

**OF THE**

**ILLINOIS**

**FOR THE YEAR ENDED**

**December 31, 2009**

**PROPERTY AND CASUALTY**

**2009**

# ANNUAL STATEMENT



33600200920100100

For the Year Ended December 31, 2009  
OF THE CONDITION AND AFFAIRS OF THE

## LM Insurance Corporation

NAIC Group Code 0111 0111 NAIC Company Code 33600 Employer's ID Number 04-3058504  
(Current Period) (Prior Period)

Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois

Country of Domicile United States of America

Incorporated/Organized: June 16, 1989 Commenced Business: June 22, 1989

Statutory Home Office: 2815 Forbs Avenue, Suite 200, Hoffman Estates, IL 60192  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office: 175 Berkeley Street  
(Street and Number)

Boston, MA 02116 617-357-9500  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address: 175 Berkeley Street, Boston, MA 02116  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02116 617-357-9500  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address: www.LibertyMutualGroup.com

Statutory Statement Contact: Joanne Connolly 617-357-9500 x44393  
(Name) (Area Code) (Telephone Number) (Extension)  
Statutory.Compliance@LibertyMutual.com 617-574-5955  
(E-Mail Address) (Fax Number)

### OFFICERS

	Name	Title
1.	<u>Edmund Francis Kelly</u>	<u>Chairman of the Board, President &amp; CEO</u>
2.	<u>Dexter Robert Legg</u>	<u>Vice President &amp; Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President &amp; Treasurer</u>

### VICE-PRESIDENTS

Name	Title	Name	Title
<u>James Paul Condrin, III</u>	<u>Vice President</u>	<u>Anthony Alexander Fontanes</u>	<u>Vice President &amp; Assistant Treasurer</u>
<u>Timothy Michael Sweeney #</u>	<u>Vice President</u>	<u>Dennis James Langwell</u>	<u>Vice President &amp; CFO</u>
<u>Christopher Charles Mansfield</u>	<u>Vice President &amp; Assistant Secretary</u>	<u>Gary Jay Ostrow</u>	<u>Vice President</u>
<u>John Derek Doyle</u>	<u>Vice President &amp; Comptroller</u>		

### DIRECTORS OR TRUSTEES

<u>James Paul Condrin, III</u>	<u>Dennis James Langwell</u>	<u>Dexter Robert Legg</u>	<u>Anthony Alexander Fontanes</u>
<u>Timothy Michael Sweeney #</u>	<u>Edmund Francis Kelly</u>	<u>Christopher Charles Mansfield</u>	<u>Mary Ann Thaman #</u>
<u>Stephen Douglas Hylka #</u>	<u>Deborah Lucille Michel #</u>		

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.

<u>(Signature)</u> <u>Edmund Francis Kelly</u> <u>(Printed Name)</u> 1. <u>Chairman of the Board, President &amp; CEO</u> <u>(Title)</u>	<u>(Signature)</u> <u>Dexter Robert Legg</u> <u>(Printed Name)</u> 2. <u>Vice President &amp; Secretary</u> <u>(Title)</u>	<u>(Signature)</u> <u>Laurance Henry Soyer Yahia</u> <u>(Printed Name)</u> 3. <u>Vice President &amp; Treasurer</u> <u>(Title)</u>
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Subscribed and sworn to (or affirmed) before me on this  
1st day of February, 2010, by

a. Is this an original filing?  Yes  No  
b. If no: 1. State the amendment number .....  
2. Date filed .....  
3. Number of pages attached .....

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	58,551,514		58,551,514	52,912,785
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				634,490
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 (\$ 1,982,729, Schedule E - Part 1), cash equivalents (\$ 770,867, Schedule E - Part 2), and short-term investments (\$ 1,553,012, Schedule DA)	4,306,608		4,306,608	8,191,606
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	62,858,122		62,858,122	61,738,881
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	507,142		507,142	532,110
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	2,414,718	39,286	2,375,432	2,491,760
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	5,630,631		5,630,631	4,853,429
13.3 Accrued retrospective premiums	977,188	97,719	879,469	958,351
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	56	30	26	462
16.1 Current federal and foreign income tax recoverable and interest thereon	838,612		838,612	11,011
16.2 Net deferred tax asset	2,233,330	509,280	1,724,050	1,526,402
17. Guaranty funds receivable or on deposit	88,663		88,663	85,795
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				
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	1,644,575	46,436	1,598,139	1,663,598
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	77,193,037	692,751	76,500,286	73,861,799
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	77,193,037	692,751	76,500,286	73,861,799

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Cash Surrender Value - Life Insurance	1,022,092		1,022,092	918,660
2302. Amounts receivable under high deductible policies	459,518	307	459,211	435,176
2303. Other assets	89,539	46,129	43,410	214,789
2398. Summary of remaining write-ins for Line 23 from overflow page	73,426		73,426	94,973
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,644,575	46,436	1,598,139	1,663,598

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	33,548,528	33,213,901
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	1,504,175	1,648,840
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	6,787,251	6,499,277
4. Commissions payable, contingent commissions and other similar charges	319,793	253,185
5. Other expenses (excluding taxes, licenses and fees)	619,343	846,824
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	448,556	676,742
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 101,450,130 and including warranty reserves of \$ 0)	8,781,447	8,748,669
10. Advance premium	117,034	158,136
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	4,802	2,996
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others	288,699	127,453
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	784,075	772,017
19. Payable to parent, subsidiaries and affiliates	613,063	320,065
20. Payable for securities	98	
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	1,188,412	213,007
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	55,005,276	53,481,112
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	55,005,276	53,481,112
27. Aggregate write-ins for special surplus funds	3,000,689	2,524,168
28. Common capital stock	3,600,000	3,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	7,400,000	7,400,000
33. Unassigned funds (surplus)	7,494,321	6,856,519
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)	21,495,010	20,380,687
36. Totals (Page 2, Line 26, Col. 3)	76,500,286	73,861,799

DETAILS OF WRITE-IN LINES		
2301. Collateral held for securities loaned	2,794,935	2,088,697
2302. Amounts held under uninsured plans	1,737,691	1,533,589
2303. Other liabilities	976,387	1,024,383
2398. Summary of remaining write-ins for Line 23 from overflow page	(4,320,601)	(4,433,662)
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,188,412	213,007
2701. Special surplus from retroactive reinsurance	2,580,591	2,524,168
2702. SSAP 10R incremental change	420,098	
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	3,000,689	2,524,168
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
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	19,919,095	22,221,115
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	13,110,212	15,057,751
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	3,880,973	3,507,802
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	5,129,647	4,918,054
5. Aggregate write-ins for underwriting deductions	1,876	
6. Total underwriting deductions (Lines 2 through 5)	22,122,708	23,483,607
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(2,203,613)	(1,262,492)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	2,742,082	2,979,557
10. Net realized capital gains (losses) less capital gains tax of \$ 16,993 (Exhibit of Capital Gains (Losses))	31,558	(299,140)
11. Net investment gain (loss) (Lines 9 + 10)	2,773,640	2,680,417
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 6,271 amount charged off \$ 163,399)	(157,128)	(178,343)
13. Finance and service charges not included in premiums	99,333	110,941
14. Aggregate write-ins for miscellaneous income	(278,569)	(179,830)
15. Total other income (Lines 12 through 14)	(336,364)	(247,232)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	233,663	1,170,693
17. Dividends to policyholders	46,277	53,581
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)	187,386	1,117,112
19. Federal and foreign income taxes incurred	(423,593)	452,975
20. Net income (Line 18 minus Line 19) (to Line 22)	610,979	664,137
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	20,380,687	19,728,055
22. Net income (from Line 20)	610,979	664,137
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 74,065	137,549	(129,895)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(849,605)	68,057
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	742,965	96,335
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	472,435	(46,002)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	1,114,323	652,632
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	21,495,010	20,380,687

<b>DETAILS OF WRITE-IN LINES</b>		
0501. Private Passenger Auto Escrow	1,876	
0502.		
0503.		
0598. Summary of remaining write-ins for Line 05 from overflow page		
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	1,876	
1401. Retroactive reinsurance gain/(loss)	62,298	24,280
1402. Other income/(expense)	(340,867)	(204,110)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(278,569)	(179,830)
3701. SSAP 10R incremental change	420,098	
3702. Other changes in surplus	52,337	(46,002)
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	472,435	(46,002)

## CASH FLOW

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	19,325,731	21,759,377
2. Net investment income	2,800,210	3,053,563
3. Miscellaneous income	72,533	(393,094)
4. Total (Lines 1 through 3)	22,198,474	24,419,846
5. Benefit and loss related payments	13,037,043	14,566,357
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	9,144,383	8,841,785
8. Dividends paid to policyholders	44,470	84,321
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	421,001	450,013
10. Total (Lines 5 through 9)	22,646,897	23,942,476
11. Net cash from operations (Line 4 minus Line 10)	(448,423)	477,370
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	13,693,413	15,228,755
12.2 Stocks	800,258	
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		6,238
12.8 Total investment proceeds (Lines 12.1 to 12.7)	14,493,671	15,234,993
13. Cost of investments acquired (long-term only):		
13.1 Bonds	19,232,533	12,967,976
13.2 Stocks	38,373	59,764
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	(98)	
13.7 Total investments acquired (Lines 13.1 to 13.6)	19,270,808	13,027,740
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(4,777,137)	2,207,253
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	1,340,563	2,549,207
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	1,340,563	2,549,207
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(3,884,997)	5,233,830
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	8,191,606	2,957,776
19.2 End of year (Line 18 plus Line 19.1)	4,306,609	8,191,606

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

20.0001		
20.0002		
20.0003		

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	439,610	268,539	242,726	465,423
2. Allied lines	253,487	126,380	122,315	257,552
3. Farmowners multiple peril	75			75
4. Homeowners multiple peril	2,380,829	1,311,660	1,477,807	2,214,682
5. Commercial multiple peril	266,977	249,450	226,993	289,434
6. Mortgage guaranty				
8. Ocean marine	95,440	32,616	38,405	89,651
9. Inland marine	1,356,018	80,881	73,038	1,363,861
10. Financial guaranty				
11.1 Medical professional liability—occurrence				
11.2 Medical professional liability—claims-made	4,970	670	862	4,778
12. Earthquake	74,851	40,940	33,151	82,640
13. Group accident and health	7			7
14. Credit accident and health (group and individual)				
15. Other accident and health	96	1	1	96
16. Workers' compensation	5,288,874	132,608	107,232	5,314,250
17.1 Other liability—occurrence	1,080,735	577,470	499,680	1,158,525
17.2 Other liability—claims-made	506,084	292,443	313,639	484,888
17.3 Excess Workers' Compensation	175,304	65,950	65,035	176,219
18.1 Products liability—occurrence	218,757	122,921	103,508	238,170
18.2 Products liability—claims-made	18,707	4,032	3,320	19,419
19.1,19.2 Private passenger auto liability	4,743,659	2,301,296	2,410,863	4,634,092
19.3,19.4 Commercial auto liability	743,074	323,381	283,739	782,716
21. Auto physical damage	1,671,650	1,647,636	1,696,406	1,622,880
22. Aircraft (all perils)	138,873	40,115	39,973	139,015
23. Fidelity	25,915	8,479	12,133	22,261
24. Surety	1,516	2	1,196	322
26. Burglary and theft	1,007	611	429	1,189
27. Boiler and machinery	4,691	2,178	2,269	4,600
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	309,077	28,990	19,151	318,916
32. Reinsurance-Nonproportional Assumed Liability	194,889	24,586	30,387	189,088
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	19,995,172	7,683,835	7,804,258	19,874,749

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	235,077	7,649			242,726
2. Allied lines	117,815	4,500			122,315
3. Farmowners multiple peril					
4. Homeowners multiple peril	1,477,807				1,477,807
5. Commercial multiple peril	158,470	68,523			226,993
6. Mortgage guaranty					
8. Ocean marine	27,126	11,279			38,405
9. Inland marine	70,569	2,469			73,038
10. Financial guaranty					
11.1 Medical professional liability—occurrence					
11.2 Medical professional liability—claims-made	862				862
12. Earthquake	32,640	511			33,151
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	1				1
16. Workers' compensation	874,099	111,844		(878,711)	107,232
17.1 Other liability—occurrence	423,468	116,154		(39,941)	499,681
17.2 Other liability—claims-made	206,679	106,960			313,639
17.3 Excess Workers' Compensation	56,791	8,244			65,035
18.1 Products liability—occurrence	78,805	41,676		(16,974)	103,507
18.2 Products liability—claims-made	3,320				3,320
19.1,19.2 Private passenger auto liability	2,410,863				2,410,863
19.3,19.4 Commercial auto liability	315,177	10,124		(41,562)	283,739
21. Auto physical damage	1,694,816	1,591			1,696,407
22. Aircraft (all perils)	39,973				39,973
23. Fidelity	11,770	362			12,132
24. Surety	539	657			1,196
26. Burglary and theft	428	1			429
27. Boiler and machinery	2,225	45			2,270
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property	19,151				19,151
32. Reinsurance-Nonproportional Assumed Liability	29,782	605			30,387
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	8,288,253	493,194		(977,188)	7,804,259
36. Accrued retrospective premiums based on experience					977,188
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					8,781,447

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	27,191	439,610		27,191		439,610
2. Allied lines	30,145	253,487		30,145		253,487
3. Farmowners multiple peril		75				75
4. Homeowners multiple peril	18,938,250	2,380,829		18,938,250		2,380,829
5. Commercial multiple peril	1,836,044	266,977		1,836,044		266,977
6. Mortgage guaranty						
8. Ocean marine		95,440				95,440
9. Inland marine	1,392,452	1,356,018		1,392,452		1,356,018
10. Financial guaranty						
11.1 Medical professional liability--occurrence						
11.2 Medical professional liability--claims-made		4,970				4,970
12. Earthquake	67,824	74,851		67,824		74,851
13. Group accident and health		7				7
14. Credit accident and health (group and individual)						
15. Other accident and health		96				96
16. Workers' compensation	271,008,198	5,288,874		271,008,198		5,288,874
17.1 Other liability—occurrence	4,976,365	1,080,735		4,976,365		1,080,735
17.2 Other liability—claims-made		506,084				506,084
17.3 Excess Workers' Compensation	18,797,207	175,304		18,797,207		175,304
18.1 Products liability—occurrence	2,833,905	218,757		2,833,905		218,757
18.2 Products liability—claims-made		18,707				18,707
19.1,19.2 Private passenger auto liability	12,251,474	4,743,659		12,251,474		4,743,659
19.3,19.4 Commercial auto liability	9,371,585	743,074		9,371,585		743,074
21. Auto physical damage	10,789,148	1,671,650		10,789,148		1,671,650
22. Aircraft (all perils)		138,873				138,873
23. Fidelity	90,186	25,915		90,186		25,915
24. Surety	32,220	1,516		32,220		1,516
26. Burglary and theft	43,726	1,007		43,726		1,007
27. Boiler and machinery		4,691				4,691
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X	309,077				309,077
32. Reinsurance-Nonproportional Assumed Liability	X X X	194,889				194,889
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	352,485,920	19,995,172		352,485,920		19,995,172

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

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

If yes: 1. The amount of such installment premiums \$ 297,390,803

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 291,752,616



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net 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		218,758		218,758	1,376	89,986	1,376	308,744	21,498
2. Allied lines		27,514		27,514	34,837	29,112	34,837	56,626	9,865
3. Farmowners multiple peril									
4. Homeowners multiple peril	982,639	420,738	982,639	420,738	660,264	291,268	660,264	712,006	211,032
5. Commercial multiple peril	421,721	422,570	421,721	422,570	1,435,419	227,877	1,435,419	650,447	215,558
6. Mortgage guaranty									
8. Ocean marine		83,315		83,315		42,779		126,094	20,957
9. Inland marine	5,001	53,716	5,001	53,716	615,069	160,284	615,069	214,000	22,813
10. Financial guaranty									
11.1 Medical professional liability—occurrence		242		242		948		1,190	34
11.2 Medical professional liability—claims-made		26		26		4,402		4,428	89
12. Earthquake		348		348	8	281	8	629	29
13. Group accident and health		4,863		4,863		116		(a) 4,979	440
14. Credit accident and health (group and individual)									
15. Other accident and health		369		369		3,694		(a) 4,063	200
16. Workers' compensation	354,299,963	10,526,833	354,299,963	10,526,833	599,788,908	8,375,396	599,788,908	18,902,229	2,481,103
17.1 Other liability—occurrence	3,912,630	1,328,682	3,912,630	1,328,682	3,402,108	2,330,428	3,402,108	3,659,110	1,706,570
17.2 Other liability—claims-made		214,264		214,264		615,377		829,641	307,954
17.3 Excess Workers' Compensation	1,790,684	238,184	1,790,684	238,184	29,977,319	455,132	29,977,319	693,316	52,746
18.1 Products liability—occurrence	974,898	169,663	974,898	169,663	3,085,965	882,008	3,085,965	1,051,671	513,229
18.2 Products liability—claims-made		100		100		39,518		39,618	23,175
19.1,19.2 Private passenger auto liability	2,025,265	2,390,711	2,025,265	2,390,711	1,193,067	1,488,148	1,193,067	3,878,859	773,040
19.3,19.4 Commercial auto liability	7,521,908	663,521	7,521,908	663,521	4,708,865	521,066	4,708,865	1,184,587	201,618
21. Auto physical damage		2,924		2,924	(4,994)	(12,884)	(4,994)	(9,960)	111,834
22. Aircraft (all perils)		107,018		107,018		84,396		191,414	48,967
23. Fidelity	9,110	3,092	9,110	3,092	13,246	29,442	13,246	32,534	6,298
24. Surety	1	1,162	1	1,162	24,852	2,320	24,852	3,482	(134)
26. Burglary and theft		21		21	32,735	429	32,735	450	2,501
27. Boiler and machinery		10		10	10,806	1,001	10,806	1,011	154
28. Credit									
29. International									
30. Warranty						27		27	
31. Reinsurance-Nonproportional Assumed Property	X X X	105,653		105,653	X X X	95,923		201,576	5,625
32. Reinsurance-Nonproportional Assumed Liability	X X X	266,676		266,676	X X X	529,909		796,585	49,932
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	8,944		8,944	X X X	228		9,172	124
34. Aggregate write-ins for other lines of business									
35. TOTALS	371,943,820	17,259,917	371,943,820	17,259,917	644,979,850	16,288,611	644,979,850	33,548,528	6,787,251

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct	29,885,754			29,885,754
1.2 Reinsurance assumed	2,119,048			2,119,048
1.3 Reinsurance ceded	29,885,754			29,885,754
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	2,119,048			2,119,048
2. Commission and brokerage:				
2.1 Direct, excluding contingent		10,662,941		10,662,941
2.2 Reinsurance assumed, excluding contingent		(780,234)		(780,234)
2.3 Reinsurance ceded, excluding contingent		10,662,941		10,662,941
2.4 Contingent—direct		793,096		793,096
2.5 Contingent—reinsurance assumed		269,682		269,682
2.6 Contingent—reinsurance ceded		793,096		793,096
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)		(510,552)		(510,552)
3. Allowances to manager and agents		220,785		220,785
4. Advertising	29,867	377,840	74	407,781
5. Boards, bureaus and associations	5,508	46,599	2	52,109
6. Surveys and underwriting reports	374	62,105	77	62,556
7. Audit of assureds' records		(33)		(33)
8. Salary and related items:				
8.1 Salaries	993,496	2,174,258	13,953	3,181,707
8.2 Payroll taxes	59,859	151,962	798	212,619
9. Employee relations and welfare	207,993	544,884	774	753,651
10. Insurance	63,340	13,492	162	76,994
11. Directors' fees		728		728
12. Travel and travel items	58,881	162,724	255	221,860
13. Rent and rent items	81,631	217,666	253	299,550
14. Equipment	64,803	180,711	224	245,738
15. Cost or depreciation of EDP equipment and software	12,927	94,252	115	107,294
16. Printing and stationery	9,970	39,134	37	49,141
17. Postage, telephone and telegraph, exchange and express	38,318	133,833	459	172,610
18. Legal and auditing	10,505	40,335	461	51,301
19. Totals (Lines 3 to 18)	1,637,472	4,461,275	17,644	6,116,391
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 15,968		772,669		772,669
20.2 Insurance department licenses and fees		38,058		38,058
20.3 Gross guaranty association assessments		(7,466)		(7,466)
20.4 All other (excluding federal and foreign income and real estate)		7,436		7,436
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		810,697		810,697
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	124,455	368,227	2,503	495,185
25. Total expenses incurred	3,880,975	5,129,647	20,147	(a) 9,030,769
26. Less unpaid expenses—current year	6,787,251	1,387,692		8,174,943
27. Add unpaid expenses—prior year	6,499,277	1,776,752		8,276,029
28. Amounts receivable relating to uninsured plans, prior year		462		462
29. Amounts receivable relating to uninsured plans, current year		26		26
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	3,593,001	5,518,271	20,147	9,131,419

DETAILS OF WRITE-IN LINES				
2401. Other expenses	47,473	368,227	2,503	418,203
2402. Change in unallocated expense reserves	76,982			76,982
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	124,455	368,227	2,503	495,185

(a) Includes management fees of \$ 20,147 to affiliates and \$ 265,352 to non-affiliates.

### EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 765,962	787,133
1.1 Bonds exempt from U.S. tax	(a) 14,960	59,413
1.2 Other bonds (unaffiliated)	(a) 1,900,655	1,825,090
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	38,372	33,100
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) 56,817	47,062
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	10,429	10,429
10. Total gross investment income	2,787,195	2,762,227
11. Investment expenses		(g) 20,145
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)		20,145
17. Net investment income (Line 10 minus Line 16)		2,742,082

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	10,429	10,429
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)	10,429	10,429
1501.	<b>NONE</b>	
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 \$ 41,549 accrual of discount less \$ 74,710 amortization of premium and less \$ 40,189 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 \$ 18,136 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	202,765	(69,995)	132,770		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	5,901	(90,121)	(84,220)	211,614	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	208,666	(160,116)	48,550	211,614	

DETAILS OF WRITE-IN LINES					
0901.	<b>NONE</b>				
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	39,286	39,953	667
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums	97,719	106,483	8,764
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans	30	7	(23)
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	509,280	1,630,598	1,121,318
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	46,436	75,944	29,508
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	692,751	1,852,985	1,160,234
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	692,751	1,852,985	1,160,234

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	46,129	46,598	469
2302. Amounts receivable under high deductible policies	307	29,346	29,039
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	46,436	75,944	29,508

## 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 Illinois Insurance Commissioner, the accompanying financial statements of LM 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 fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or 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 fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled or affiliated entities.
8. The Company does not own any joint ventures, partnerships, and limited liability companies.
9. Derivative Securities refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2009.
13. The Company has no pharmaceutical rebate receivables.

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

Effective December 31, 2009, the Company elected to admit Deferred Tax Assets (DTA's) pursuant to SSAP No. 10R, *Income Taxes-Revised*, a temporary replacement of SSAP No. 10. The change in DTA's resulting from adopting SSAP No. 10R, is disclosed as an aggregate write-in for gains and losses in surplus under the caption SSAP 10R incremental change. (Refer to Note 9.A)

### **Note 3- Business Combinations and Goodwill**

#### A. Statutory Purchase Method

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

## NOTES TO FINANCIAL STATEMENTS

### B. Statutory Mergers

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

### C. Impairment Loss

Not applicable

### **Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

### **Note 5- Investments**

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

The Company does not invest in mortgage loans.

#### B. Troubled Debt Restructuring for Creditors

Not applicable

#### C. Reverse Mortgages

The Company has no reverse mortgages.

#### D. Loan-Backed Securities

1. Not used.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. Not used.
4. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009: None.
5. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2009: None.
6. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2009:

	1	2
	Less Than 12 Months	Greater Than 12 Months
Gross Unrealized Loss	(30,589)	0

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

8. Not used.

#### E. Repurchase Agreements

1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.
  - a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.
  - b) The Company has not pledged any of its assets as collateral.
3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:



## NOTES TO FINANCIAL STATEMENTS

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	837,251	885,349	726,907	345,429	2,794,935

4. Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short-term securities. The Company does not reinvest securities received as collateral.

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 that exceed 10% of its admitted assets.

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

Not applicable

**Note 7- Investment Income**

- A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

- B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2009.

**Note 8- Derivative Instruments**

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

**Note 9 - Income Taxes**

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

	December 31, 2009			December 31, 2008	Change
	Ordinary	Capital	Total	Total	
Total gross DTAs	2,418,510	124,600	2,543,110	3,409,000	(865,890)
Total gross DTLs	(309,780)	0	(309,780)	(252,000)	(57,780)
Net DTA (DTL)	2,108,730	124,600	2,233,330	3,157,000	(923,670)
Net DTA non-admitted			(509,280)	(1,631,000)	1,121,720
Net Admitted DTA (DTL)			1,724,050	1,526,000	198,050

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10(e). The current period election was not available at December 31, 2008. A statutory valuation allowance adjustment, as described in SSAP No. 10R, paragraph 6e, is not required. Accordingly, total adjusted gross DTAs equal total gross DTAs.

The increased amount, by tax character, of net admitted DTAs resulting from paragraph 10(e):

Ordinary	420,098
Capital	0
Total increase in net admitted DTAs	420,098

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

	December 31, 2009			December 31, 2008
	Ordinary	Capital	Total	Total
Recoverable through loss carrybacks (10a.)	199,000	5,000	204,000	858,000
Lesser of:				
Expected to be recognized within one year (10bi.)	980,352	119,600	1,099,952	668,000
10% of adjusted capital and surplus (10bii.)	0	0	1,897,218	1,845,000
Adj. gross DTAs offset against existing DTLs (10c.)	309,780		309,780	252,000

## NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2009		
	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	199,000	5,000	204,000
Lesser of:			
Expected to be recognized within three years (10eii.)	1,400,450	119,600	1,520,050
15% of adjusted capital and surplus (10eib.)	0	0	2,845,827
Adj. gross DTAs offset against existing DTLs (10eiii.)	309,780		309,780

Risk-based capital level used in paragraph 10d:	December 31, 2009
Total adjusted capital	21,074,912
Authorized control level	2,958,135

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

	December 31, 2009
Admitted DTA	1,303,952
Admitted assets	76,080,188
Statutory surplus	21,074,912
Total adjust capital	21,074,912

Admitted DTAs, admitted assets and statutory surplus increased by \$420,098 resulting from the use of paragraph

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

	2009	2008
Federal	(423,593)	452,975
Foreign		
Realized capital gains	16,993	(161,075)
Federal and foreign income taxes incurred	(406,600)	291,900

The Company's deferred tax assets and liabilities result primarily from capital loss limitation, unearned premiums, depreciation, and discounting of unpaid losses and LAE reserves.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(849,605)
Change in tax effect of unrealized (gains) losses	(74,065)
Total change in net deferred income tax	(923,670)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of intercompany eliminations, tax exempt interest, capital loss limitation, limits on unearned premium reserve deductions, the discounting of unpaid losses and LAE reserves and depreciation.
- E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses are none from the current year and \$213,850 from the preceding year.

At December 31, 2009, the Company did not have any unused net operating loss carryforwards available to offset against future net income.

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

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

Access Insurance Services, Co.	Liberty Insurance Holdings, Inc.
AMBCO Capital Corporation	Liberty Insurance Underwriters, Inc.
America First Insurance Company	Liberty International Europe Inc.*
America First Lloyds Insurance Company	Liberty International Holdings Inc.
American Ambassador Casualty Company (merged 10/21/2009)	Liberty Life Assurance Company of Boston
American Economy Insurance Company	Liberty Life Holdings, Inc.
American Fire & Casualty Company	Liberty Lloyds of Texas Insurance Company
American States Insurance Company	Liberty Management Services, Inc.
American States Insurance Company of Texas	Liberty Mexico Holdings, Inc.
American States Lloyds Insurance Company	Liberty Mutual Fire Insurance Company
American States Preferred Insurance Company	Liberty Mutual Group Inc.
Avomark Insurance Company	Liberty Mutual Holding Company Inc.
Barrier Ridge LLC	Liberty Mutual Insurance Company
	Liberty Mutual Personal Insurance Company

## NOTES TO FINANCIAL STATEMENTS

Berkeley Holding Company Associates, Inc.	Liberty Northwest Insurance Corporation
Berkeley Management Corporation	Liberty Personal Insurance Company
Bridgefield Casualty Insurance Company	Liberty RE (Bermuda) Limited
Bridgefield Employers Insurance Company	Liberty Sponsored Insurance (Vermont) Inc.
Capitol Court Corporation	Liberty Surplus Insurance Corporation
Capitol Agency, Inc., The (Arizona corporation)	LIH U.S. P&C Corporation
Capitol Agency, Inc., The (Ohio corporation)	LIH-RE of America Corporation
Capitol Agency, Inc., The (Tennessee corporation)	LIU Specialty Insurance Agency Inc.
Cascade Disability Management, Inc.	LM General Insurance Company
Colorado Casualty Insurance Company	LM Insurance Corporation
Commercial Aviation Insurance, Inc.	LM Personal Insurance Company
Companies Agency of New York, Inc.	LM Property & Casualty Insurance Company
Companies Agency of Pennsylvania, Inc.	LMHC Massachusetts Holdings Inc.
Consolidated Insurance Company	LRE Properties, Inc.
Copley Venture Capital, Inc.	Mid-American Agency, Inc.
Diversified Settlements, Inc.	Mid-American Fire & Casualty Company
Emerald City Insurance Agency, Inc.	North Pacific Insurance Company
Employers Insurance Company of Wausau	OCASCO Budget, Inc.
Excelsior Insurance Company	OCI Printing, Inc.
F.B. Beattie & Company, Inc.	Ohio Casualty Corporation
First National Insurance Company of America	Ohio Casualty of New Jersey, Inc. (merged 9/30/2009)
First State Agency Inc.	Ohio Security Insurance Company
Florida State Agency, Inc.	Open Seas Solutions, Inc.
General America Corporation	Oregon Automobile Insurance Company
General America Corporation of Texas	Peerless Indemnity Insurance Company
General Insurance Company of America	Peerless Insurance Company
Globe American Casualty Company (merged 12/30/2009)	Pilot Insurance Services, Inc.
Golden Eagle Insurance Corporation	Rianoc Research Corporation
Gulf States AIF, Inc.	S.C. Bellevue, Inc.
Hawkeye-Security Insurance Company	Safecare Company, Inc.
Heritage-Summit HealthCare, Inc.	Safeco Corporation
Indiana Insurance Company	Safeco General Agency, Inc.
Insurance Company of Illinois	Safeco Insurance Company of America
LEXCO Limited	Safeco Insurance Company of Illinois
Liberty - USA Corporation	Safeco Insurance Company of Indiana
Liberty Assignment Corporation	Safeco Insurance Company of Oregon
Liberty Energy Canada, Inc.	Safeco Lloyds Insurance Company
Liberty Financial Services, Inc.	Safeco National Insurance Company
Liberty Hospitality Group, Inc.	Safeco Properties, Inc.
Liberty Insurance Company of America (merged 9/17/2009)	Safeco Surplus Lines Insurance Company
Liberty Insurance Corporation	San Diego Insurance Company
SCIT, Inc.	The Ohio Casualty Insurance Company
St. James Insurance Company Ltd.	The Ohio Life Brokerage Services, Inc.
State Agency, Inc. (Indiana corporation)	Wausau Business Insurance Company
State Agency, Inc. (Wisconsin corporation)	Wausau General Insurance Company
Summit Consulting, Inc.	Wausau Service Corporation
Summit Consulting, Inc. of Louisiana	(dissolved 10/21/2009)
Summit Holding Southeast, Inc.	Wausau Underwriters Insurance Company
The First Liberty Insurance Corporation	West American Insurance Company
The Midwestern Indemnity Company	Winmar Company, Inc.
The National Corporation	Winmar of the Desert, Inc.
The Netherlands Insurance Company	Winmar Oregon, Inc.
	Winmar-Metro, Inc

\* This company joined the consolidated group in 2009 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"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Notes 10F, 22 and 25.
- D. At December 31, 2009, the Company reported \$613,063 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

## NOTES TO FINANCIAL STATEMENTS

- F. Refer to Note 25 for information regarding the Inter-Company Reinsurance Agreement.

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

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

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

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- 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 non-insurance holding companies.  
Refer to 10 I

### **Note 11- Debt**

- A. Not applicable
- B. The Company has not entered into Federal Home Loan Bank Agreements.

### **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 agreement as described in Note 10 F.

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

1. Common Stock  
The Company has 30,000 shares authorized, issued, and outstanding as of December 31, 2009. All shares have a stated par value of \$120.
2. Preferred Stock  
Not applicable
3. Dividend Restrictions  
Not applicable
4. The Company did not pay a dividend to its parent during 2009.
5. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without the prior approval of the Insurance Director is the greater of (a) 10% of surplus, subject to the availability of accumulated undistributed earnings, or (b) net income. The maximum dividend payout which may be made without prior approval in 2010 is \$2,149,501.
6. As of December 31, 2009, the Company has restricted surplus of \$420,098, from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R (refer to Note 2A) and pre-tax restricted surplus of \$2,580,591 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.

## NOTES TO FINANCIAL STATEMENTS

8. The Company did not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2009 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.
10. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.
11. Surplus Notes  
Not applicable
12. Quasi re-organization (dollar impact)  
Not applicable
13. Quasi re-organization (effective date)  
Not applicable

### **Note 14- Contingencies**

#### A. Contingent Commitments

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

#### B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of \$428,648 that is offset by future premium tax credits of \$66,490. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2009.

During 2009 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

#### C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$1,000,000

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

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

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

( f ) Per Claim [ x ]

( g ) Per Claimant [ ]

#### E. All other Contingencies

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

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

## NOTES TO FINANCIAL STATEMENTS

respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

### **Note 15- Leases**

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

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

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2010	\$53,037	\$224,574
2011	29,579	202,948
2012	29,500	146,347
2013	29,421	89,512
2014	5,071	65,331
2015 & thereafter	17,245	307,864
Total	\$163,853	\$1,036,576

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

Not applicable

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

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

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

- A. Transfers of Receivables reported as sales:

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

- B. Transfers and servicing of financial assets:

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

At December 31, 2009 the total fair value of securities on loan was \$6,010,584 with corresponding collateral value of \$6,181,868 of which \$2,794,935 represents cash collateral.

- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was \$1,733. Claim payment volume was \$93,507.

- B. Administrative Services Contract (ASC) Plans

Not applicable

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

Not applicable

## NOTES TO FINANCIAL STATEMENTS

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

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

### **Note 20- Other Items**

- A. The Company has no extraordinary items to report.
- B. Troubled Debt Restructuring for Debtors  
Not applicable
- C. Other Disclosures
- 1) Florida Special Disability Trust Fund
    - a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2009 and 2008.
    - b) The Company reported loss recoveries from the Special Disability Trust Fund of \$5,234 and \$11,774 in 2009 and 2008 respectively.
    - c) The amount the Company was assessed by the Special Disability Trust Fund was \$231,179 and \$419,997, in 2009 and 2008, respectively.
  - 2) Assets in the amount of \$9,799,022 and \$9,415,418 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.
  - 3) Effective October 1, 2009 the Company re-domesticated from Iowa to Illinois.
- D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.
- E. Business Interruption Insurance Recoveries  
The Company does not purchase business interruption coverage.
- F. State Transferable Tax Credits  
The Company does not hold transferable state tax credits.
- G. Sub-Prime Lending  
The Company does not have exposure to sub-prime mortgage related risk.

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

- A. The Company evaluated subsequent events through February 24, 2010, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2009 that would require disclosure.

### **Note 22- Reinsurance**

- A. Excluding amounts arising pursuant to the Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer that exceed 5% of the Company's policyholder's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's policyholder's surplus.
- C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2009.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	8,781,447	117,112	101,450,130	3,297,200	(92,668,683)	(3,180,088)
All Other	0	0	0	0	0	0
Total	8,781,447	117,112	101,450,130	3,297,200	(92,668,683)	(3,180,088)

Direct Unearned Premium Reserve: \$101,450,130

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2009 are as follows:

## NOTES TO FINANCIAL STATEMENTS

Description	Direct	Assumed	Ceded	Net
Contingent commissions	565,036	255,240	565,036	255,240
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(390,000)	0	(390,000)
Totals	565,036	(134,760)	565,036	(134,760)

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's retroactive reinsurance is a result of the Inter-Company Reinsurance Agreement with LMIC.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	\$(4,588,250)	
	2. Adjustments – Prior Year(s)	544,596	
	3. Adjustments – Current Year	111,177	
	4. Total	\$(3,932,477)	
b.	Consideration Paid or Received:		
	1. Initial	\$(2,142,097)	
	2. Adjustments – Prior Year(s)	(104,829)	
	3. Adjustments – Current Year	(4,631)	
	4. Total	\$(2,251,557)	
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial	\$(72,546)	
	2. Adjustments – Prior Year(s)	(696,153)	
	3. Adjustments – Current Year	(177,569)	
	4. Total	\$(946,268)	
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	\$2,518,699	
	2. Adjustments – Prior Year(s)	46,728	
	3. Adjustments – Current Year	61,761	
	4. Current Year Special Surplus	2,580,591	
	5. Cumulative Total Transferred to Unassigned Funds	\$46,597	
e.	All cedents and reinsurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(3,932,477)	

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

- G. There are no contracts recorded as deposit accounting.

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

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

Total accrued retro premium	\$977,188
Less: Non-admitted amount	97,719
Admitted amount	\$879,469



## NOTES TO FINANCIAL STATEMENTS

### Note 24 – Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expenses attributable to insured events in prior years increased in 2009. The increase was primarily the result of third quarter strengthening of asbestos reserves (refer to Note 32), partially offset by small decreases in workers compensation, commercial auto liability and commercial and personal property lines. Original estimates are revised as additional information becomes known regarding individual claims.

### Note 25- Inter-Company Pooling Arrangements

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

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	75.00%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	8.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	12.90%	All Lines
	Liberty Insurance Corporation (LIC)	42404	3.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LMC)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FST)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSI)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	14486	0.00%	Personal Lines Only
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated company cedes its net underwriting activity to the Lead Company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement 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.

## NOTES TO FINANCIAL STATEMENTS

(h) Amount due from affiliated entity participating in the Liberty Mutual inter-company pool as at December 31, 2009:

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$204,018

During 2009, Liberty Insurance Company of America (LICA), a participant in the Liberty Mutual inter-company Reinsurance Agreement, merged with an affiliate, Insurance Company of Illinois (ICIL). ICIL became the surviving entity. Concurrent with the merger, ICIL entered into a Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company (LMIC), covering the business written by LICA. ICIL continued as a participant in the Peerless Amended and Restated Reinsurance Agreement. Effective January 1, 2010, ICIL terminated the Quota Share Reinsurance Agreement with LMIC and became a participant in the Liberty Mutual Inter-Company Reinsurance Agreement, with a 0.00% participation in the Pool. As a participant in the Liberty Mutual inter-company Pool, ICIL cedes the business of LICA to the Pool. Concurrent with entering into the Liberty Mutual inter-company Pool, ICIL terminated its participation in the Peerless Amended and Restated Reinsurance Agreement and entered into a Quota Share Reinsurance Agreement with Peerless Insurance Company, covering the business written by ICIL.

Effective January 1, 2010, LM General Insurance Company and LM Personal Insurance Company canceled their 100% Quota Share Agreements with Liberty Mutual Property and Casualty Insurance Company and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.10% Pool Participation Percentage.

Effective January 1, 2010, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company novated their 100% Quota Share Reinsurance Agreements with Peerless Insurance Company to substitute LMIC as the reinsurer.

Effective January 1, 2010, Liberty Lloyds of Texas Insurance Company and Liberty Mutual Personal Insurance Company terminated their 100% Quota Share Reinsurance Agreements with LMIC and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.00% Pool Participation Percentage.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2010, the Liberty Mutual Pool structure and participation percentages were revised as follows:

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	73.80%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	8.00%	All Lines
	Insurance Company of Illinois (ICIL)	26700	0.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	12.90%	All Lines
	Liberty Insurance Corporation (LIC)	42404	4.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LMC)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FST)	33588	0.10%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.10%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.10%	All Lines
	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	0.00%	All Lines
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSI)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	14486	0.00%	Personal Lines Only
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

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

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$2,139,855 applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$2,139,855 as of December 31, 2009.

A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

<u>Life Insurance Company &amp; Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$1,038,827
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$643,022
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$289,536

### **Note 27 - Health Care Receivables**

Not applicable

### **Note 28 - Participating Policies**

Not applicable

### **Note 29 - Premium Deficiency Reserves**

As of December 31, 2009, the Company had no liabilities related to premium deficiency reserves.

### **Note 30- High Dollar Deductible Policies**

As of December 31, 2009, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$9,571,288 and the amount billed and recoverable on paid claims was \$459,518.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2009 liabilities subject to discount were carried at a value representing a discount of \$2,229,365 net of all reinsurance.

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

### **Note 32 - Asbestos/Environmental Reserves**

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

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

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

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

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether

## NOTES TO FINANCIAL STATEMENTS

there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

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

### Uncertainty Regarding Reserving Methodologies

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

In the third quarter of 2009, the Company completed its biennial ground-up asbestos reserve study. The study was completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and it included all major segments of the Company's direct, assumed, and ceded asbestos claims. As part of the internal review, potential exposures of certain policyholders were individually evaluated using the company's proprietary stochastic model, which is consistent with the latest published actuarial paper on asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insured's.

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

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

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

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

### Asbestos:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Direct Basis</b>					
Beginning Reserves	3,404,925	3,996,501	3,699,520	3,364,614	3,126,343
Incurring losses and LAE	1,108,478	201,036	462,406	285,288	1,098,577
Calendar year payments	516,902	498,017	797,312	523,559	522,027
Ending Reserves	3,996,501	3,699,520	3,364,614	3,126,343	3,702,893
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	979,182	1,027,760	1,086,926	1,416,503	1,341,076
Incurring losses and LAE	108,889	97,622	383,292	(15,143)	(305,514)
Calendar year payments	60,311	38,456	53,715	60,284	75,691
Ending Reserves	1,027,760	1,086,926	1,416,503	1,341,076	959,871
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	1,902,936	2,084,712	1,794,044	1,594,669	1,318,714
Incurring losses and LAE	438,738	24,408	170,252	28,489	791,103
Calendar year payments	256,962	315,076	369,627	304,444	336,077
Ending Reserves	2,084,712	1,794,044	1,594,669	1,318,714	1,773,740

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**NOTES TO FINANCIAL STATEMENTS**


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<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>	
Direct Basis	2,451,570
Assumed Reinsurance Basis	714,648
Net of Ceded Reinsurance Basis	1,465,114
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	1,319,316
Assumed Reinsurance Basis	7,235
Net of Ceded Reinsurance Basis	526,015

<b>Environmental:</b>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Direct Basis</b>					
Beginning Reserves	1,420,361	1,371,995	1,011,028	901,747	746,484
Incurring losses and LAE	317,132	95,701	11,762	13,674	56,307
Calendar year payments	365,498	456,668	121,043	168,937	189,713
Ending Reserves	1,371,995	1,011,028	901,747	746,484	613,078
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	141,770	104,638	95,895	81,710	81,482
Incurring losses and LAE	(24,461)	1,763	2,950	7,181	34,373
Calendar year payments	12,671	10,506	17,135	7,409	10,352
Ending Reserves	104,638	95,895	81,710	81,482	105,503
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	1,053,427	853,643	790,732	727,272	623,175
Incurring losses and LAE	1,019	40,401	19,638	(26)	(7)
Calendar year payments	200,803	103,312	83,098	104,071	95,777
Ending Reserves	853,643	790,732	727,272	623,175	527,391

<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>	
Direct Basis	350,636
Assumed Reinsurance Basis	73,144
Net of Ceded Reinsurance Basis	327,198
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>	
Direct Basis	283,146
Assumed Reinsurance Basis	1,306
Net of Ceded Reinsurance Basis	194,322

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop Insurance**

Not applicable

**Note 35 – Financial Guarantee Insurance Contracts**

Not applicable

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? \_\_\_\_\_ Illinois \_\_\_\_\_
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_ 09/02/2009 \_\_\_\_\_
- 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). \_\_\_\_\_ 06/24/2006 \_\_\_\_\_
- 3.4 By what department or departments?  
Iowa Insurance Division  
.....  
.....  
.....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....  
 .....  
 .....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control.

\_\_\_\_\_

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

1 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.

.....  
 .....  
 .....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ] No [X]

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

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

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

Ernst & Young, LLP  
 200 Clarendon Street  
 Boston, MA 02116  
 .....

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Roy K. Morell  
 175 Berkeley Street, Boston, MA 02116  
 Officer of Liberty Mutual Insurance Company  
 .....

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ ] No [X]

11.11 Name of real estate holding company

\_\_\_\_\_

11.12 Number of parcels involved

0

11.13 Total book/adjusted carrying value

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

11.2 If yes, provide explanation:

.....  
 .....  
 .....

## GENERAL INTERROGATORIES

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

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

.....  
 .....  
 .....

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [X]

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [X]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

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

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

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

Yes [X] No [ ]

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

.....  
 .....  
 .....

13.2 Has the code of ethics for senior managers been amended?

Yes [ ] No [X]

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

.....  
 .....  
 .....

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

Yes [ ] No [X]

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

.....  
 .....  
 .....

## BOARD OF DIRECTORS

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

Yes [X] No [ ]

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

Yes [X] No [ ]

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

Yes [X] No [ ]

## FINANCIAL

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

Yes [ ] No [X]

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

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



## GENERAL INTERROGATORIES

- 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 |
- 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
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |  |                            |    |   |
|--|----------------------------|----|---|
|  | 19.21 Rented from others   | \$ | 0 |
|  | 19.22 Borrowed from others | \$ | 0 |
|  | 19.23 Leased from others   | \$ | 0 |
|  | 19.24 Other                | \$ | 0 |
- 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
- 20.2 If answer is yes:
- |  |  |    |   |
|--|--|----|---|
|  | 20.21 Amount paid as losses or risk adjustment | \$ | 0 |
|  | 20.22 Amount paid as expenses                  | \$ | 0 |
|  | 20.23 Other amounts paid                       | \$ | 0 |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

## INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes  No
- 22.2 If no, give full and complete information relating thereto:  
 .....  
 .....  
 .....
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)  
 Please reference Note 17B .....  
 .....  
 .....
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No  N/A
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ 6,181,868
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ 0
- 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 and 22.3.) Yes  No
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |  |  |    |           |
|--|--|----|-----------|
|  | 23.21 Subject to repurchase agreements                 | \$ | 0         |
|  | 23.22 Subject to reverse repurchase agreements         | \$ | 0         |
|  | 23.23 Subject to dollar repurchase agreements          | \$ | 0         |
|  | 23.24 Subject to reverse dollar repurchase agreements  | \$ | 0         |
|  | 23.25 Pledged as collateral                            | \$ | 0         |
|  | 23.26 Placed under option agreements                   | \$ | 0         |
|  | 23.27 Letter stock or securities restricted as to sale | \$ | 0         |
|  | 23.28 On deposit with state or other regulatory body   | \$ | 9,799,022 |
|  | 23.29 Other  | \$ | 0         |

## GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes  No

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes  No  N/A   
 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

25.2 If yes, state the amount thereof at December 31 of the current year. \$ \_\_\_\_\_ 0

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes  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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Insurance Company	175 Berkeley St., Boston, MA 02116
N/A	Liberty Mutual Investment Advisors, LL	175 Berkeley St., Boston, MA 02116

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

### GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
27.2999 TOTAL		0

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
		0	
		0	
		0	

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	60,875,394	62,904,058	2,028,664
28.2 Preferred stocks	0	0	0
28.3 Totals	60,875,394	62,904,058	2,028,664

28.4 Describe the sources or methods utilized in determining the fair values:

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

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [ ] No [X]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [ ] No [X]

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

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

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No [ ]

30.2 If no, list exceptions:

.....  
 .....  
 .....

### OTHER

31.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any?

\$ 12,253

## GENERAL INTERROGATORIES

31.2 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
Workers Compensation Rating & INSP Bureau of MA	12,253
.....	0
.....	0

32.1 Amount of payments for legal expenses, 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 payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	0
.....	0
.....	0

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0

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

1 Name	2 Amount Paid
.....	0
.....	0
.....	0

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. \$ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0

1.31 Reason for excluding

.....

.....

.....

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$ 0

1.62 Total incurred claims \$ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned \$ 0

1.65 Total incurred claims \$ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$ 0

1.72 Total incurred claims \$ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned \$ 0

1.75 Total incurred claims \$ 0

1.76 Number of covered lives 0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ 103		\$ 129	
2.2 Premium Denominator	\$ 19,919,095		\$ 22,221,115	
2.3 Premium Ratio (2.1/2.2)	<u>0.00</u>		<u>0.00</u>	
2.4 Reserve Numerator	\$ 9,682		\$ 10,851	
2.5 Reserve Denominator	\$ 50,621,401		\$ 50,110,687	
2.6 Reserve Ratio (2.4/2.5)	<u>0.00</u>		<u>0.00</u>	

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 Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [ ] No [X]

4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [X]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [X]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

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

.....

.....

.....

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [X]

5.5 If yes, give full information

.....

.....

.....

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:  
See Note 20C

.....

.....

.....

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:  
 The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v9.0 from RMS and AIR Clasic/2 v11.0. For WC, Liberty Mutual utilizes RiskLink v9.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
 See Note 20C
- 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. \_\_\_\_\_ 5
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes  No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes  No
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes  No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes  No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 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
- 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   
 (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   
 (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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes  No  N/A

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No

11.2 If yes, give full information

.....

.....

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses	\$ 321,247
12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$ 146,231

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? \$ 298,810

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes  No  N/A

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

12.41 From	4.00
12.42 To	6.00

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes  No

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

12.61 Letters of Credit	\$ 16,346,361
12.62 Collateral and other funds	\$ 1,464,902

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 98,050

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes  No

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. 11

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes  No

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

Premiums and recoverables were allocated pursuant to separate intercompany pooling agreements.

.....

.....

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes  No

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

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

.....

.....

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes  No

15.2 If yes, give full information

.....

.....

16.1 Does the reporting entity write any warranty business? Yes  No

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

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

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

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

Yes [ ] No [X]

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

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

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	\$ <u>0</u>
17.19 Unfunded portion of Interrogatory 17.18	\$ <u>0</u>
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$ <u>0</u>
17.21 Case reserves portion of Interrogatory 17.18	\$ <u>0</u>
17.22 Incurred but not reported portion of Interrogatory 17.18	\$ <u>0</u>
17.23 Unearned premium portion of Interrogatory 17.18	\$ <u>0</u>
17.24 Contingent commission portion of Interrogatory 17.18	\$ <u>0</u>

18.1 Do you act as a custodian for health savings accounts?

Yes [ ] No [X]

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

\$ 0

18.3 Do you act as an administrator for health savings accounts?

Yes [ ] No [X]

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

\$ 0



**FIVE – YEAR HISTORICAL DATA**

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

	1	2	3	4	5
	2009	2008	2007	2006	2005
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	332,018,898	443,101,020	398,426,611	371,652,421	354,823,029
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	16,147,109	9,764,593	7,703,961	6,640,393	4,368,277
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	23,661,179	16,716,982	11,075,713	7,990,422	4,772,897
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	149,940	(144,728)	718,099	615,846	536,616
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	503,966	462,620	375,233	229,429	164,105
6. Total (Line 35)	372,481,092	469,900,487	418,299,617	387,128,511	364,664,924
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	12,780,164	14,153,398	15,707,085	15,183,742	13,975,325
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	3,796,623	3,666,761	3,677,102	3,910,909	3,607,613
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,886,885	3,446,871	3,943,280	3,906,269	3,045,798
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	27,534	(316,566)	596,456	497,914	399,337
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	503,966	462,620	375,233	229,429	164,105
12. Total (Line 35)	19,995,172	21,413,084	24,299,156	23,728,263	21,192,178
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(2,203,613)	(1,262,492)	(1,307,803)	(716,623)	(1,567,700)
14. Net investment gain (loss) (Line 11)	2,773,640	2,680,417	2,958,743	2,713,888	2,741,454
15. Total other income (Line 15)	(336,364)	(247,232)	(214,672)	(162,464)	(219,832)
16. Dividends to policyholders (Line 17)	46,277	53,581	139,545	102,055	72,216
17. Federal and foreign income taxes incurred (Line 19)	(423,593)	452,975	482,145	1,053,740	219,584
18. Net income (Line 20)	610,979	664,137	814,578	679,006	662,122
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	76,500,286	73,861,799	71,238,882	67,188,909	61,576,125
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	2,375,432	2,491,760	2,123,391	1,646,212	1,398,682
20.2 Deferred and not yet due (Line 13.2)	5,630,631	4,853,429	5,500,963	5,505,632	4,139,565
20.3 Accrued retrospective premiums (Line 13.3)	879,469	958,351	1,021,580	1,391,631	1,408,202
21. Total liabilities excluding protected cell business (Page 3, Line 24)	55,005,276	53,481,112	51,510,827	48,207,641	43,048,167
22. Losses (Page 3, Line 1)	33,548,528	33,213,901	33,187,781	30,584,849	28,414,274
23. Loss adjustment expenses (Page 3, Line 3)	6,787,251	6,499,277	6,779,061	6,269,446	5,819,492
24. Unearned premiums (Page 3, Line 9)	8,781,447	8,748,669	9,693,516	9,367,537	8,398,602
25. Capital paid up (Page 3, Lines 28 & 29)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	21,495,010	20,380,687	19,728,055	18,981,268	18,527,958
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	(448,423)	477,370	3,723,747	5,025,377	(902,815)
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	21,495,010	20,380,687	19,728,055	18,981,268	18,527,958
29. Authorized control level risk-based capital	2,958,511	2,832,171	3,291,906	2,945,657	2,630,392
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	93.1	85.7	93.7	92.3	93.7
31. Stocks (Lines 2.1 & 2.2)		1.0	1.3	1.4	1.4
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)	6.9	13.3	5.0	6.4	5.0
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)			0.0	0.0	
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
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	2	3	4	5
	2009	2008	2007	2006	2005
<b>Capital and Surplus Accounts (Page 4)</b>					
48. Net unrealized capital gains (losses) (Line 24)	137,549	(129,895)	(24,269)	4,224	(20,450)
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	1,114,323	652,632	746,787	453,310	884,009
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	241,822,442	236,347,347	219,539,550	228,181,593	238,975,487
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	8,032,375	4,732,876	3,858,242	3,300,750	2,129,876
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	9,113,483	5,308,418	3,229,877	2,636,858	2,113,917
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	34,501	377,806	68,127	78,643	173,322
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	150,845	176,550	214,490	304,260	218,559
56. Total (Line 35)	259,153,646	246,942,997	226,910,286	234,502,104	243,611,161
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)	8,174,657	9,696,130	8,029,709	7,484,547	7,474,119
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,465,442	2,170,437	2,000,015	2,258,620	1,839,169
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,106,337	2,642,710	1,782,482	1,666,942	1,929,296
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,951	218,555	63,781	32,768	106,320
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	150,845	176,550	214,490	304,260	218,559
62. Total (Line 35)	12,904,232	14,904,382	12,090,477	11,747,137	11,567,463
<b>Operating Percentages (Page 4)</b> (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)	65.8	67.8	61.9	61.1	63.8
65. Loss expenses incurred (Line 3)	19.5	15.8	15.9	15.3	18.8
66. Other underwriting expenses incurred (Line 4)	25.8	22.1	27.8	26.8	24.9
67. Net underwriting gain (loss) (Line 8)	(11.1)	(5.7)	(5.5)	(3.2)	(7.6)
<b>Other Percentages</b>					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	27.3	24.1	27.8	26.4	25.4
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	85.3	83.5	77.8	76.4	82.6
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	93.0	105.1	123.2	125.0	114.4
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	470	(668)	624	981	1,023
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	2.3	(3.4)	3.3	5.3	5.8
<b>Two Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(113)	474	2,257	2,689	2,675
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(0.6)	2.5	12.2	15.2	15.9

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

Yes [ ] No [ X ]

If no, please explain:

Not applicable

**SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES****SCHEDULE P – PART 1 – SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4	5	6	7	8	9			
				Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	X X X	X X X	X X X	1,490	481	428	123	76		46	1,390	X X X
2. 2000	18,289	3,201	15,088	14,821	2,698	1,239	195	1,531	32	385	14,666	X X X
3. 2001	18,921	3,328	15,593	14,522	3,467	1,170	200	1,457	25	476	13,457	X X X
4. 2002	21,475	4,394	17,081	13,707	2,999	1,081	171	1,649	19	722	13,248	X X X
5. 2003	23,848	5,822	18,026	12,420	2,789	1,016	115	1,753	25	755	12,260	X X X
6. 2004	24,556	6,504	18,052	11,962	3,144	886	153	1,724	93	736	11,182	X X X
7. 2005	25,006	5,993	19,013	13,957	4,277	840	162	1,724	126	707	11,956	X X X
8. 2006	27,116	6,350	20,766	11,267	2,163	734	81	1,833	135	692	11,455	X X X
9. 2007	28,833	7,001	21,832	11,749	2,804	649	86	1,834	166	787	11,176	X X X
10. 2008	30,730	8,509	22,221	12,491	3,233	497	62	1,954	140	668	11,507	X X X
11. 2009	29,263	9,345	19,918	7,947	2,878	191	35	1,563	25	403	6,763	X X X
12. Totals	X X X	X X X	X X X	126,333	30,933	8,731	1,383	17,098	786	6,377	119,060	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	9,257	2,850	4,714	2,836	573	474	2,084	735	210		108	9,943	X X X
2. 2000	647	237	257	208	19	5	62	35	13		7	513	X X X
3. 2001	773	318	347	275	18	8	96	46	15		10	602	X X X
4. 2002	665	420	512	404	21	10	102	33	15		14	448	X X X
5. 2003	662	268	1,101	456	27	11	119	48	17		25	1,143	X X X
6. 2004	767	261	1,203	341	24	4	212	42	74	1	34	1,631	X X X
7. 2005	1,026	352	1,465	620	33	5	281	46	69	8	53	1,843	X X X
8. 2006	1,446	355	1,934	629	51	10	492	87	84	1	72	2,925	X X X
9. 2007	2,082	417	2,678	683	71	10	685	111	137	3	109	4,429	X X X
10. 2008	3,354	732	4,381	1,064	92	13	1,004	212	358	10	151	7,158	X X X
11. 2009	3,359	571	6,601	1,404	85	7	1,059	159	723	8	395	9,678	X X X
12. Totals	24,038	6,781	25,193	8,920	1,014	557	6,196	1,554	1,715	31	978	40,313	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33		35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	8,285	1,658
2. 2000	18,589	3,410	15,179	101.640	106.529	100.603			0.200	459	54
3. 2001	18,398	4,339	14,059	97.236	130.379	90.162			0.200	527	75
4. 2002	17,752	4,056	13,696	82.664	92.308	80.183			0.200	353	95
5. 2003	17,115	3,712	13,403	71.767	63.758	74.354			0.200	1,039	104
6. 2004	16,852	4,039	12,813	68.627	62.100	70.978			0.200	1,368	263
7. 2005	19,395	5,596	13,799	77.561	93.376	72.577			0.200	1,519	324
8. 2006	17,841	3,461	14,380	65.795	54.504	69.248			0.200	2,396	529
9. 2007	19,885	4,280	15,605	68.966	61.134	71.478			0.200	3,660	769
10. 2008	24,131	5,466	18,665	78.526	64.238	83.997			0.200	5,939	1,219
11. 2009	21,528	5,087	16,441	73.567	54.436	82.543			0.200	7,985	1,693
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	33,530	6,783

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

**SCHEDULE P – PART 2 – SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	One Year	Two Year
1. Prior	24,536	26,925	28,384	29,738	31,531	32,965	33,874	34,979	34,743	35,564	821	585
2. 2000	12,009	12,537	12,612	13,036	13,382	13,495	13,585	13,717	13,732	13,728	(4)	11
3. 2001	XXX	12,233	11,888	12,077	11,913	12,285	12,471	12,566	12,596	12,660	64	94
4. 2002	XXX	XXX	11,986	11,335	11,350	11,757	11,973	12,057	12,099	12,096	(3)	39
5. 2003	XXX	XXX	XXX	12,434	11,153	10,833	11,484	11,675	11,672	11,738	66	63
6. 2004	XXX	XXX	XXX	XXX	12,278	11,444	11,145	11,231	11,248	11,230	(18)	(1)
7. 2005	XXX	XXX	XXX	XXX	XXX	13,335	12,665	12,401	12,275	12,274	(1)	(127)
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	13,495	12,984	12,801	12,753	(48)	(231)
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,508	14,284	13,962	(322)	(546)
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	16,812	16,727	(85)	XXX
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,446	XXX	XXX
											12. Totals	
											470	(113)

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
1. Prior	000	5,463	9,983	13,158	15,995	18,130	19,890	21,560	23,073	24,387	XXX	XXX
2. 2000	5,353	8,345	9,904	10,989	11,984	12,393	12,688	12,896	13,059	13,167	XXX	XXX
3. 2001	XXX	5,512	8,303	9,710	10,546	11,160	11,484	11,736	11,907	12,025	XXX	XXX
4. 2002	XXX	XXX	5,174	7,929	9,530	10,319	10,984	11,282	11,490	11,618	XXX	XXX
5. 2003	XXX	XXX	XXX	4,761	7,231	8,429	9,306	9,905	10,273	10,532	XXX	XXX
6. 2004	XXX	XXX	XXX	XXX	4,304	6,613	7,696	8,582	9,178	9,551	XXX	XXX
7. 2005	XXX	XXX	XXX	XXX	XXX	4,933	7,563	8,872	9,759	10,358	XXX	XXX
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	4,803	7,333	8,772	9,757	XXX	XXX
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,961	7,912	9,508	XXX	XXX
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,123	9,693	XXX	XXX
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,225	XXX	XXX

**SCHEDULE P – PART 4 – SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Prior	8,224	5,720	3,934	3,146	2,726	3,292	3,421	3,679	2,945	3,445
2. 2000	3,279	1,233	519	351	288	210	170	205	146	92
3. 2001	XXX	3,385	1,352	797	386	325	263	241	164	131
4. 2002	XXX	XXX	3,552	1,372	588	445	355	324	221	181
5. 2003	XXX	XXX	XXX	5,140	2,086	926	1,101	1,031	847	764
6. 2004	XXX	XXX	XXX	XXX	5,572	3,125	2,075	1,603	1,322	1,109
7. 2005	XXX	XXX	XXX	XXX	XXX	5,983	3,239	2,115	1,504	1,179
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	6,293	3,618	2,453	1,813
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,572	4,076	2,687
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,986	4,300
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,347

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
		2	3						
States, Etc.	Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	5,421,878	4,068,103	(3,161)	4,029,991	3,353,342	30,692,699	
2. Alaska	AK	L	111,007	108,390		63,372	103,697	339,801	
3. Arizona	AZ	L	2,786,878	2,950,452	(3,059)	1,670,656	1,720,475	4,303,223	
4. Arkansas	AR	L	3,427,670	4,102,545		1,689,981	3,250,177	15,157,707	
5. California	CA	L	4,014,009	4,586,064	60	2,452,157	2,976,225	12,663,484	
6. Colorado	CO	L	13,110,786	13,365,613		2,367,963	10,827,111	12,084,922	
7. Connecticut	CT	L	9,521,175	11,505,775		14,857,694	10,169,637	42,155,449	
8. Delaware	DE	L	3,491,409	5,202,036		6,115,588	4,855,161	44,808,597	
9. District of Columbia	DC	L	3,103,025	3,658,112		1,264,219	1,800,674	6,932,367	
10. Florida	FL	L	22,204,004	26,542,177	992,200	7,581,001	20,852,901	47,004,512	
11. Georgia	GA	L	7,313,129	9,508,949	(25,414)	13,214,492	8,198,169	39,274,433	
12. Hawaii	HI	L	426,794	348,079		74,280	201,758	381,811	
13. Idaho	ID	L	101,804	98,559		160,297	147,413	253,296	
14. Illinois	IL	L	5,141,829	6,330,642	243	16,410,697	10,410,259	53,729,025	
15. Indiana	IN	L	7,083,343	7,806,564		4,812,924	5,294,744	10,939,486	
16. Iowa	IA	L	14,960,002	15,629,220	16,528	13,671,051	12,507,595	34,973,889	
17. Kansas	KS	L	6,180,525	6,387,784	(3,149)	4,451,257	6,152,117	11,042,450	
18. Kentucky	KY	L	18,971,785	19,213,875	528	8,666,521	15,877,575	34,092,474	
19. Louisiana	LA	L	7,293,543	7,798,936	(939)	6,890,265	9,743,744	13,218,296	1
20. Maine	ME	L	255,657	384,637		317,928	571,898	1,890,768	
21. Maryland	MD	L	703,881	890,714	(1,559)	649,461	604,892	2,600,774	
22. Massachusetts	MA	L	15,834,791	13,035,492	1,203	6,876,351	6,280,709	16,445,972	50,528
23. Michigan	MI	L	20,404,250	22,744,130	78,031	13,628,731	15,843,124	43,373,191	
24. Minnesota	MN	L	9,864,855	10,734,477		6,858,553	9,237,837	20,483,354	
25. Mississippi	MS	L	4,863,989	6,101,161	(765)	3,374,372	4,325,114	18,474,020	
26. Missouri	MO	L	11,842,858	12,555,032	(51,534)	7,363,730	10,056,007	22,338,803	
27. Montana	MT	L	6,654	8,778		6,902	2,971	21,690	
28. Nebraska	NE	L	1,073,807	1,236,628		924,377	870,619	2,346,091	
29. Nevada	NV	L	8,092,175	8,839,102	65	4,148,563	6,273,425	50,082,463	
30. New Hampshire	NH	L	4,865,803	5,883,469		5,535,826	5,201,787	29,589,708	2,023
31. New Jersey	NJ	L	7,259,087	7,991,283	393,203	11,704,540	(3,460,240)	113,439,947	
32. New Mexico	NM	L	147,735	194,524		70,460	99,984	299,739	
33. New York	NY	L	15,069,050	13,490,858	46	6,657,523	8,868,450	31,616,153	4
34. North Carolina	NC	L	18,654,231	23,195,637	(1,364)	15,015,332	19,541,854	91,981,334	
35. North Dakota	ND	L	28,285	28,082		1,139	34,972	37,357	
36. Ohio	OH	L	870,543	1,528,620	11	473,919	1,425,767	1,768,488	
37. Oklahoma	OK	L	1,837,254	2,027,198	(9,674)	1,706,288	1,072,687	2,915,935	
38. Oregon	OR	L	405,441	322,923		117,556	(173,968)	608,820	
39. Pennsylvania	PA	L	1,873,769	1,966,853	813	3,238,873	3,106,424	6,673,952	
40. Rhode Island	RI	L	216,620	309,992	11	287,802	204,179	519,232	
41. South Carolina	SC	L	5,587,617	7,258,740	(2,889)	5,194,732	4,249,247	18,249,520	
42. South Dakota	SD	L	351,633	499,776		384,338	813,909	1,096,665	
43. Tennessee	TN	L	763,542	951,245	(15,670)	1,041,636	424,280	2,027,110	
44. Texas	TX	L	37,203,626	38,463,729	(7,506)	20,367,299	40,176,389	70,703,851	3
45. Utah	UT	L	554,910	487,797		581,918	543,095	5,753,801	
46. Vermont	VT	L	2,945,777	3,291,827		2,053,499	2,031,267	11,736,968	
47. Virginia	VA	L	41,728,244	34,270,821	(34)	15,227,049	22,596,047	30,638,838	97,852
48. Washington	WA	L	5,532	5,851	1	221	(2,176)	16,201	
49. West Virginia	WV	L	2,026,211	1,481,299	(761)	176,896	1,120,549	1,031,146	
50. Wisconsin	WI	L	2,451,613	2,612,985	595,976	1,813,306	1,326,114	4,079,557	
51. Wyoming	WY	L	24,126	28,351		5,889	11,812	19,095	
52. American Samoa	AS	N							
53. Guam	GU	L	8,522	11,197			3,404	6,032	
54. Puerto Rico	PR	N	(763)	(622)			(5,439)	6,074	
55. U.S. Virgin Islands	VI	L						1	
56. Northern Mariana Islands	MP	L							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X		3,914			(1,079)	3,098	
59. Totals	(a) 54		352,485,920	372,048,375	1,951,441	246,249,415	291,718,685	1,016,923,669	150,411

DETAILS OF WRITE-INS									
5801. Other Alien	X X X			3,914			(1,079)	3,098	
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 plus 5898) (Line 58 above)	X X X			3,914			(1,079)	3,098	

#### 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

\*State of employee's main work place - 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, Warranty

\*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

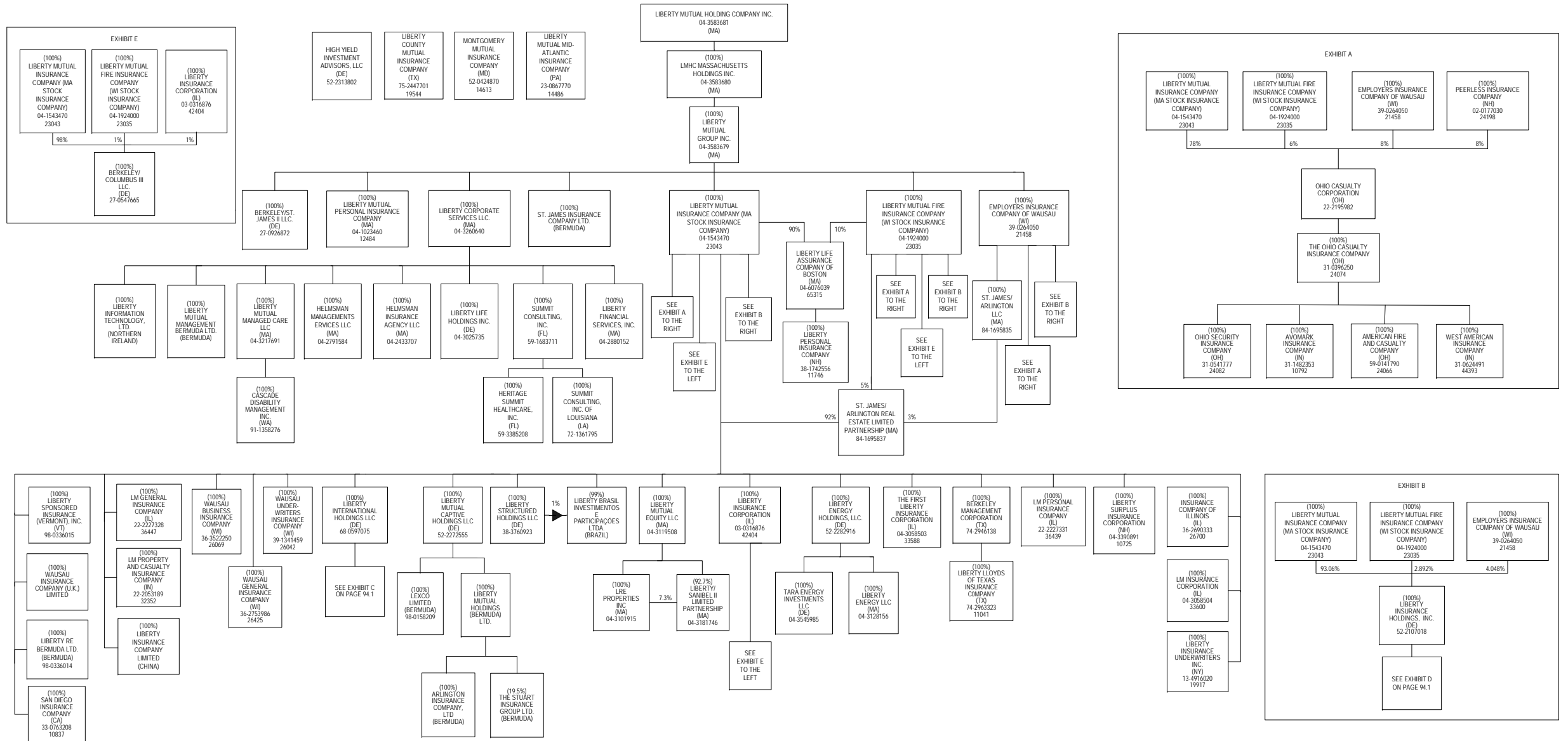
\*Principal Location of Assured - Ocean Marine, Credit

\*Primary Residence of Assured - Aircraft (all perils)

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

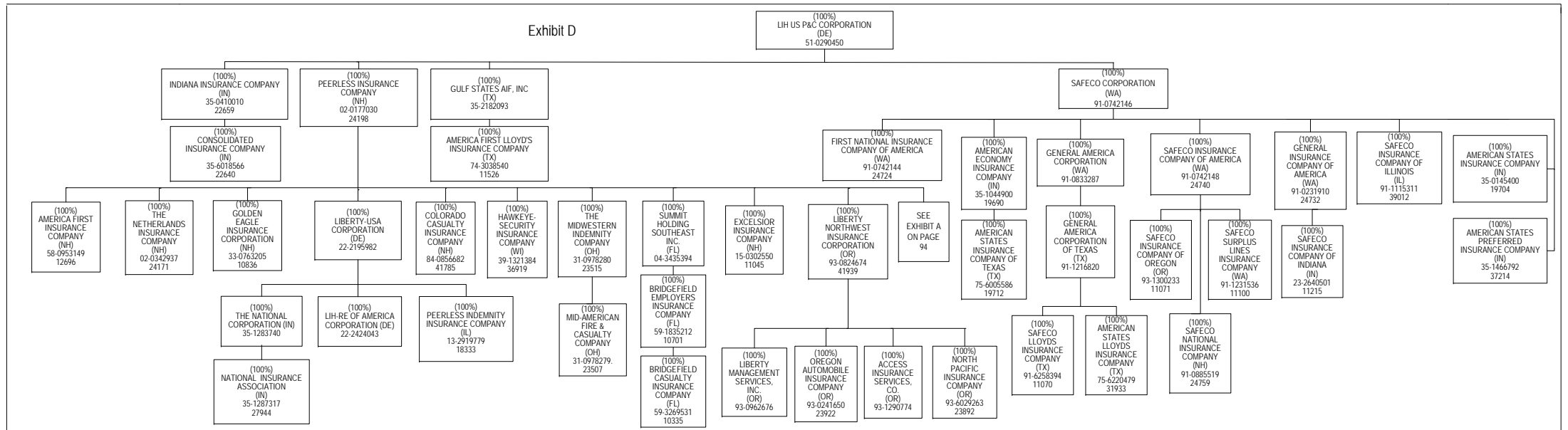
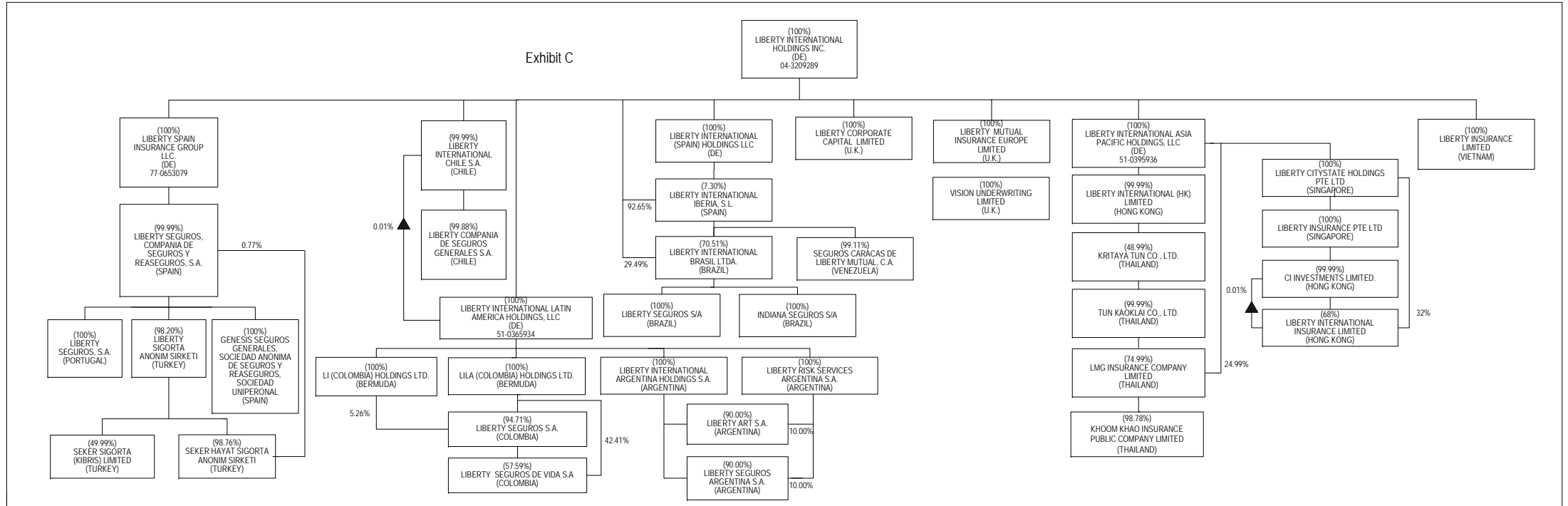
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

## PART 1 - ORGANIZATIONAL CHART



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS</b>				
2304. Equities and deposits in pools and associations .....	73,426		73,426	94,973
2397. Totals (Lines 2301. through 2396.) (Page 2, Line 2398)	73,426		73,426	94,973



**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

	1	2
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES</b>	Current Year	Prior Year
2304. Private passenger auto escrow	1,876	
2305. Retroactive reinsurance reserves	(4,322,477)	(4,433,662)
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	(4,320,601)	(4,433,662)

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

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