

ANNUAL STATEMENT

OF THE

LM INSURANCE CORPORATION

of **HOFFMAN ESTATES**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2010

PROPERTY AND CASUALTY

2010



33600201020100100

ANNUAL STATEMENT

For the Year Ended December 31, 2010
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: Pamela Heenan 617-357-9500 x44689
(Name) (Area Code) (Telephone Number) (Extension)
Statutory.Compliance@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

OFFICERS

Chairman of the Board and CEO

Edmund Francis Kelly

	Name	Title
1.	<u>David Henry Long #</u>	<u>President</u>
2.	<u>Dexter Robert Legg</u>	<u>Vice President & Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President & 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 & Assistant Treasurer</u>
<u>Timothy Michael Sweeney</u>	<u>Vice President</u>	<u>Dennis James Langwell</u>	<u>Vice President & CFO</u>
<u>Christopher Charles Mansfield</u>	<u>Vice President & Assistant Secretary</u>	<u>John Derek Doyle</u>	<u>Vice President & 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>Mark Ardon Butler #</u>
<u>Stephen Douglas Hylka</u>	<u>Deborah Lucille Michel</u>	<u>David Henry Long #</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.

_____ (Signature) <u>David Henry Long #</u> (Printed Name) 1. President (Title)	_____ (Signature) <u>Dexter Robert Legg</u> (Printed Name) 2. Vice President & Secretary (Title)	_____ (Signature) <u>Laurance Henry Soyer Yahia</u> (Printed Name) 3. Vice President & Treasurer (Title)
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Subscribed and sworn to (or affirmed) before me on this
31st day of January, 2011, 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)	182,929,735		182,929,735	58,551,514
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 0, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 22,850,986, Schedule DA)	22,850,986		22,850,986	4,306,609
6. Contract loans (including \$ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets	1,741,180		1,741,180	
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	207,521,901		207,521,901	62,858,123
13. Title plants less \$ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,664,354		1,664,354	507,142
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	29,742,996	69,784	29,673,212	2,375,432
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ (7,796) earned but unbilled premiums)	5,475,461	922	5,474,539	5,630,631
15.3 Accrued retrospective premiums	1,273,184	127,636	1,145,548	879,469
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans	172	55	117	26
18.1 Current federal and foreign income tax recoverable and interest thereon				838,612
18.2 Net deferred tax asset	1,969,080	254,435	1,714,645	1,724,050
19. Guaranty funds receivable or on deposit	60,906		60,906	88,663
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	5,956,877		5,956,877	
24. Health care (\$ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	1,769,116	70,587	1,698,529	1,598,138
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	255,434,047	523,419	254,910,628	76,500,286
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	255,434,047	523,419	254,910,628	76,500,286

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value - Life Insurance	1,121,653		1,121,653	1,022,092
2502. Amounts receivable under high deductible policies	445,053	116	444,937	459,211
2503. Equities and deposits in pools and associations	122,074		122,074	73,426
2598. Summary of remaining write-ins for Line 25 from overflow page	80,336	70,471	9,865	43,409
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,769,116	70,587	1,698,529	1,598,138

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	35,071,036	33,548,528
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	31,857,930	1,504,175
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	7,297,087	6,787,251
4. Commissions payable, contingent commissions and other similar charges	184,773	319,793
5. Other expenses (excluding taxes, licenses and fees)	487,328	619,343
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	546,255	448,556
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	23,092,643	
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 \$ 102,501,740 and including warranty reserves of \$ 0)	9,491,954	8,781,447
10. Advance premium	116,242	117,034
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	12,944	4,802
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	165,604	288,699
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	848,227	784,075
19. Payable to parent, subsidiaries and affiliates	93,036	613,063
20. Derivatives		
21. Payable for securities	1,043,313	98
22. Payable for securities lending	1,741,180	
23. Liability for amounts held under uninsured plans		
24. Capital notes \$ 0 and interest thereon \$ 0		
25. Aggregate write-ins for liabilities	(1,687,483)	1,188,412
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	110,362,069	55,005,276
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	110,362,069	55,005,276
29. Aggregate write-ins for special surplus funds	3,026,007	3,000,689
30. Common capital stock	3,600,000	3,600,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	106,897,997	7,400,000
35. Unassigned funds (surplus)	31,024,555	7,494,321
36. Less treasury stock, at cost:		
36.1 0 shares common (value included in Line 30 \$ 0)		
36.2 0 shares preferred (value included in Line 31 \$ 0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	144,548,559	21,495,010
38. Totals (Page 2, Line 28, Col. 3)	254,910,628	76,500,286

DETAILS OF WRITE-IN LINES		
2501. Amounts held under uninsured plans	1,578,251	1,737,691
2502. Other liabilities	895,460	976,387
2503. Private passenger auto escrow	1,096	1,876
2598. Summary of remaining write-ins for Line 25 from overflow page	(4,162,290)	(1,527,542)
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	(1,687,483)	1,188,412
2901. Special surplus from retroactive reinsurance	2,587,720	2,580,591
2902. SSAP 10R incremental change	438,287	420,098
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	3,026,007	3,000,689
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	409,509,573	19,919,095
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	221,423,715	13,110,212
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	4,214,794	3,880,973
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	152,964,667	5,129,647
5. Aggregate write-ins for underwriting deductions	(781)	1,876
6. Total underwriting deductions (Lines 2 through 5)	378,602,395	22,122,708
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	30,907,178	(2,203,613)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	5,538,913	2,742,082
10. Net realized capital gains (losses) less capital gains tax of \$ 10,770 (Exhibit of Capital Gains (Losses))	20,001	31,558
11. Net investment gain (loss) (Lines 9 + 10)	5,558,914	2,773,640
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 6,772 amount charged off \$ 152,858)	(146,086)	(157,128)
13. Finance and service charges not included in premiums	91,152	99,333
14. Aggregate write-ins for miscellaneous income	(157,594)	(278,569)
15. Total other income (Lines 12 through 14)	(212,528)	(336,364)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	36,253,564	233,663
17. Dividends to policyholders	125,896	46,277
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)	36,127,668	187,386
19. Federal and foreign income taxes incurred	12,515,030	(423,593)
20. Net income (Line 18 minus Line 19) (to Line 22)	23,612,638	610,979
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	21,495,010	20,380,687
22. Net income (from Line 20)	23,612,638	610,979
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		137,549
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(264,250)	(849,605)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	152,880	742,965
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	99,497,997	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	54,284	472,435
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	123,053,549	1,114,323
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	144,548,559	21,495,010

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	(781)	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)	(781)	1,876
1401. Retroactive reinsurance gain/(loss)	261,468	62,298
1402. Other income/(expense)	(419,062)	(340,867)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(157,594)	(278,569)
3701. Other changes in surplus	36,095	52,337
3702. SSAP 10R incremental change	18,189	420,098
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	54,284	472,435

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	382,749,420	19,325,731
2. Net investment income	5,465,988	2,800,210
3. Miscellaneous income	(383,020)	72,533
4. Total (Lines 1 through 3)	387,832,388	22,198,474
5. Benefit and loss related payments	189,567,856	13,037,043
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	156,859,650	9,144,383
8. Dividends paid to policyholders	117,754	44,470
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(11,405,455)	421,001
10. Total (Lines 5 through 9)	335,139,805	22,646,897
11. Net cash from operations (Line 4 minus Line 10)	52,692,583	(448,423)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	20,519,719	13,693,413
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		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	20,519,719	14,493,671
13. Cost of investments acquired (long-term only):		
13.1 Bonds	145,951,456	19,232,533
13.2 Stocks		38,373
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets	1,741,180	
13.6 Miscellaneous applications	(1,043,213)	(98)
13.7 Total investments acquired (Lines 13.1 to 13.6)	146,649,423	19,270,808
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)	(126,129,704)	(4,777,137)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	99,497,997	
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)	(7,516,499)	1,340,563
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	91,981,498	1,340,563
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	18,544,377	(3,884,997)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	4,306,609	8,191,606
19.2 End of year (Line 18 plus Line 19.1)	22,850,986	4,306,609

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	416,465	242,726	218,367	440,824
2. Allied lines	201,345	122,315	102,987	220,673
3. Farmowners multiple peril	192			192
4. Homeowners multiple peril	2,830,715	1,477,807	1,591,230	2,717,292
5. Commercial multiple peril	466,958	226,993	303,714	390,237
6. Mortgage guaranty				
8. Ocean marine	92,840	38,405	39,422	91,823
9. Inland marine	1,333,707	73,038	73,016	1,333,729
10. Financial guaranty				
11.1 Medical professional liability—occurrence	22,404		15,618	6,786
11.2 Medical professional liability—claims-made	4,405	862	949	4,318
12. Earthquake	55,703	33,151	30,744	58,110
13. Group accident and health	3,489			3,489
14. Credit accident and health (group and individual)				
15. Other accident and health	966		150	816
16. Workers' compensation	5,631,347	107,232	46,576	5,692,003
17.1 Other liability—occurrence	1,269,268	499,680	579,028	1,189,920
17.2 Other liability—claims-made	417,193	313,639	263,877	466,955
17.3 Excess Workers' Compensation	195,411	65,035	97,438	163,008
18.1 Products liability—occurrence	234,290	103,508	129,020	208,778
18.2 Products liability—claims-made	14,848	3,320	2,600	15,568
19.1,19.2 Private passenger auto liability	5,079,900	2,410,863	2,563,415	4,927,348
19.3,19.4 Commercial auto liability	847,276	283,739	274,937	856,078
21. Auto physical damage	390,081,916	1,696,407	1,773,825	390,004,498
22. Aircraft (all perils)	108,362	39,973	30,668	117,667
23. Fidelity	17,861	12,133	8,069	21,925
24. Surety	2,501	1,196	2,642	1,055
26. Burglary and theft	722	429	303	848
27. Boiler and machinery	42,846	2,269	17,822	27,293
28. Credit				
29. International				
30. Warranty	12			12
31. Reinsurance-Nonproportional Assumed Property	341,534	19,151	26,235	334,450
32. Reinsurance-Nonproportional Assumed Liability	187,826	30,387	33,146	185,067
33. Reinsurance-Nonproportional Assumed Financial Lines	503			503
34. Aggregate write-ins for other lines of business				
35. TOTALS	409,902,805	7,804,258	8,225,798	409,481,265

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	212,081	6,287			218,368
2. Allied lines	98,636	4,351			102,987
3. Farmowners multiple peril					
4. Homeowners multiple peril	1,591,230				1,591,230
5. Commercial multiple peril	215,474	88,240			303,714
6. Mortgage guaranty					
8. Ocean marine	31,355	8,067			39,422
9. Inland marine	52,194	20,822			73,016
10. Financial guaranty					
11.1 Medical professional liability—occurrence	15,618				15,618
11.2 Medical professional liability—claims-made	902	47			949
12. Earthquake	30,358	386			30,744
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	150				150
16. Workers' compensation	1,122,247	112,613		(1,188,284)	46,576
17.1 Other liability—occurrence	481,642	114,972		(17,586)	579,028
17.2 Other liability—claims-made	162,074	101,803			263,877
17.3 Excess Workers' Compensation	89,262	8,176			97,438
18.1 Products liability—occurrence	75,684	59,634		(6,298)	129,020
18.2 Products liability—claims-made	2,600				2,600
19.1,19.2 Private passenger auto liability	2,563,415				2,563,415
19.3,19.4 Commercial auto liability	325,983	2,944		(53,991)	274,936
21. Auto physical damage	1,774,345	(520)			1,773,825
22. Aircraft (all perils)	30,668				30,668
23. Fidelity	7,528	541			8,069
24. Surety	38	2,604			2,642
26. Burglary and theft	303				303
27. Boiler and machinery	17,464	357			17,821
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property	26,235				26,235
32. Reinsurance-Nonproportional Assumed Liability	32,773	373			33,146
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	8,960,259	531,697		(1,266,159)	8,225,797
36. Accrued retrospective premiums based on experience					1,266,159
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					9,491,956

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

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	7,212	416,465		7,212		416,465
2. Allied lines	17,051	201,345		17,051		201,345
3. Farmowners multiple peril		192				192
4. Homeowners multiple peril	23,996,682	2,830,715		23,996,682		2,830,715
5. Commercial multiple peril	1,758,192	466,958		1,758,192		466,958
6. Mortgage guaranty						
8. Ocean marine		92,840				92,840
9. Inland marine	986,284	1,333,707		986,284		1,333,707
10. Financial guaranty						
11.1 Medical professional liability--occurrence		22,404				22,404
11.2 Medical professional liability--claims-made		4,405				4,405
12. Earthquake	74,565	55,703		74,565		55,703
13. Group accident and health		3,489				3,489
14. Credit accident and health (group and individual)						
15. Other accident and health		966				966
16. Workers' compensation	240,770,286	5,631,347		240,770,286		5,631,347
17.1 Other liability—occurrence	4,592,603	1,269,268		4,592,603		1,269,268
17.2 Other liability—claims-made		417,193				417,193
17.3 Excess Workers' Compensation	16,164,469	195,411		16,164,469		195,411
18.1 Products liability—occurrence	1,450,915	234,290		1,450,915		234,290
18.2 Products liability—claims-made		14,848				14,848
19.1,19.2 Private passenger auto liability	20,451,368	5,079,900		20,451,368		5,079,900
19.3,19.4 Commercial auto liability	9,736,378	847,276		9,736,378		847,276
21. Auto physical damage	16,589,117	390,081,916		16,589,117		390,081,916
22. Aircraft (all perils)		108,362				108,362
23. Fidelity	39,300	17,861		39,300		17,861
24. Surety	30,111	2,501		30,111		2,501
26. Burglary and theft	18,922	722		18,922		722
27. Boiler and machinery	1,014	42,846		1,014		42,846
28. Credit						
29. International						
30. Warranty		12				12
31. Reinsurance-Nonproportional Assumed Property	X X X	341,534				341,534
32. Reinsurance-Nonproportional Assumed Liability	X X X	187,826				187,826
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	503				503
34. Aggregate write-ins for other lines of business						
35. TOTALS	336,684,469	409,902,805		336,684,469		409,902,805

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 \$ 266,674,566

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 270,511,920

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		123,287		123,287	569	62,472	569	185,759	17,562
2. Allied lines		44,850		44,850	37,923	31,817	37,923	76,667	10,566
3. Farmowners multiple peril									
4. Homeowners multiple peril	1,335,721	454,679	1,335,721	454,679	1,170,500	316,655	1,170,500	771,334	205,587
5. Commercial multiple peril	267,681	338,366	267,681	338,366	1,549,527	303,443	1,549,527	641,809	226,082
6. Mortgage guaranty									
8. Ocean marine		61,544		61,544		47,921		109,465	20,610
9. Inland marine	13,421	31,973	13,421	31,973	617,584	145,672	617,584	177,645	21,511
10. Financial guaranty									
11.1 Medical professional liability—occurrence		408		408		(1,581)		(1,173)	35
11.2 Medical professional liability—claims-made		186		186		2,696		2,882	1,587
12. Earthquake		353		353	10	(44)	10	309	29
13. Group accident and health		4,672		4,672		938		(a) 5,610	421
14. Credit accident and health (group and individual)									
15. Other accident and health		576		576		3,277		(a) 3,853	267
16. Workers' compensation	364,653,989	11,115,843	364,653,989	11,115,843	557,371,267	9,126,226	557,371,267	20,242,069	2,744,557
17.1 Other liability—occurrence	6,519,437	1,470,141	6,519,437	1,470,141	4,199,430	2,224,593	4,199,430	3,694,734	1,669,668
17.2 Other liability—claims-made		228,794		228,794		671,005		899,799	291,263
17.3 Excess Workers' Compensation	5,954,062	331,039	5,954,062	331,039	40,664,968	485,075	40,664,968	816,114	66,836
18.1 Products liability—occurrence	1,721,621	183,524	1,721,621	183,524	3,512,215	563,638	3,512,215	747,162	484,670
18.2 Products liability—claims-made		(880)		(880)		44,301		43,421	26,814
19.1,19.2 Private passenger auto liability	4,400,058	2,393,269	4,400,058	2,393,269	3,924,888	1,756,527	3,924,888	4,149,796	806,526
19.3,19.4 Commercial auto liability	8,196,228	633,053	8,196,228	633,053	6,043,076	490,402	6,043,076	1,123,455	163,193
21. Auto physical damage		5,246		5,246	(30,782)	179,534	(30,782)	184,780	431,458
22. Aircraft (all perils)		72,599		72,599		20,631		93,230	36,437
23. Fidelity		1,929		1,929	(29,842)	39,348	(29,842)	41,277	8,900
24. Surety		1,391		1,391	12,422	441	12,422	1,832	(430)
26. Burglary and theft	25,000	57	25,000	57	32,710	1,257	32,710	1,314	872
27. Boiler and machinery		1,465		1,465	10,806	2,360	10,806	3,825	432
28. Credit									
29. International									
30. Warranty						74		74	(123)
31. Reinsurance-Nonproportional Assumed Property	X X X	130,072		130,072	X X X	115,913		245,985	5,221
32. Reinsurance-Nonproportional Assumed Liability	X X X	244,261		244,261	X X X	555,273		799,534	56,429
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	8,269		8,269	X X X	209		8,478	106
34. Aggregate write-ins for other lines of business									
35. TOTALS	393,087,218	17,880,966	393,087,218	17,880,966	619,087,271	17,190,073	619,087,271	35,071,039	7,297,086

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	25,886,485			25,886,485
1.2 Reinsurance assumed	2,445,581			2,445,581
1.3 Reinsurance ceded	25,886,485			25,886,485
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	2,445,581			2,445,581
2. Commission and brokerage:				
2.1 Direct, excluding contingent		10,005,819		10,005,819
2.2 Reinsurance assumed, excluding contingent		146,756,174		146,756,174
2.3 Reinsurance ceded, excluding contingent		10,005,819		10,005,819
2.4 Contingent—direct		639,349		639,349
2.5 Contingent—reinsurance assumed		220,914		220,914
2.6 Contingent—reinsurance ceded		639,349		639,349
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)		146,977,088		146,977,088
3. Allowances to manager and agents		281,067	3	281,070
4. Advertising	31,514	371,049	1,713	404,276
5. Boards, bureaus and associations	5,429	54,403	56	59,888
6. Surveys and underwriting reports	44	75,994	1,970	78,008
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	1,052,021	2,167,324	196,345	3,415,690
8.2 Payroll taxes	64,146	145,492	13,903	223,541
9. Employee relations and welfare	230,179	522,169	14,892	767,240
10. Insurance	83,695	35,454	1,655	120,804
11. Directors' fees	2	4		6
12. Travel and travel items	63,600	148,400	4,325	216,325
13. Rent and rent items	81,361	191,323	5,049	277,733
14. Equipment	70,047	168,275	5,458	243,780
15. Cost or depreciation of EDP equipment and software	13,097	101,611	3,578	118,286
16. Printing and stationery	11,061	40,804	669	52,534
17. Postage, telephone and telegraph, exchange and express	33,330	149,418	7,713	190,461
18. Legal and auditing	10,018	40,753	9,410	60,181
19. Totals (Lines 3 to 18)	1,749,544	4,493,540	266,739	6,509,823
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 13,462		877,214		877,214
20.2 Insurance department licenses and fees		40,712		40,712
20.3 Gross guaranty association assessments		842		842
20.4 All other (excluding federal and foreign income and real estate)		40,558		40,558
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		959,326		959,326
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	19,669	534,713	43,993	598,375
25. Total expenses incurred	4,214,794	152,964,667	310,732	(a) 157,490,193
26. Less unpaid expenses—current year	7,297,087	1,218,356		8,515,443
27. Add unpaid expenses—prior year	6,787,251	1,387,692		8,174,943
28. Amounts receivable relating to uninsured plans, prior year		26		26
29. Amounts receivable relating to uninsured plans, current year		117		117
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	3,704,958	153,134,094	310,732	157,149,784

DETAILS OF WRITE-IN LINES				
2401. Other expenses	89,103	534,713	43,993	667,809
2402. Change in unallocated expense reserves	(69,434)			(69,434)
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	19,669	534,713	43,993	598,375

(a) Includes management fees of \$ 334,637 to affiliates and \$ 315,566 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,888,368	2,122,411
1.1 Bonds exempt from U.S. tax	(a) 142,432	142,036
1.2 Other bonds (unaffiliated)	(a) 2,656,712	3,535,540
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) (1,850)	42,886
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	6,769	6,769
10. Total gross investment income	4,692,431	5,849,642
11. Investment expenses		(g) 310,730
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)		310,730
17. Net investment income (Line 10 minus Line 16)		5,538,912

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	6,769	6,769
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)	6,769	6,769
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

- (a) Includes \$ 77,509 accrual of discount less \$ 1,161,796 amortization of premium and less \$ 1,104,553 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 \$ 0 accrual of discount less \$ 105,732 amortization of premium and less \$ 36,536 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	30,771		30,771		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	30,771		30,771		

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

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	69,784	39,286	(30,498)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	922		(922)
15.3 Accrued retrospective premiums	127,636	97,719	(29,917)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans	55	30	(25)
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	254,435	509,280	254,845
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	70,587	46,436	(24,151)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	523,419	692,751	169,332
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	523,419	692,751	169,332

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	70,471	46,129	(24,342)
2502. Amounts receivable under high deductible policies	116	307	191
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	70,587	46,436	(24,151)

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Illinois, 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 applies the following accounting policies, where applicable:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investment in Subsidiaries, Controlled Entities and Affiliates*, and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2010.
13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

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

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loaned Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2010 as of December 31, 2010: None.
3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2010: None.
4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2010:

	1	2
	Less Than 12 Months	Greater Than 12 Months
Gross Unrealized Loss	\$(225,197)	\$0
Fair Value of Securities with Unrealized Losses	\$16,114,246	\$0

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

E. Repurchase Agreements and Securities Lending

1. The Company did not enter into any repurchase agreements during the year.
2. The Company maintained collateral for loaned securities.
 - (1) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral. Cash collateral received is invested in short-term investments.
 - (2) The Company has not pledged any of its assets as collateral.
 - (3) Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short term securities.

NOTES TO FINANCIAL STATEMENTS

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	\$1,741,439
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	1,741,439
Securities Received	1,003,065
Total Collateral Received	\$2,744,504

4. Securities Lending Transactions Administered by an Affiliated Agent

Not applicable

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	-	-
30 Days or Less	\$932,363	\$932,384
31 to 60 Days	749,070	749,105
61 to 90 Days	59,929	59,950
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	1,741,362	1,741,439
Securities Received	1,003,065	1,003,065
Total Collateral Reinvested	\$2,744,427	\$2,744,504

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets.

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

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

The Company does not own any investments in joint ventures, partnerships, and limited liability companies.

Note 7 - Investment Income

A. Accrued Investment Income

The Company does not admit investment income due and accrued if amounts are over 90 days past due (over 180 days for mortgage loans in default).

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2010.

NOTES TO FINANCIAL STATEMENTS

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	2,286,710	30,450	2,317,160	2,418,510	124,600	2,543,110	(131,800)	(94,150)	(225,950)
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	2,286,710	30,450	2,317,160	2,418,510	124,600	2,543,110	(131,800)	(94,150)	(225,950)
Deferred Tax Liabilities	(348,080)	0	(348,080)	(309,780)	0	(309,780)	(38,300)	0	(38,300)
Net DTA (DTL)	1,938,630	30,450	1,969,080	2,108,730	124,600	2,233,330	(170,100)	(94,150)	(264,250)
Deferred Tax Assets Nonadmitted	(254,435)	0	(254,435)	(509,280)	0	(509,280)	254,845	0	254,845
Net Admitted DTA (DTL)	1,684,195	30,450	1,714,645	1,599,450	124,600	1,724,050	84,745	(94,150)	(9,405)

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election does not differ from the prior reporting period.

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	1,245,909	8,670	1,254,579	199,000	5,000	204,000	1,046,909	3,670	1,050,579
Lesser of:									
Expected to be recognized within one year (10bi.)	0	21,780	21,780	980,352	119,600	1,099,952	(980,352)	(97,820)	(1,078,172)
10% of adjusted capital and surplus (10bii.)			14,041,136			1,897,218			
Adj. gross DTAs offset against existing DTLs (10c.)	348,080	0	348,080	309,780	0	309,780	38,300	0	38,300
Total	1,593,989	30,450	1,624,439	1,489,132	124,600	1,613,732	104,857	(94,150)	10,707

The amount of each result or component of the calculation, by tax character, of paragraphs 10ei., 10eiia., 10eiib., and 10eiic.:

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	1,504,839	8,670	1,513,509	199,000	5,000	204,000	1,305,839	3,670	1,309,509
Lesser of:									
Expected to be recognized within three years (10eiia.)	179,356	21,780	201,136	1,400,450	119,600	1,520,050	(1,221,094)	(97,820)	(1,318,914)
15% of adjusted capital and surplus (10eiib.)			21,061,703			2,845,827			
Adj. gross DTAs offset against existing DTLs (10eiic.)	348,080	0	348,080	309,780	0	309,780	38,300	0	38,300
Total	2,032,275	30,450	2,062,725	1,909,230	124,600	2,033,830	123,045	(94,150)	28,895

	December 31, 2010	December 31, 2009	Change
Used in SSAP No. 10R, Paragraph 10.d.			
Total Adjusted Capital	144,110,272	21,074,912	123,035,360
Authorized Control Level	39,682,896	2,958,135	36,724,761

NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	1,245,909	30,450	1,276,359	1,179,352	124,600	1,303,952	66,557	(94,150)	(27,593)
Admitted Assets			254,472,342			76,080,188			178,392,154
Adjusted Statutory Surplus			144,110,272			21,074,912			123,035,360
Total Adjusted Capital from DTAs			144,110,272			21,074,912			123,035,360

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2 - 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	438,286	0	438,286	420,098	0	420,098	18,188	0	18,188
Admitted Assets			254,910,628			76,500,286			178,410,342
Adjusted Statutory Surplus			144,548,559			21,495,010			123,053,549
Total Adjusted Capital from DTAs			144,548,559			21,495,010			123,053,549

	December 31, 2010		
	(1)	(2)	(3)
			(Col 1 + 2)
Impact of Tax Planning Strategies	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	0%	1%	1%

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

	2010	2009
Federal	8,049,051	(423,593)
Foreign	4,465,979	0
Realized capital gains	10,770	16,993
Federal and foreign income taxes incurred	12,525,800	(406,600)

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

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

	2010
Change in net deferred income tax (without unrealized gain or loss)	(264,250)
Change in tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	(264,250)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, unearned premium reserves, return to provision adjustments, 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 is \$8,142,800 from the current year and none from the preceding year.

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

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

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

Access Insurance Services, Co.
America First Insurance Company

AMBCO Capital Corporation
America First Lloyds Insurance Company

NOTES TO FINANCIAL STATEMENTS

<p>American Economy Insurance Company American States Insurance Company American States Lloyds Insurance Company Avomark Insurance Company (merged 2/23/2010) Berkeley Holding Company Associates, Inc. Bridgefield Casualty Insurance Company Capitol Court Corporation Capitol Agency, Inc., The (Ohio corporation) Dissolved 11/17/2010 Cascade Disability Management, Inc. Commercial Aviation Insurance, Inc. Companies Agency of Pennsylvania, Inc. (Dissolved 9/9/2010) Copley Venture Capital, Inc. Emerald City Insurance Agency, Inc. Excelsior Insurance Company First National Insurance Company of America Florida State Agency, Inc. (Dissolved 8/20/2010) General America Corporation of Texas Golden Eagle Insurance Corporation Hawkeye-Security Insurance Company Indiana Insurance Company LEXCO Limited Liberty Assignment Corporation Liberty Financial Services, Inc. Liberty Insurance Corporation Liberty Insurance Underwriters Inc. Liberty International Holdings Inc. Liberty Life Holdings Inc. Liberty Management Services, Inc. Liberty Mutual Agency Corporation Liberty Mutual Group Inc. Liberty Mutual Insurance Company Liberty Northwest Insurance Corporation Liberty RE (Bermuda) Limited Liberty Surplus Insurance Corporation LIU Specialty Insurance Agency Inc. LM Insurance Corporation LM Property & Casualty Insurance Company LRE Properties, Inc. Mid-American Fire & Casualty Company OCASCO Budget, Inc. Ohio Casualty Corporation Open Seas Solutions, Inc. Peerless Indemnity Insurance Company Pilot Insurance Services, Inc. S.C. Bellevue, Inc. Safeco Corporation Safeco Insurance Company of America Safeco Insurance Company of Indiana Safeco Lloyds Insurance Company Safeco Properties, Inc. San Diego Insurance Company St. James Insurance Company Ltd. State Agency, Inc. (Wisconsin corporation) (Dissolved 8/24/2010) Summit Consulting, Inc. of Louisiana The First Liberty Insurance Corporation The Ohio Casualty Insurance Company Wausau General Insurance Company West American Insurance Company Winmar of the Desert, Inc. Winmar-Metro, Inc.</p>	<p>American Fire & Casualty Company American States Insurance Company of Texas American States Preferred Insurance Company Barrier Ridge LLC Berkeley Management Corporation Bridgefield Employers Insurance Company Capitol Agency, Inc., The (Arizona corporation) Capitol Agency, Inc., The (Tennessee corporation) (Dissolved 7/1/2010) Colorado Casualty Insurance Company Companies Agency of New York, Inc. (Dissolved 3/3/2010) Consolidated Insurance Company Diversified Settlements, Inc. Employers Insurance Company of Wausau F.B. Beattie & Co., Inc. First State Agency Inc. General America Corporation General Insurance Company of America Gulf States AIF, Inc. Heritage-Summit HealthCare, Inc. Insurance Company of Illinois Liberty-USA Corporation Liberty Energy Canada, Inc. Liberty Hospitality Group, Inc. Liberty Insurance Holdings, Inc. Liberty International Europe Inc. Liberty Life Assurance Company of Boston Liberty Lloyds of Texas Insurance Company Liberty Mexico Holdings Inc. Liberty Mutual Fire Insurance Company Liberty Mutual Holding Company Inc. Liberty Mutual Personal Insurance Company Liberty Personal Insurance Company Liberty Sponsored Insurance (Vermont) Inc. LIH-RE of America Corporation LM General Insurance Company LM Personal Insurance Company LMHC Massachusetts Holdings Inc. Mid-American Agency, Inc. (Dissolved 8/20/2010) North Pacific Insurance Company OCI Printing, Inc. Ohio Security Insurance Company Oregon Automobile Insurance Company Peerless Insurance Company Rianoc Research Corporation SAFECARE Company, Inc. Safeco General Agency, Inc. Safeco Insurance Company of Illinois Safeco Insurance Company of Oregon Safeco National Insurance Company Safeco Surplus Lines Insurance Company SCIT, Inc. State Agency, Inc. (Indiana corporation) (Dissolved 8/23/2010) Summit Consulting, Inc. Summit Holding Southeast, Inc. The Midwestern Indemnity Company The Netherlands Insurance Company The National Corporation Wausau Business Insurance Company Wausau Underwriters Insurance Company Winmar Company, Inc. Winmar Oregon, Inc.</p>
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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 between the Company and its affiliates are listed on Schedule Y Part 2.
- C. There have been no material transactions with the Company's affiliates during 2010.

NOTES TO FINANCIAL STATEMENTS

- D. At December 31, 2010, the Company reported a net \$5,863,841 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has not made any guarantees or initiated any undertakings for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. Refer to Note 26 for information regarding the Inter-Company 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.

There is a management services agreement between the Company and Liberty Mutual Insurance Europe Limited ("LMIEUK") under which LMIEUK provides services to manage the operation of the Company's Irish Branch.

The Company is a party to an investment management agreement with Liberty Mutual Group Inc. ("LMGI") and a cash management agreement with Liberty Mutual Investment Advisors LLC ("LMIA"). Under these agreements, LMGI and LMIA 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 a member of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.
- J. The Company does not own any investments in subsidiary, controlled or affiliated entities.
- K. The Company does not hold any investments in foreign insurance subsidiaries.
- L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

- A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

- B. Federal Home Loan Bank Agreements

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

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

The Company 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 10F.

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

1. The Company has 30,000 shares authorized, issued, and outstanding as of December 31, 2010. All shares have a stated par value of \$120.
2. Preferred Stock
Not applicable
3. There are no dividend restrictions.
4. The Company did not pay any dividends to its parent during 2010.
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 or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2011 is \$23,612,638.

NOTES TO FINANCIAL STATEMENTS

6. As of December 31, 2010, the Company has restricted surplus of \$438,287 from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes*, and pre-tax restricted surplus of \$2,587,720 resulting from retroactive reinsurance contracts.
7. The Company had no advances to surplus.
8. The Company does not hold stock for special purposes.
9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2010 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 net 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 10E.

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 funds and other assessments of \$446,207 that is offset by future premium tax credits of \$50,519. 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 2010.

During 2010 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 obligation 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	\$1,005,963

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 []

NOTES TO FINANCIAL STATEMENTS

E. All Other Contingencies

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

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

Note 15 - Leases

A. Lessee Leasing Arrangements

The Company leases office space, plant and equipment under various non cancelable operating lease arrangements. The Company has also 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 property, plant and equipment at the end of each respective lease

The Company's minimum lease obligations under these agreements are as follows:

Year(s)	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2011	\$67,493	\$216,052
2012	67,035	212,119
2013	66,956	160,642
2014	42,606	94,057
2015	41,881	56,341
2016 & thereafter	<u>13,241</u>	<u>268,578</u>
Total	<u>\$299,212</u>	<u>\$1,007,789</u>

B. Leasing as a Significant Part of Lessor's Business Activities

Leasing is not a significant part of the Company's business activities.

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

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

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. Collateral is not restricted and currently \$0 extends beyond one year from December 31, 2010. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2010 the total fair value of securities on loan was \$2,678,274, with corresponding collateral value of \$2,744,504 of which \$1,741,439 represents cash collateral.

C. Wash Sales

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

NOTES TO FINANCIAL STATEMENTS

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 in excess of actual expenses on ASO plans and the net gain was \$1,848. Claim payment volume was \$84,383.

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 - Fair Value Measurements

Pursuant to the guidance in SSAP No. 100, *Fair Value Measurements*, the Company has no assets or liabilities measured at fair value.

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2010 and 2009.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$4,147 and \$5,234 in 2010 and 2009 respectively.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$(36,654) and \$231,179 in 2010 and 2009, respectively.

2) Assets in the amount of \$10,038,276 and \$9,799,022 as of December 31, 2010 and 2009, respectively, were on deposit with government authorities or trustees as required by law.

3) Interrogatory 6.1

In 2010, as a member of an inter-company reinsurance pooling arrangement, the Company had the benefit of Workers' Compensation Catastrophe reinsurance with limits of \$400,000,000 part of \$500,000,000 xs \$700,000,000 purchased by LMIC, the lead company of the inter-company reinsurance pool.

Interrogatory 6.3

As a member of an inter-company reinsurance pooling arrangement, the Company had the benefit of \$1,500,000,000 part of \$1,700,000,000 xs \$1,300,000,000, \$150,000,000 xs \$1,150,000,000 (Earthquake only), \$455,000,000 part of \$650,000,000 xs \$650,000,000 xs \$650,000,000 in second event coverage, and a 30% QS treaty in place for its US Homeowners portfolio that covers catastrophe losses up to \$1,750,000,000 for Wind and \$400,000,000 for Earthquake, purchased by LMIC, the lead company of the inter-company reinsurance pool.

D. The Company routinely assesses the collectability of its premium receivable balances. The Company does not believe that amounts in excess of non-admitted amounts are material.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

NOTES TO FINANCIAL STATEMENTS

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.
2. The Company does not have any direct exposure through investments in sub-prime mortgage loans.
3. The Company does not have any direct exposure through other investments.
4. The Company does not have any underwriting exposure to sub-prime mortgage risk.

Note 22 - Events Subsequent

- A. The Company evaluated subsequent events through February 24, 2011, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2010 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

Excluding amounts arising pursuant to the Intercompany Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of the Company's policyholder's surplus.

B. Reinsurance Recoverable in Dispute

There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2010.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$9,491,954	\$84,636	\$102,501,740	\$3,240,863	\$(93,009,786)	\$(3,156,227)
All Other	0	0	0	0	0	0
Total	\$9,491,954	\$84,636	\$102,501,740	\$3,240,863	\$(93,009,786)	\$(3,156,227)

Direct Unearned Premium Reserve: \$102,501,740

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2010 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$615,144	\$46,321	\$615,144	\$46,321
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(390,000)	0	(390,000)
Totals	\$615,144	\$(343,679)	\$615,144	\$(343,679)

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

The Company did not commute any reinsurance treaties in the current year.

F. Retroactive Reinsurance

The Company's retroactive reinsurance is a result of the Intercompany Reinsurance Agreement as described in Note 26.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	\$(4,586,411)	
	2. Adjustments – Prior Year(s)	653,934	
	3. Adjustments – Current Year	160,187	
	4. Total	\$(3,772,290)	

NOTES TO FINANCIAL STATEMENTS

b.	Consideration Paid or Received:		
	1. Initial	\$(1,892,097)	
	2. Adjustments – Prior Year(s)	(109,460)	
	3. Adjustments – Current Year	(2,186)	
	4. Total	\$(2,003,743)	
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial	\$(72,451)	
	2. Adjustments – Prior Year(s)	(873,817)	
	3. Adjustments – Current Year	(173,844)	
	4. Total	\$(1,120,112)	
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	\$2,766,765	
	2. Adjustments – Prior Year(s)	110,423	
	3. Adjustments – Current Year	11,471	
	4. Current Year Special Surplus	2,587,720	
	5. Cumulative Total Transferred to Unassigned Funds	\$300,939	
e.	All cedents and reinsurers included in the above transactions:		
	Liberty Mutual Insurance Company, 23043	\$(3,772,290)	
	Total	\$(3,772,290)	

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. Reinsurance Accounted for as a Deposit

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

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

The Company has not entered into any property and casualty run-off agreements which qualify for prospective reinsurance accounting treatment, pursuant to SSAP No. 62R, *Property and Casualty Reinsurance*.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- 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 refer to Schedule P, Part 7A.
- D. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been non-admitted.

a.	Total accrued retro premium	1,273,184
b.	Unsecured amount	
c.	Less: Non-admitted amount (10%)	127,636
d.	Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e.	Admitted amount (a) - (c) - (d)	\$1,145,548

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expenses attributable to insured events of prior years decreased overall in 2010. The favorable development was primarily a result of decreases in the Commercial Auto Liability, Special Liability, and Product Liability-Occurrence lines, partially offset by an increase in the Other Liability-Occurrence line. Original estimates are revised as additional information becomes known regarding individual claims.

NOTES TO FINANCIAL STATEMENTS

Note 26 - Inter-Company Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Liberty Mutual Insurance Company ("LMIC")	23043	73.80%	All Lines
Affiliated Pool Companies:	Liberty Mutual Fire Insurance Company ("LMFIC")	23035	12.90%	All Lines
	Employers Insurance Company of Wausau ("EICOW")	21458	8.00%	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
	Insurance Company of Illinois ("ICIL")	26700	0.00%	All Lines
	Wausau General Insurance Company ("WGIC")	26425	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	Personal Lines Only
			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
	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) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (f) The write-off of uncollectible reinsurance is pooled and the provision for reinsurance is recognized by the entity placing the outbound external reinsurance.
- (g) Amounts due (to)/from affiliated entities participating in the Liberty Mutual inter-company pool as at December 31, 2010:

Affiliate:	Amount:
Liberty Mutual Insurance Company	(60,871,839)
Liberty Mutual Fire Insurance Company	28,921,566
Liberty Insurance Corporation	8,967,927
LM Insurance Corporation	448,396
The First Liberty Insurance Corporation	224,198
Employers Insurance Company of Wausau	20,067,770
Wausau Underwriters Insurance Company	896,793

NOTES TO FINANCIAL STATEMENTS

Wausau Business Insurance Company	896,793
LM General Insurance Company	224,198
LM Personal Insurance Company	224,198

Effective January 1, 2010, LMMAIC cancelled its participation in the Peerless Insurance Company ("PIC") Amended and Restated Reinsurance Pooling Agreement and concurrently became a participant in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.0% pool participation percentage and entered into an 100% Quota Share Reinsurance Agreement with PIC. Pursuant to the 100% Quota Share Reinsurance Agreement with PIC, the Company continues to cede the business it wrote for the Peerless Pool to PIC. New business is ceded to LMIC, the lead company in the Liberty Pool.

Effective January 1, 2010, LMGIC and LMPIC canceled their 100% Quota Share Agreements with LMPAC and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.10% pool participation percentage.

Effective January 1, 2010, BCIC and BEIC novated their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Quota Share Inter-Company Reinsurance Agreements with LMIC.

Effective January 1, 2010, LLOT and LMPICO terminated their 100% Quota Share Inter-Company Reinsurance Agreements with LMIC and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.00% pool participation percentage.

Note 27 - Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of \$1,068,400 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$1,068,400 as of December 31, 2010.
- B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	\$0
2. Date of the most recent evaluation of this liability	12/31/2010
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31- High Dollar Deductible Policies

As of December 31, 2010, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$9,645,385 and the amount billed and recoverable on paid claims was \$445,053.

Note 32 - 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, 2010 liabilities subject to discount were carried at a value representing a discount of \$2,264,861 net of all reinsurance.

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

Note 33 - 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 the de-affiliation of EICOW, WBIC, WUIC and WGIC ("Wausau Companies") from the Nationwide Group and becoming members of the Liberty Pool, the Wausau Companies entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for the obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

NOTES TO FINANCIAL STATEMENTS

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 collectability of reinsurance.

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

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 that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Company's future operating results and financial condition.

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 insureds. Between comprehensive studies, the Company monitors asbestos activity to determine whether or not any adjustment to reserves is warranted. The Company also completed its annual study on the environmental claims liability, resulting in immaterial adjustments to held reserves. During 2010 the Company monitored asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted. Based on this review of actual emerged losses, no material adjustments were made.

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.

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 26. Net reserves for asbestos and environmental are allocated based on the Company's Intercompany Reinsurance Agreement, as discussed in Note 26.

Asbestos:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Direct Basis					
Beginning Reserves	3,996,500	3,699,521	3,364,614	3,126,344	3,702,892
Incurred losses and LAE	201,037	462,405	285,288	1,098,576	153,731
Calendar year payments	498,017	797,312	523,559	522,027	1,132,241
Ending Reserves	<u>3,699,521</u>	<u>3,364,614</u>	<u>3,126,344</u>	<u>3,702,892</u>	<u>2,724,382</u>

NOTES TO FINANCIAL STATEMENTS

Assumed Reinsurance Basis

Beginning Reserves	1,027,760	1,086,925	1,416,503	1,341,076	959,872
Incurred losses and LAE	97,622	383,293	(15,143)	(305,514)	97,493
Calendar year payments	38,456	53,715	60,284	75,691	102,109
Ending Reserves	1,086,925	1,416,503	1,341,076	959,872	955,255

Net of Ceded Reinsurance Basis

Beginning Reserves	2,084,712	1,794,044	1,594,670	1,318,714	1,773,740
Incurred losses and LAE	24,408	170,252	28,488	791,103	(214,344)
Calendar year payments	315,076	369,627	304,444	336,077	405,508
Ending Reserves	1,794,044	1,594,670	1,318,714	1,773,740	1,153,887

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

Direct Basis	1,376,174
Assumed Reinsurance Basis	735,797
Net of Ceded Reinsurance Basis	553,558

Ending Reserves for LAE included above (Case, Bulk & IBNR)

Direct Basis	1,051,671
Assumed Reinsurance Basis	40,498
Net of Ceded Reinsurance Basis	439,308

Environmental:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Direct Basis					
Beginning Reserves	1,371,995	1,011,028	901,747	746,484	613,078
Incurred losses and LAE	95,701	11,762	13,674	56,307	78,883
Calendar year payments	456,668	121,043	168,937	189,713	104,856
Ending Reserves	1,011,028	901,747	746,484	613,078	587,105

Assumed Reinsurance Basis

Beginning Reserves	104,639	95,894	81,710	81,482	105,503
Incurred losses and LAE	1,762	2,951	7,181	34,373	(1,105)
Calendar year payments	10,506	17,135	7,409	10,352	22,946
Ending Reserves	95,894	81,710	81,482	105,503	81,453

Net of Ceded Reinsurance Basis

Beginning Reserves	853,643	790,732	727,272	623,174	527,392
Incurred losses and LAE	40,401	19,638	(26)	(6)	(5,668)
Calendar year payments	103,312	83,098	104,071	95,777	59,449
Ending Reserves	790,732	727,272	623,174	527,392	462,275

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

Direct Basis	356,484
Assumed Reinsurance Basis	50,408
Net of Ceded Reinsurance Basis	282,888

Ending Reserves for LAE included above (Case, Bulk & IBNR)

Direct Basis	256,161
Assumed Reinsurance Basis	4,908
Net of Ceded Reinsurance Basis	168,169

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guarantee Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes 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: _____ 12/08/2010 _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. _____ 12/31/2009 _____
- 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?
 Illinois Department of Financial and Professional Regulation Division of Insurance

- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes No N/A
- 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

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [] No [X]

10.2 If response to 10.1 is "yes," provide information related to this exemption:

.....

10.3 Has the insurer been granted any exemptions to the audit committee requirements as allowed in Section 14H of the Annual Financial Reporting Model Regulation, or substantially similar state law or regulation? Yes [] No [X]

10.4 If response to 10.3 is "yes," provide information related to this exemption:

.....

GENERAL INTERROGATORIES

10.5 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]

10.6 If response to 10.5 is "yes," provide information related to this exemption:

10.7 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance law? Yes [X] No [] N/A []

10.8 If the response to 10.7 is no or n/a, please explain:

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
 William Finn
 175 Berkeley Street, Boston, MA 02116
 Officer of Liberty Mutual Group Inc.

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

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

12.2 If yes, provide explanation:

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

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

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

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

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A [X]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
 a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 c. Compliance with applicable governmental laws, rules, and regulations;
 d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 e. Accountability for adherence to the code. Yes [X] No []

14.11 If the response to 14.1 is no, please explain:

GENERAL INTERROGATORIES

- 14.2 Has the code of ethics for senior managers been amended? Yes No
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
 During the 1st quarter, Liberty Mutual Group published several non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes No
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

15. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes No
16. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes No
17. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes No

FINANCIAL

18. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes No
- 19.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|---|----|----------|
| | 19.11 To directors or other officers | \$ | <u>0</u> |
| | 19.12 To stockholders not officers | \$ | <u>0</u> |
| | 19.13 Trustees, supreme or grand (Fraternal only) | \$ | <u>0</u> |
- 19.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- | | | | |
|--|---|----|----------|
| | 19.21 To directors or other officers | \$ | <u>0</u> |
| | 19.22 To stockholders not officers | \$ | <u>0</u> |
| | 19.23 Trustees, supreme or grand (Fraternal only) | \$ | <u>0</u> |
- 20.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes No
- 20.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|----------------------------|----|----------|
| | 20.21 Rented from others | \$ | <u>0</u> |
| | 20.22 Borrowed from others | \$ | <u>0</u> |
| | 20.23 Leased from others | \$ | <u>0</u> |
| | 20.24 Other | \$ | <u>0</u> |
- 21.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes No
- 21.2 If answer is yes:
- | | | | |
|--|--|----|----------|
| | 21.21 Amount paid as losses or risk adjustment | \$ | <u>0</u> |
| | 21.22 Amount paid as expenses | \$ | <u>0</u> |
| | 21.23 Other amounts paid | \$ | <u>0</u> |
- 22.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes No
- 22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

GENERAL INTERROGATORIES

INVESTMENT

- 23.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 23.3) Yes No
- 23.2 If no, give full and complete information relating thereto:

- 23.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
 Please reference Note 17B

- 23.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes No N/A
- 23.5 If answer to 23.4 is yes, report amount of collateral for conforming programs. \$ 2,744,245
- 23.6 If answer to 23.4 is no, report amount of collateral for other programs. \$ 0
- 23.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes No N/A
- 23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes No N/A
- 23.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MLSA) to conduct securities lending? Yes No N/A
- 24.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 20.1 and 23.3) Yes No
- 24.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--|-------|--|----------------------|
| | 24.21 | Subject to repurchase agreements | \$ <u>0</u> |
| | 24.22 | Subject to reverse repurchase agreements | \$ <u>0</u> |
| | 24.23 | Subject to dollar repurchase agreements | \$ <u>0</u> |
| | 24.24 | Subject to reverse dollar repurchase agreements | \$ <u>0</u> |
| | 24.25 | Pledged as collateral | \$ <u>0</u> |
| | 24.26 | Placed under option agreements | \$ <u>0</u> |
| | 24.27 | Letter stock or securities restricted as to sale | \$ <u>0</u> |
| | 24.28 | On deposit with state or other regulatory body | \$ <u>10,038,277</u> |
| | 24.29 | Other | \$ <u>0</u> |
- 24.3 For category (24.27) provide the following:
- | 1
Nature of Restriction | 2
Description | 3
Amount |
|----------------------------|------------------|-------------|
| | | 0 |
| | | 0 |
| | | 0 |
- 25.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes No
- 25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement. Yes No N/A
- 26.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes No
- 26.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

GENERAL INTERROGATORIES

27. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes No

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza New York, NY 10005

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

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

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year?

Yes No

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Inc.	175 Berkeley Street, Boston, MA 02116

28.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes No

28.2 If yes, complete the following schedule:

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

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

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

GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
29.1 Bonds	205,780,721	209,727,397	3,946,676
29.2 Preferred stocks	0	0	0
29.3 Totals	205,780,721	209,727,397	3,946,676

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

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

30.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [] No [X]

30.2 If the answer to 30.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [] No [X]

30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

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

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

31.2 If no, list exceptions:

OTHER

32.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 0

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

1 Name	2 Amount Paid
	0
	0
	0

33.1 Amount of payments for legal expenses, if any? \$ 98,010

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

1 Name	2 Amount Paid
	0
	0
	0

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 14,975

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

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.....

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	\$ 4,306	\$ 103
2.2 Premium Denominator	\$ 409,509,573	\$ 19,919,095
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 10,301	\$ 9,682
2.5 Reserve Denominator	\$ 82,053,464	\$ 50,621,401
2.6 Reserve Ratio (2.4/2.5)	0.00	0.00

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal 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

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6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss: See Note 21C

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GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
 The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v10.0 from RMS and AIR Classic/2 v12.0. For workers' compensation, Liberty Mutual utilizes RiskLink v10.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
 See Note 21C
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to 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. 6
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes No
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes No
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
 (a) The entity does not utilize reinsurance; or, 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

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.....

.....

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

12.11 Unpaid losses	\$ 935,222
12.12 Unpaid underwriting expenses (including loss adjustment expenses)	\$ 285,633

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 213,238

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	\$ 14,887,091
12.62 Collateral and other funds	\$ 2,690,573

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 125,450

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. 9

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

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

Premiums and recoverables were allocated pursuant to the intercompany pooling agreement.

.....

.....

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
	2010	2009	2008	2007	2006
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	306,882,361	332,018,898	443,101,020	398,426,611	371,652,421
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	409,783,009	16,147,109	9,764,593	7,703,961	6,640,393
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	29,297,801	23,661,179	16,716,982	11,075,713	7,990,422
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	94,240	149,940	(144,728)	718,099	615,846
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	529,863	503,966	462,620	375,233	229,429
6. Total (Line 35)	746,587,274	372,481,092	469,900,487	418,299,617	387,128,511
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	13,716,342	12,780,164	14,153,398	15,707,085	15,183,742
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	392,089,858	3,796,623	3,666,761	3,677,102	3,910,909
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,541,913	2,886,885	3,446,871	3,943,280	3,906,269
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	24,829	27,534	(316,566)	596,456	497,914
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	529,863	503,966	462,620	375,233	229,429
12. Total (Line 35)	409,902,805	19,995,172	21,413,084	24,299,156	23,728,263
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	30,907,178	(2,203,613)	(1,262,492)	(1,307,803)	(716,623)
14. Net investment gain (loss) (Line 11)	5,558,914	2,773,640	2,680,417	2,958,743	2,713,888
15. Total other income (Line 15)	(212,528)	(336,364)	(247,232)	(214,672)	(162,464)
16. Dividends to policyholders (Line 17)	125,896	46,277	53,581	139,545	102,055
17. Federal and foreign income taxes incurred (Line 19)	12,515,030	(423,593)	452,975	482,145	1,053,740
18. Net income (Line 20)	23,612,638	610,979	664,137	814,578	679,006
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	254,910,628	76,500,286	73,861,799	71,238,882	67,188,909
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	29,673,212	2,375,432	2,491,760	2,123,391	1,646,212
20.2 Deferred and not yet due (Line 15.2)	5,474,539	5,630,631	4,853,429	5,500,963	5,505,632
20.3 Accrued retrospective premiums (Line 15.3)	1,145,548	879,469	958,351	1,021,580	1,391,631
21. Total liabilities excluding protected cell business (Page 3, Line 26)	110,362,069	55,005,276	53,481,112	51,510,827	48,207,641
22. Losses (Page 3, Line 1)	35,071,036	33,548,528	33,213,901	33,187,781	30,584,849
23. Loss adjustment expenses (Page 3, Line 3)	7,297,087	6,787,251	6,499,277	6,779,061	6,269,446
24. Unearned premiums (Page 3, Line 9)	9,491,954	8,781,447	8,748,669	9,693,516	9,367,537
25. Capital paid up (Page 3, Lines 30 & 31)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 37)	144,548,559	21,495,010	20,380,687	19,728,055	18,981,268
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	52,692,583	(448,423)	477,370	3,723,747	5,025,377
Risk-Based Capital Analysis					
28. Total adjusted capital	144,548,559	21,495,010	20,380,687	19,728,055	18,981,268
29. Authorized control level risk-based capital	39,682,962	2,958,511	2,832,171	3,291,906	2,945,657
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	88.2	93.1	85.7	93.7	92.3
31. Stocks (Lines 2.1 & 2.2)			1.0	1.3	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)	11.0	6.9	13.3	5.0	6.4
35. Contract loans (Line 6)					
36. Derivatives (Line 7)		X X X	X X X	X X X	X X X
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)				0.0	0.0
39. Securities lending reinvested collateral assets (Line 10)	0.8	X X X	X X X	X X X	X X X
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

FIVE – YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2010	2009	2008	2007	2006
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)		137,549	(129,895)	(24,269)	4,224
51. Dividends to stockholders (Line 35)					
52. Change in surplus as regards policyholders for the year (Line 38)	123,053,549	1,114,323	652,632	746,787	453,310
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	228,438,371	241,822,442	236,347,347	219,539,550	228,181,593
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	219,420,074	8,032,375	4,732,876	3,858,242	3,300,750
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	10,767,289	9,113,483	5,308,418	3,229,877	2,636,858
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	30,743	34,501	377,806	68,127	78,643
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	381,630	150,845	176,550	214,490	304,260
58. Total (Line 35)	459,038,107	259,153,646	246,942,997	226,910,286	234,502,104
Net Losses Paid (Page 9, Part 2, Col. 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	7,822,233	8,174,657	9,696,130	8,029,709	7,484,547
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	209,723,834	2,465,442	2,170,437	2,000,015	2,258,620
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	2,031,319	2,106,337	2,642,710	1,782,482	1,666,942
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	26,663	6,951	218,555	63,781	32,768
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	381,630	150,845	176,550	214,490	304,260
64. Total (Line 35)	219,985,679	12,904,232	14,904,382	12,090,477	11,747,137
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	54.1	65.8	67.8	61.9	61.1
67. Loss expenses incurred (Line 3)	1.0	19.5	15.8	15.9	15.3
68. Other underwriting expenses incurred (Line 4)	37.4	25.8	22.1	27.8	26.8
69. Net underwriting gain (loss) (Line 8)	7.5	(11.1)	(5.7)	(5.5)	(3.2)
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	37.4	27.3	24.1	27.8	26.4
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	55.1	85.3	83.5	77.8	76.4
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	283.6	93.0	105.1	123.2	125.0
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(231)	470	(668)	624	981
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(1.1)	2.3	(3.4)	3.3	5.3
Two Year Loss Development (000 omitted)					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(216)	(113)	474	2,257	2,689
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(1.1)	(0.6)	2.5	12.2	15.2

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	2,151	833	457	264	54	17	36	1,548	X X X
2. 2001	19,429	3,362	16,067	15,079	3,619	1,225	221	1,484	26	477	13,922	X X X
3. 2002	22,251	4,500	17,751	14,310	3,174	1,167	207	1,679	20	728	13,755	X X X
4. 2003	24,875	6,036	18,839	13,086	2,916	1,106	146	1,781	27	763	12,884	X X X
5. 2004	25,969	6,819	19,150	12,771	3,324	1,004	194	1,793	94	749	11,956	X X X
6. 2005	26,738	6,312	20,426	15,060	4,553	1,000	204	1,814	128	728	12,989	X X X
7. 2006	29,022	6,620	22,402	12,574	2,385	965	132	1,921	136	727	12,807	X X X
8. 2007	30,452	7,202	23,250	13,486	3,090	952	137	1,952	167	848	12,996	X X X
9. 2008	32,021	8,638	23,383	15,027	3,650	835	99	2,139	141	737	14,111	X X X
10. 2009	30,387	9,484	20,903	11,772	3,542	499	71	1,995	26	663	10,627	X X X
11. 2010	419,511	9,999	409,512	216,594	3,485	426	33	1,655	8	456	215,149	X X X
12. Totals	X X X	X X X	X X X	341,910	34,571	9,636	1,708	18,267	790	6,912	332,744	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	9,553	2,981	3,892	2,843	602	471	1,714	643	295		98	9,118	X X X
2. 2001	636	251	343	275	9	2	80	54	11		7	497	X X X
3. 2002	632	397	526	426	13	5	80	34	14		13	403	X X X
4. 2003	590	242	1,001	407	22	9	93	26	16		19	1,038	X X X
5. 2004	670	219	1,100	277	24	6	194	24	37		25	1,499	X X X
6. 2005	838	285	1,349	580	28	7	180	48	30	12	35	1,493	X X X
7. 2006	1,119	303	1,578	508	42	11	369	69	44		58	2,261	X X X
8. 2007	1,667	344	1,972	440	74	14	483	82	69	10	69	3,375	X X X
9. 2008	2,484	536	3,021	860	97	13	837	149	235	32	109	5,084	X X X
10. 2009	2,703	357	4,269	916	102	11	1,055	154	330	5	136	7,016	X X X
11. 2010	3,418	510	6,996	1,319	103	8	1,350	128	691	8	364	10,585	X X X
12. Totals	24,310	6,425	26,047	8,851	1,116	557	6,435	1,411	1,772	67	933	42,369	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	7,621	1,497
2. 2001	18,867	4,448	14,419	97.107	132.302	89.743				453	44
3. 2002	18,421	4,263	14,158	82.787	94.733	79.759				335	68
4. 2003	17,695	3,773	13,922	71.136	62.508	73.900				942	96
5. 2004	17,593	4,138	13,455	67.746	60.683	70.261				1,274	225
6. 2005	20,299	5,817	14,482	75.918	92.158	70.900				1,322	171
7. 2006	18,612	3,544	15,068	64.131	53.535	67.262				1,886	375
8. 2007	20,655	4,284	16,371	67.828	59.483	70.413				2,855	520
9. 2008	24,675	5,480	19,195	77.059	63.441	82.090				4,109	975
10. 2009	22,725	5,082	17,643	74.785	53.585	84.404				5,699	1,317
11. 2010	231,233	5,499	225,734	55.120	54.995	55.123				8,585	2,000
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	35,081	7,288

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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	One Year	Two Year
1. Prior	25,812	27,369	29,151	31,303	32,864	33,850	35,140	35,023	35,807	35,716	(91)	693
2. 2001	12,541	12,199	12,391	12,240	12,628	12,789	12,886	12,937	13,003	13,006	3	69
3. 2002	XXX	12,398	11,726	11,734	12,135	12,370	12,459	12,524	12,515	12,549	34	25
4. 2003	XXX	XXX	12,976	11,661	11,330	11,986	12,166	12,159	12,232	12,239	7	80
5. 2004	XXX	XXX	XXX	13,026	12,091	11,760	11,826	11,799	11,779	11,847	68	48
6. 2005	XXX	XXX	XXX	XXX	14,177	13,490	13,137	12,943	12,941	12,905	(36)	(38)
7. 2006	XXX	XXX	XXX	XXX	XXX	14,489	13,842	13,571	13,514	13,395	(119)	(176)
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	15,484	15,116	14,731	14,692	(39)	(424)
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	17,683	17,536	17,190	(346)	(493)
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,234	15,522	288	XXX
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	223,591	XXX	XXX
										12. Totals	(231)	(216)

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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
1. Prior	000	6,147	10,461	14,319	16,879	18,947	20,836	22,544	23,973	25,484	XXX	XXX
2. 2001	5,663	8,505	9,941	10,808	11,440	11,776	12,038	12,216	12,339	12,464	XXX	XXX
3. 2002	XXX	5,269	8,135	9,804	10,639	11,328	11,645	11,861	11,996	12,096	XXX	XXX
4. 2003	XXX	XXX	4,900	7,478	8,761	9,681	10,310	10,694	10,965	11,130	XXX	XXX
5. 2004	XXX	XXX	XXX	4,475	6,911	8,078	9,013	9,633	10,020	10,257	XXX	XXX
6. 2005	XXX	XXX	XXX	XXX	5,161	7,935	9,334	10,268	10,902	11,303	XXX	XXX
7. 2006	XXX	XXX	XXX	XXX	XXX	5,038	7,763	9,300	10,343	11,022	XXX	XXX
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	5,179	8,332	10,036	11,211	XXX	XXX
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,332	10,129	12,113	XXX	XXX
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,413	8,658	XXX	XXX
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	213,502	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
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Prior	7,110	4,579	3,588	3,083	3,558	3,642	3,912	3,175	3,606	2,338
2. 2001	3,529	1,443	863	442	358	287	250	192	155	103
3. 2002	XXX	3,775	1,491	673	507	391	339	257	206	165
4. 2003	XXX	XXX	5,415	2,226	1,018	1,172	1,085	898	809	708
5. 2004	XXX	XXX	XXX	5,976	3,334	2,223	1,721	1,396	1,167	1,071
6. 2005	XXX	XXX	XXX	XXX	6,400	3,475	2,307	1,619	1,263	989
7. 2006	XXX	XXX	XXX	XXX	XXX	6,670	3,917	2,630	1,940	1,469
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	7,122	4,344	2,840	2,058
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,451	4,533	3,009
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,764	4,395
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,072

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

States, Etc.	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9							
		Active Status	2							3	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	1,168,196	2,394,800	(8)	2,930,948	1,438,128	29,199,879								
2. Alaska	AK	L	118,489	16,929		119,118	(11,442)	209,241								
3. Arizona	AZ	L	1,994,737	2,199,676	15	1,663,526	1,826,441	4,466,137								
4. Arkansas	AR	L	7,551,753	7,609,767	4,997	2,192,844	4,089,672	17,054,535								
5. California	CA	L	5,983,077	5,970,824	1,741	2,524,553	3,273,184	13,412,116								
6. Colorado	CO	L	7,342,957	7,924,540	25	3,224,343	7,741,149	16,601,729								
7. Connecticut	CT	L	18,062,884	18,638,828		15,234,560	18,422,764	45,343,653								
8. Delaware	DE	L	3,234,395	3,555,958		5,654,109	1,314,013	40,468,502								
9. District of Columbia	DC	L	431,347	1,964,328		1,759,138	468,403	5,641,633								
10. Florida	FL	L	16,601,146	15,478,347	384,056	8,083,974	17,035,964	55,956,501	(1)							
11. Georgia	GA	L	7,376,615	8,769,776	32,449	9,426,015	3,395,174	33,243,595	(1)							
12. Hawaii	HI	L	559,623	533,367		113,255	291,283	559,839								
13. Idaho	ID	L	611,653	405,681		176,369	385,572	462,499								
14. Illinois	IL	L	4,096,132	3,585,428	(76)	11,230,659	9,927,589	52,425,958								
15. Indiana	IN	L	5,215,644	5,263,279		2,871,989	3,122,385	11,189,883								
16. Iowa	IA	L	10,067,303	11,269,152		10,809,114	8,524,602	32,689,377								
17. Kansas	KS	L	5,324,973	5,210,426	12,338	5,247,790	3,553,681	9,348,342								
18. Kentucky	KY	L	14,978,938	14,690,955	676	8,381,166	8,660,130	34,371,437	112							
19. Louisiana	LA	L	3,508,196	4,648,387		5,489,995	3,527,993	11,256,293								
20. Maine	ME	L	222,377	205,219		717,214	274,676	1,448,230								
21. Maryland	MD	L	1,089,007	1,007,962	(47)	708,556	1,245,116	3,137,334								
22. Massachusetts	MA	L	19,500,782	16,412,655	2,938	6,124,839	5,651,554	15,972,688	62,190							
23. Michigan	MI	L	21,216,487	20,689,191	21,681	15,399,771	15,084,433	43,057,853								
24. Minnesota	MN	L	6,803,495	6,772,271		5,413,796	5,773,954	20,843,512								
25. Mississippi	MS	L	4,457,620	4,352,421		4,042,389	3,131,187	17,562,818								
26. Missouri	MO	L	10,316,229	10,466,380	38,007	7,442,933	8,823,225	23,719,095								
27. Montana	MT	L	(1,515)	(1,208)		163	(12,425)	9,102								
28. Nebraska	NE	L	929,273	1,054,693		879,966	819,244	2,285,369								
29. Nevada	NV	L	7,570,882	8,120,775	42	4,666,777	3,461,545	48,877,231								
30. New Hampshire	NH	L	(37,954)	2,481,761		3,850,312	(459,948)	25,279,448	1,003							
31. New Jersey	NJ	L	7,280,674	7,229,616	140,058	9,228,184	2,149,655	106,361,419								
32. New Mexico	NM	L	283,274	176,373		84,968	(11,225)	203,546								
33. New York	NY	L	25,780,267	22,692,971	70	6,995,701	16,439,614	41,060,066								
34. North Carolina	NC	L	12,421,460	13,429,029	584	11,731,758	7,712,821	87,962,396								
35. North Dakota	ND	L	46,434	45,318		70,000	55,400	22,757								
36. Ohio	OH	L	544,840	815,697		122,923	286,220	1,931,786								
37. Oklahoma	OK	L	806,556	864,790		1,738,216	2,745,439	3,923,158								
38. Oregon	OR	L	748,765	638,575		189,822	15,469	434,467								
39. Pennsylvania	PA	L	2,860,000	2,301,629	(18)	2,621,135	3,326,883	7,379,700								
40. Rhode Island	RI	L	311,784	306,414	16	225,171	102,389	396,449								
41. South Carolina	SC	L	5,548,448	5,150,703	260	4,856,916	4,123,414	17,516,018	104							
42. South Dakota	SD	L	(4,290)	984		264,580	538,367	1,370,451								
43. Tennessee	TN	L	2,344,812	1,392,993	(22)	548,679	743,954	2,222,383								
44. Texas	TX	L	30,720,048	30,130,859	(21)	23,334,972	16,116,972	63,485,850								
45. Utah	UT	L	2,802,908	2,956,959		1,011,631	2,322,530	7,064,700								
46. Vermont	VT	L	3,593,228	3,644,029		2,261,236	3,129,158	12,604,890								
47. Virginia	VA	L	46,932,417	42,894,017	167	25,233,768	28,806,083	34,211,152	164,231							
48. Washington	WA	L	10,243	13,679	1	4,990	3,841	15,052								
49. West Virginia	WV	L	3,763,562	2,816,933		621,256	2,004,739	2,414,629								
50. Wisconsin	WI	L	3,530,797	3,613,360	276,260	1,523,242	2,903,692	5,460,008								
51. Wyoming	WY	L	24,885	25,215		3,104	9,312	25,303								
52. American Samoa	AS	N														
53. Guam	GU	L	8,780	9,765			(4,514)	1,518								
54. Puerto Rico	PR	N	491	254			(2,934)	3,140								
55. U.S. Virgin Islands	VI	L	25,000	14,658			7,229	7,230								
56. Northern Mariana Islands	MP	L														
57. Canada	CN	N														
58. Aggregate Other Alien	OT	X X X	4,345	(132)		(506)	2,592									
59. Totals	(a)	54	336,684,469	332,857,256	916,189	239,052,433	234,303,248	1,012,174,489	227,638							

DETAILS OF WRITE-INS									
5801. Other alien	X X X		4,345	(132)		(506)	2,592		
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		4,345	(132)		(506)	2,592		

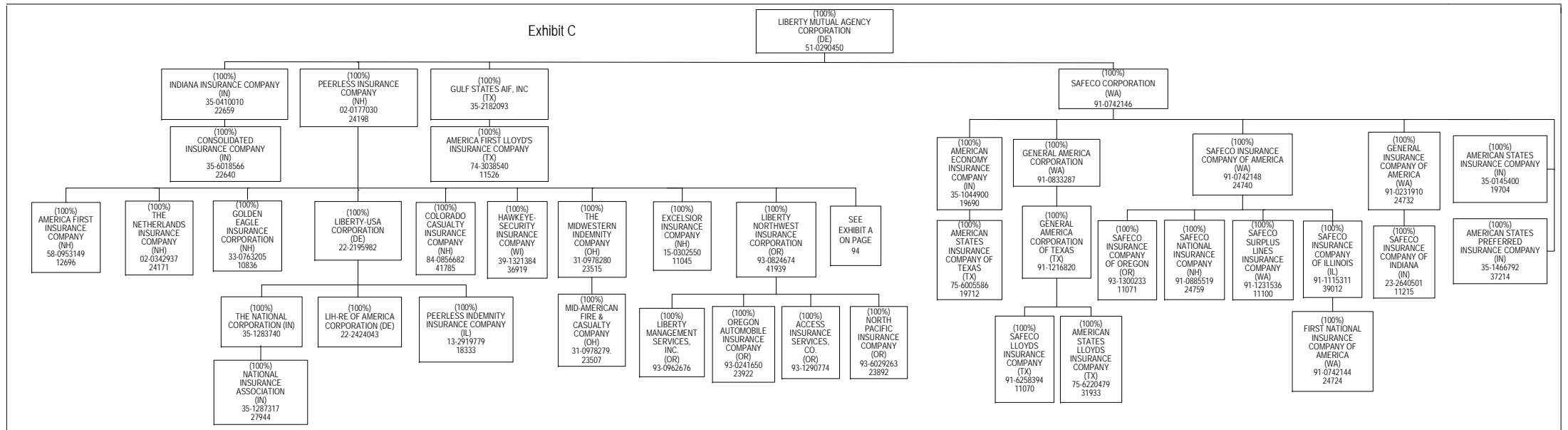
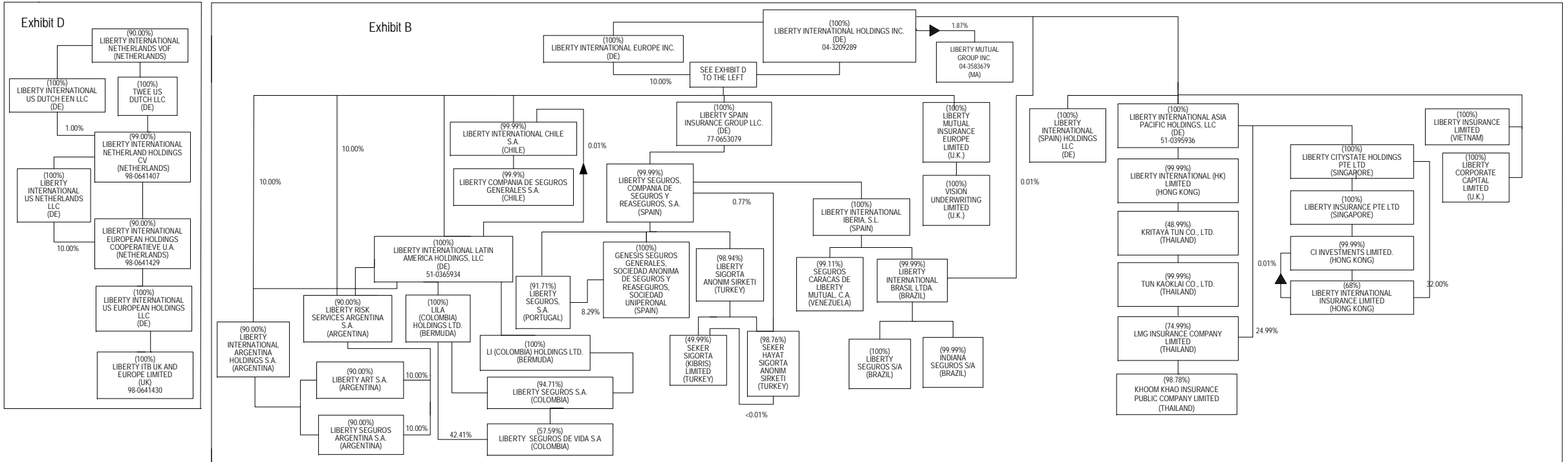
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

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	*Location of Court - Surety
*States employee's main work place - Worker's Compensation	*Address of Assured - Other Accident and Health
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage	*Location of Properties covered - Burglary and Theft
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty	*Principal Location of Assured - Ocean Marine, Credit
*Point of origin of shipment or principal location of assured - Inland Marine	*Primary residence of Assured - Aircraft (all perils)
*State in which employees regularly work - Group Accident and Health	

(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



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
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS				
2504. Other assets	80,336	70,471	9,865	43,409
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	80,336	70,471	9,865	43,409

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

	1	2
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	Current Year	Prior Year
2504. Collateral held for securities loaned		2,794,935
2505. Retroactive reinsurance reserves	(4,162,290)	(4,322,477)
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	(4,162,290)	(1,527,542)

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