

ANNUAL STATEMENT

OF THE

THE NETHERLANDS INSURANCE COMPANY

of **KEENE**

in the state of **NEW HAMPSHIRE**

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2008

PROPERTY AND CASUALTY

2008

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)	348,782,107		348,782,107	200,889,520
2. Stocks (Schedule D):				
2.1 Preferred stocks	901,524		901,524	899,335
2.2 Common stocks	4,624,115		4,624,115	5,644,957
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 (\$ 2,072,982, Schedule E - Part 1), cash equivalents (\$ 10,865,859, Schedule E - Part 2), and short-term investments (\$ 18,544,842, Schedule DA)	31,483,683		31,483,683	17,281,153
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				40,831
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	385,791,429		385,791,429	224,755,796
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	3,998,274		3,998,274	2,144,382
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	6,963,734	773,305	6,190,429	5,719,779
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 1,124,192 earned but unbilled premiums)	47,975,975	195,239	47,780,736	37,530,912
13.3 Accrued retrospective premiums	1,010,423	90,848	919,575	314,840
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	16,890,000	7,759,027	9,130,973	5,896,325
17. Guaranty funds receivable or on deposit	237,512		237,512	147,080
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				32,196
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	6,075,990	17,797	6,058,193	6,008,968
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	468,943,337	8,836,216	460,107,121	282,550,278
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	468,943,337	8,836,216	460,107,121	282,550,278

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets	3,150,242	17,797	3,132,445	5,224,012
2302. Cash Surrender Value Life Insurance	1,658,386		1,658,386	
2303. Equities and deposits in pools and associations	1,267,362		1,267,362	784,956
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	6,075,990	17,797	6,058,193	6,008,968

LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	177,306,358	103,638,320
2. Reinsurance payable on paid losses and loss adjustment expenses	9,272,219	5,382,429
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	40,601,319	23,717,594
4. Commissions payable, contingent commissions and other similar charges	4,825,708	3,823,225
5. Other expenses (excluding taxes, licenses and fees)	5,921,057	3,740,945
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	3,667,574	2,329,068
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	786,089	3,367,680
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 \$ 374,096,132 and including warranty reserves of \$ 0)	75,884,192	55,328,534
10. Advance premium	495,215	258,561
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	107,714	23,396
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	3,455,376	5,245,459
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	1,087,974	
19. Payable to parent, subsidiaries and affiliates	2,177,328	2,038,140
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	14,307,626	9,182,373
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	339,895,749	218,075,724
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	339,895,749	218,075,724
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,600,000	3,600,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	54,597,505	9,597,505
33. Unassigned funds (surplus)	62,013,867	51,277,049
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0)		
34.2 0 shares preferred (value included in Line 29 \$ 0)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	120,211,372	64,474,554
36. Totals (Page 2, Line 26, Col. 3)	460,107,121	282,550,278

DETAILS OF WRITE-IN LINES		
2301. Other liabilities	1,110,687	925,985
2302. Collateral held for securities loaned	9,433,928	8,256,388
2303. Pooled retroactive reinsurance	3,763,011	
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	14,307,626	9,182,373
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

STATEMENT OF INCOME

	1	2
	Current Year	Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	179,438,244	117,737,183
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	93,969,128	60,459,931
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	19,450,000	13,344,243
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	60,661,498	41,945,529
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	174,080,626	115,749,703
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	5,357,618	1,987,480
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	17,535,270	10,223,237
10. Net realized capital gains (losses) less capital gains tax of \$ (338,306) (Exhibit of Capital Gains (Losses))	(628,282)	65,655
11. Net investment gain (loss) (Lines 9 + 10)	16,906,988	10,288,892
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 18,460 amount charged off \$ 725,423)	(706,964)	(240,883)
13. Finance and service charges not included in premiums	147,952	158,645
14. Aggregate write-ins for miscellaneous income	(1,868,491)	115,994
15. Total other income (Lines 12 through 14)	(2,427,503)	33,756
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	19,837,103	12,310,128
17. Dividends to policyholders	1,171,423	283,355
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)	18,665,680	12,026,773
19. Federal and foreign income taxes incurred	9,775,406	3,654,577
20. Net income (Line 18 minus Line 19) (to Line 22)	8,890,274	8,372,196
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	64,474,554	56,421,014
22. Net income (from Line 20)	8,890,274	8,372,196
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (551,362)	(1,023,957)	(245,815)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	6,592,638	1,173,638
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(4,541,141)	(1,246,479)
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	45,000,000	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	819,004	
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	55,736,818	8,053,540
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	120,211,372	64,474,554

DETAILS OF WRITE-IN LINES		
0501.		
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)		
1401. Other income/(expense)	(1,901,527)	115,994
1402. Retroactive reinsurance gain/(loss)	33,036	
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(1,868,491)	115,994
3701. Other changes in surplus	819,004	
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	819,004	

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	188,246,416	120,589,471
2. Net investment income	15,862,422	9,728,159
3. Miscellaneous income	(2,656,964)	(396,794)
4. Total (Lines 1 through 3)	201,451,874	129,920,836
5. Benefit and loss related payments	15,323,326	52,336,253
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	58,297,984	51,837,972
8. Dividends paid to policyholders	1,087,105	308,443
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	12,018,691	1,064,570
10. Total (Lines 5 through 9)	86,727,106	105,547,238
11. Net cash from operations (Line 4 minus Line 10)	114,724,768	24,373,598
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	39,851,380	44,075,163
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	40,831	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	39,892,211	44,075,163
13. Cost of investments acquired (long-term only):		
13.1 Bonds	189,012,706	74,744,860
13.2 Stocks	435,560	1,335,894
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		2,106,390
13.7 Total investments acquired (Lines 13.1 to 13.6)	189,448,266	78,187,144
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)	(149,556,055)	(34,111,981)
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	45,000,000	
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	4,033,817	(31,221,114)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	49,033,817	(31,221,114)
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)	14,202,530	(40,959,497)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	17,281,153	58,240,650
19.2 End of year (Line 18 plus Line 19.1)	31,483,683	17,281,153

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

	1	2	3	4
Line of Business	Net Premiums Written per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	1,493,907	573,014	805,962	1,260,959
2. Allied lines	1,616,953	507,409	755,791	1,368,571
3. Farmowners multiple peril	1,160,290	614,732	628,516	1,146,506
4. Homeowners multiple peril	13,921,206	5,303,057	5,555,001	13,669,262
5. Commercial multiple peril	45,668,581	17,717,562	20,708,471	42,677,672
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	4,152,234	1,622,109	1,710,834	4,063,509
10. Financial guaranty				
11.1 Medical malpractice—occurrence	11	(135)		(124)
11.2 Medical malpractice—claims-made				
12. Earthquake	453,416	231,936	163,718	521,634
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	484			484
16. Workers' compensation	45,613,819	7,107,875	8,641,591	44,080,103
17.1 Other liability—occurrence	13,180,740	3,214,184	5,279,262	11,115,662
17.2 Other liability—claims-made	49,586		15,400	34,186
18.1 Products liability—occurrence	612,836	91,093	212,370	491,559
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	16,096,553	4,547,452	6,823,985	13,820,020
19.3,19.4 Commercial auto liability	20,679,819	7,241,414	9,101,102	18,820,131
21. Auto physical damage	17,530,801	5,544,564	7,541,274	15,534,091
22. Aircraft (all perils)				
23. Fidelity	327,285	4,266	151,757	179,794
24. Surety	17,256,347	18,916	6,655,362	10,619,901
26. Burglary and theft	8,513	6,627	3,567	11,573
27. Boiler and machinery	6,610	19,080	2,941	22,749
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property				
32. Reinsurance-Nonproportional Assumed Liability				
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	199,829,991	54,365,155	74,756,904	179,438,242

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	805,960	2			805,962
2. Allied lines	755,785	6			755,791
3. Farmowners multiple peril	628,503	13			628,516
4. Homeowners multiple peril	5,555,001				5,555,001
5. Commercial multiple peril	21,001,890	574	(295,682)	1,690	20,708,472
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	1,686,555	24,279			1,710,834
10. Financial guaranty					
11.1 Medical malpractice—occurrence					
11.2 Medical malpractice—claims-made					
12. Earthquake	163,717	1			163,718
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	9,279,648	22	(634,983)	(3,096)	8,641,591
17.1 Other liability—occurrence	5,414,667	55,805	(189,520)	(1,690)	5,279,262
17.2 Other liability—claims-made	15,410		(10)		15,400
18.1 Products liability—occurrence	216,361	7	(3,998)		212,370
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	6,823,985				6,823,985
19.3,19.4 Commercial auto liability	8,924,685	176,417			9,101,102
21. Auto physical damage	7,509,997	31,276			7,541,273
22. Aircraft (all perils)					
23. Fidelity	47,897	103,860			151,757
24. Surety	5,007,694	1,647,667			6,655,361
26. Burglary and theft	3,567				3,567
27. Boiler and machinery	2,941				2,941
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property					
32. Reinsurance-Nonproportional Assumed Liability					
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	73,844,263	2,039,929	(1,124,193)	(3,096)	74,756,903
36. Accrued retrospective premiums based on experience					3,096
37. Earned but unbilled premiums					1,124,193
38. Balance (Sum of Lines 35 through 37)					75,884,192

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1	Reinsurance Assumed		Reinsurance Ceded		6
	Direct Business (a)	2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	3,614,949	1,493,907		3,614,949		1,493,907
2. Allied lines	4,647,796	1,616,953		4,647,796		1,616,953
3. Farmowners multiple peril		1,160,290				1,160,290
4. Homeowners multiple peril	913,197	13,921,206		913,197		13,921,206
5. Commercial multiple peril	374,655,760	45,668,581		374,655,760		45,668,581
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	1,941,093	4,152,234		1,941,093		4,152,234
10. Financial guaranty						
11.1 Medical malpractice—occurrence		11				11
11.2 Medical malpractice—claims-made						
12. Earthquake	4,355,070	453,416		4,355,070		453,416
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		484				484
16. Workers' compensation	220,082,634	45,613,819		220,082,634		45,613,819
17.1 Other liability—occurrence	6,563,906	13,180,740		6,563,906		13,180,740
17.2 Other liability—claims-made		49,586				49,586
18.1 Products liability—occurrence	336,664	612,836		336,664		612,836
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	613,605	16,096,553		613,605		16,096,553
19.3,19.4 Commercial auto liability	133,013,987	20,679,819		133,013,987		20,679,819
21. Auto physical damage	39,965,969	17,530,801		39,965,969		17,530,801
22. Aircraft (all perils)						
23. Fidelity	247	327,285		247		327,285
24. Surety	13,720	17,256,347		13,720		17,256,347
26. Burglary and theft	18,918	8,513		18,918		8,513
27. Boiler and machinery	(10)	6,610		(10)		6,610
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	790,737,505	199,829,991		790,737,505		199,829,991

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 [] No [X]

If yes: 1. The amount of such installment premiums \$

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	620,623	655,621	620,623	655,621	324,177	224,986	754,812	59,860
2. Allied lines	3,197,636	705,017	3,197,636	705,017	200,530	148,587	756,960	55,310
3. Farmowners multiple peril		1,494,178		1,494,178	447,494	295,740	1,645,932	143,561
4. Homeowners multiple peril	1,013,259	8,133,271	1,013,259	8,133,271	4,082,729	2,019,394	10,196,606	74,595
5. Commercial multiple peril	237,106,284	14,283,254	237,106,284	14,283,254	35,746,922	26,923,687	23,106,489	54,142
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	156,999	1,364,419	156,999	1,364,419	566,963	311,607	1,619,775	39,861
10. Financial guaranty								
11.1 Medical malpractice—occurrence								
11.2 Medical malpractice—claims-made								
12. Earthquake		(2,674)		(2,674)	9,098	52	6,372	1,222
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation	73,896,476	(14,825,608)	73,896,476	(14,825,608)	81,950,750	42,001,493	25,123,649	56,995
17.1 Other liability—occurrence	392,293	(7,854,017)	392,293	(7,854,017)	18,336,416	9,600,925	881,474	7,930
17.2 Other liability—claims-made		(23,475)		(23,475)	8,214		(15,261)	(44,641)
18.1 Products liability—occurrence	23,969	(196,980)	23,969	(196,980)	624,433	239,442	188,011	38,248
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	820,950	4,955,332	820,950	4,955,332	10,950,081	7,188,841	8,716,572	63,072
19.3,19.4 Commercial auto liability	56,463,251	4,050,903	56,463,251	4,050,903	18,412,452	13,574,927	8,888,428	47,228
21. Auto physical damage	26,050,117	9,284,389	26,050,117	9,284,389	870,792	463,752	9,691,429	62,388
22. Aircraft (all perils)								
23. Fidelity	(69)	(36,748)	(69)	(36,748)	60,675	2,757	21,170	11,775
24. Surety	89,800	(1,692,343)	89,800	(1,692,343)	4,684,987	615,510	2,377,134	22,384
26. Burglary and theft	2,240	3,637	2,240	3,637	2,165	386	5,416	46,799
27. Boiler and machinery		104		104	6,077	1,261	4,920	21,627
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X	2,811		2,811	21,401	24,973	(761)	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	399,833,828	20,301,091	399,833,828	20,301,091	177,306,356	103,638,320	93,969,127	52,369

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 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8	9
	1	2	3	4	5	6	7	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded		
1. Fire	421,634	223,379	421,634	223,379	91,519	100,798	91,519	324,177	68,578
2. Allied lines	1,127,757	153,736	1,127,757	153,736	120,575	46,794	120,575	200,530	45,912
3. Farmowners multiple peril		370,454		370,454		77,040		447,494	105,835
4. Homeowners multiple peril	624,053	2,685,447	624,053	2,685,447	52,816	1,397,282	52,816	4,082,729	847,552
5. Commercial multiple peril	189,400,820	20,612,060	189,400,820	20,612,060	98,880,585	15,134,862	98,880,585	35,746,922	15,294,033
6. Mortgage guaranty									
8. Ocean marine									
9. Inland marine	59,498	448,430	59,498	448,430	47,413	118,533	47,413	566,963	100,828
10. Financial guaranty									
11.1 Medical malpractice—occurrence									(2)
11.2 Medical malpractice—claims-made									
12. Earthquake		9,098		9,098				9,098	362
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									(2)
16. Workers' compensation	108,670,250	38,085,590	108,670,250	38,085,590	114,319,572	43,865,161	114,319,572	81,950,751	12,149,824
17.1 Other liability—occurrence	1,787,540	5,027,905	1,787,540	5,027,905	5,108,049	13,308,511	5,108,049	18,336,416	5,484,482
17.2 Other liability—claims-made		3,378		3,378		4,836		8,214	1,129
18.1 Products liability—occurrence	291,509	192,109	291,509	192,109	200,620	432,323	200,620	624,432	243,971
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	454,004	8,025,245	454,004	8,025,245	356,509	2,924,836	356,509	10,950,081	1,814,474
19.3,19.4 Commercial auto liability	73,570,152	10,648,897	73,570,152	10,648,897	54,369,513	7,763,555	54,369,513	18,412,452	3,225,692
21. Auto physical damage	2,780,935	868,878	2,780,935	868,878		1,914		870,792	75,965
22. Aircraft (all perils)									
23. Fidelity		29,724		29,724	(251)	30,951	(251)	60,675	76,549
24. Surety	5	473,112	5	473,112	4,914	4,211,874	4,914	4,684,986	1,106,189
26. Burglary and theft		1,815		1,815		350		2,165	775
27. Boiler and machinery						6,077		6,077	(40,828)
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability	X X X	21,401		21,401	X X X			21,401	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	379,188,157	87,880,658	379,188,157	87,880,658	273,551,834	89,425,697	273,551,834	177,306,355	40,601,318

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	44,563,650			44,563,650
1.2 Reinsurance assumed	9,179,191			9,179,191
1.3 Reinsurance ceded	44,563,650			44,563,650
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	9,179,191			9,179,191
2. Commission and brokerage:				
2.1 Direct, excluding contingent		106,442,437		106,442,437
2.2 Reinsurance assumed, excluding contingent		25,259,401		25,259,401
2.3 Reinsurance ceded, excluding contingent		106,442,437		106,442,437
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		3,702,043		3,702,043
2.6 Contingent—reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)		28,961,444		28,961,444
3. Allowances to manager and agents		798		798
4. Advertising	234,198	896,328	798	1,131,324
5. Boards, bureaus and associations	18,960	492,344	21	511,325
6. Surveys and underwriting reports	72	570,940	392	571,404
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	5,599,385	13,388,910	73,860	19,062,155
8.2 Payroll taxes	364,255	1,113,669	4,124	1,482,048
9. Employee relations and welfare	944,209	2,798,572	4,191	3,746,972
10. Insurance	15,343	85,343	145	100,831
11. Directors' fees	17	438		455
12. Travel and travel items	322,520	1,094,211	1,407	1,418,138
13. Rent and rent items	479,372	1,360,834	1,653	1,841,859
14. Equipment	388,979	1,094,815	1,504	1,485,298
15. Cost or depreciation of EDP equipment and software	384,806	638,430	489	1,023,725
16. Printing and stationery	77,014	285,466	205	362,685
17. Postage, telephone and telegraph, exchange and express	188,794	745,940	552	935,286
18. Legal and auditing	42,305	228,286	8,076	278,667
19. Totals (Lines 3 to 18)	9,060,229	24,795,324	97,417	33,952,970
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 55,027		4,466,490		4,466,490
20.2 Insurance department licenses and fees		222,522		222,522
20.3 Gross guaranty association assessments		(921,536)		(921,536)
20.4 All other (excluding federal and foreign income and real estate)		151,914		151,914
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		3,919,390		3,919,390
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	1,210,580	2,985,340	9,228	4,205,148
25. Total expenses incurred	19,450,000	60,661,498	106,645	(a) 80,218,143
26. Less unpaid expenses—current year	40,601,319	14,414,339		55,015,658
27. Add unpaid expenses—prior year	23,717,594	9,893,237		33,610,831
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	2,566,275	56,140,396	106,645	58,813,316

DETAILS OF WRITE-IN LINES				
2401. Change in unallocated expense reserves	823,826			823,826
2402. Other expenses	386,754	2,985,340	9,228	3,381,322
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	1,210,580	2,985,340	9,228	4,205,148

(a) Includes management fees of \$ 104,801 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 2,920,372	3,213,317
1.1 Bonds exempt from U.S. tax	(a) 2,216,355	2,770,786
1.2 Other bonds (unaffiliated)	(a) 8,157,458	9,079,653
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b) 79,190	78,976
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)	401,374	439,801
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) 471,382	517,490
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	1,541,891	1,541,891
10. Total gross investment income	15,788,022	17,641,914
11. Investment expenses		(g) 106,645
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)		106,645
17. Net investment income (Line 10 minus Line 16)		17,535,269

DETAILS OF WRITE-IN LINES			
0901. Miscellaneous Income/(Expense)		1,541,891	1,541,891
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)		1,541,891	1,541,891
1501.			
1502.			
1503.			
1598. Summary of remaining write-ins for Line 15 from overflow page			
1599. Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)			

- (a) Includes \$ 93,171 accrual of discount less \$ 276,404 amortization of premium and less \$ 1,572,189 paid for accrued interest on purchases.
- (b) Includes \$ 2,190 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 \$ 67,475 accrual of discount less \$ 10,701 amortization of premium and less \$ 13,823 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	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	3,161		3,161		
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(23,575)	(946,174)	(969,749)	(118,918)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				(1,456,401)	
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)	(20,414)	(946,174)	(966,588)	(1,575,319)	

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 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	773,305	246,533	(526,772)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	195,239	107,883	(87,356)
13.3 Accrued retrospective premiums	90,848	46,046	(44,802)
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	7,759,027	3,849,675	(3,909,352)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	17,797	44,787	26,990
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	8,836,216	4,294,924	(4,541,292)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	8,836,216	4,294,924	(4,541,292)

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Other assets	17,797	44,787	26,990
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	17,797	44,787	26,990

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 New Hampshire, the accompanying financial statements of The Netherlands Insurance Company (the “Company”) have been prepared in conformity with the National Association of Insurance Commissioners (“NAIC”) *Accounting Practices and Procedures Manual* (“APP Manual”).

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

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

C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value.
4. Preferred stocks are carried at cost or market as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled or affiliate entities.
8. The Company has no investments in joint ventures, partnerships or limited liability companies.
9. Derivative Securities refer to Note 8.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2008.
13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

B. Statutory Mergers

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

NOTES TO FINANCIAL STATEMENTS

C. Impairment Loss

Not applicable

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

E. Repurchase Agreements

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

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	5,543,197	138,404	346,010	3,406,317	9,433,928

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies.
- B. Impairments on joint ventures, partnerships and limited liability companies
 - Not applicable

Note 7- Investment Income

A. Accrued Investment Income

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

NOTES TO FINANCIAL STATEMENTS

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2008.

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2008	December 31, 2007	Change
Total of gross deferred tax assets	28,940,000	10,298,000	18,642,000
Total of deferred tax liabilities	(12,050,000)	(552,000)	(11,498,000)
Net deferred tax asset (liability)	16,890,000	9,746,000	7,144,000
Net deferred tax asset non-admitted	(7,759,000)	(3,849,675)	(3,909,325)
Net admitted deferred tax asset (liability)	9,131,000	5,896,325	3,234,675

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

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

	2008	2007
Federal tax on operations	9,775,406	3,654,577
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	9,775,406	3,654,577
Tax on capital (losses) gains	(338,306)	35,353
Total income tax incurred	9,437,100	3,689,930

The Company’s deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, statutory non-admitted assets, and unrealized gains/losses.

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

	2008
Change in net deferred income tax (without unrealized gain or loss)	6,592,638
Tax effect of unrealized (gains) losses	551,362
Total change in net deferred income tax	7,144,000

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill, tax exempt interest, discounting of unpaid loss and LAE reserves, and limits on unearned premium reserve deductions.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$8,679,000 from the current year and \$4,408,000 from the preceding year.

The Company had no net loss carryforward 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 Services Code.

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

Access Insurance Services, Co.	Liberty Mutual Group Inc.
AMBCO Capital Corporation	Liberty Mutual Holding Company Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyds Insurance Company	Liberty Mutual Personal Insurance Company
American Ambassador Casualty Company	Liberty Northwest Insurance Corporation
American Economy Insurance Company*	Liberty Personal Insurance Company
American Fire & Casualty Company	Liberty RE (Bermuda) Limited
American States Insurance Company*	Liberty Sponsored Insurance (Vermont) Inc.
American States Insurance Company of Texas*	Liberty Surplus Insurance Corporation
American States Lloyds Insurance Company*	LIH U.S. P&C Corporation
American States Preferred Insurance*	LIH-RE of America Corporation
Avomark Insurance Company	LIU Specialty Insurance Agency Inc.
Berkeley Holding Company Associates, Inc.	LM General Insurance Company
Berkeley Management Corporation	LM Insurance Corporation

NOTES TO FINANCIAL STATEMENTS

Bridgefield Casualty Insurance Company	LM Personal Insurance Company
Bridgefield Employers Insurance Company	LM Property & Casualty Insurance Company
Capitol Court Corporation*	LMHC Massachusetts Holdings Inc.
Capitol Agency, Inc., The (Arizona corporation)	LRE Properties, Inc.
Capitol Agency, Inc., The (Ohio corporation)	Mid-American Agency, Inc.
Capitol Agency, Inc., The (Tennessee corporation)	Mid-American Fire & Casualty Company
Cascade Disability Management, Inc.	Missouri Agency, Inc.
Colorado Casualty Insurance Company	North Pacific Insurance Company
Commercial Aviation Insurance, Inc.*	OCASCO Budget, Inc.
Companies Agency Insurance Services of California (dissolved 8/15/2008)	OCI Printing, Inc.
Companies Agency of Alabama, Inc. (dissolved 8/18/2008)	Ohio Casualty Corporation
Companies Agency of Georgia, Inc. (dissolved 8/15/2008)	Ohio Casualty of New Jersey, Inc.
Companies Agency of Kentucky, Inc. (dissolved 8/14/2008)	Ohio Life Brokerage Services, Inc.
Companies Agency of Massachusetts, Inc. (dissolved 8/29/08)	Ohio Security Insurance Company
Companies Agency of Michigan, Inc. (dissolved 8/15/2008)	Open Seas Solutions, Inc.*
Companies Agency of New York, Inc.	Oregon Automobile Insurance Company
Companies Agency of Pennsylvania, Inc.	Peerless Indemnity Insurance Company
Companies Agency of Phoenix, Inc.	Peerless Insurance Company
Consolidated Insurance Company	Pilot Insurance Services, Inc.*
Copley Venture Capital, Inc.	Rianoc Research Corporation*
Countrywide Services Corporation (dissolved 10/17/2008)	S.C. Bellevue, Inc.*
Diversified Settlements, Inc.	Safecare Company, Inc.*
Emerald City Insurance Agency, Inc.*	Safeco Corporation*
Employers Insurance Company of Wausau	Safeco General Agency, Inc.*
Excelsior Insurance Company	Safeco Insurance Company of America*
F.B. Beattie & Company, Inc.*	Safeco Insurance Company of Illinois*
First National Insurance Company of America*	Safeco Insurance Company of Indiana*
Florida State Agency, Inc.	Safeco Insurance Company of Oregon*
General America Corporation*	Safeco Lloyds Insurance Company*
General America Corporation of Texas *	Safeco National Insurance Company*
General Insurance Company of America*	Safeco Properties, Inc.*
Globe American Casualty Company	Safeco Surplus Lines Insurance Company*
Golden Eagle Insurance Corporation	San Diego Insurance Company
Gulf States AIF, Inc.	SCIT, Inc. *
Hawkeye-Security Insurance Company	St. James Insurance Company Ltd.
Heritage-Summit HealthCare, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
Insurance Company of Illinois*	Summit Consulting, Inc.
LEXCO Limited	Summit Consulting, Inc. of Louisiana
Liberty - USA Corporation	Summit Holding Southeast, Inc.
Liberty Assignment Corporation	The First Liberty Insurance Corporation
Liberty Energy Canada, Inc.	The Midwestern Indemnity Company
Liberty Financial Services, Inc.	The National Corporation
Liberty Hospitality Group, Inc.	The Netherlands Insurance Company
Liberty Insurance Company of America	The Ohio Casualty Insurance Company
Liberty Insurance Corporation	Wausau Business Insurance Company
Liberty Insurance Holdings, Inc.	Wausau General Insurance Company
Liberty Insurance Underwriters, Inc.	Wausau Service Corporation
Liberty Life Assurance Company of Boston	Wausau Underwriters Insurance Company
Liberty Life Holdings, Inc.	West American Insurance Company
Liberty Lloyds of Texas Insurance Company	Winmar Company, Inc.*
Liberty Management Services, Inc.	Winmar of the Desert, Inc.*
Liberty Mexico Holdings, Inc.	Winmar Oregon, Inc.*
Liberty Mutual Fire Insurance Company	Winmar-Metro, Inc.*

* This company joined the consolidated group in 2008 and its activity from the date it joined the group is included in the consolidated return.

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

NOTES TO FINANCIAL STATEMENTS

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All outstanding shares in the Company are owned by Peerless Insurance Company (“PIC”), an insurance company incorporated in the State of New Hampshire. PIC is a wholly owned subsidiary of LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company (LMIC 93%), an insurance company incorporated in Massachusetts, Liberty Mutual Fire Insurance Company (LMFIC 4%), a Wisconsin insurance company, and Employers Insurance Company of Wausau (EICOW 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company, Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are described in Schedule Y Part 2.

The Company received capital contributions of \$45,000,000 from PIC.
- C. Refer to Notes 10F, 22 and 25.
- D. At December 31, 2008, the Company reported \$2,177,328 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking 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 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company entered into a services agreement (the “Agreement”), effective January 1, 1999, with PIC and other affiliates. The Agreement allows parties to the Agreement to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resources services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

The Company entered into investment management agreements, effective January 1, 2007 with LMIC, and effective May 1, 2000 with Liberty Mutual Investment Advisors LLC (LMIA). Under these agreements, LMIC and LMIA provide investment management services to the Company.

The Company entered into a cash management agreement with LMIA effective January 28, 2000.

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

The Company entered into a management services agreement, effective December 15, 2001, with LMIC. Under the agreement, LMIC may provide services related to common management functions including, but not limited to, accounting, financial, tax and auditing, information technology and support, purchasing, payroll and employee benefits, policy administration, real estate management, legal, general administration, as well as consulting and other services as the parties may request.

The Company entered into an agreement for a loan or extension of credit effective May 22, 2006; namely a revolving credit agreement under which they may borrow up to \$50,000,000 from LMIC. The purpose of the extension of credit is for operating liquidity to accommodate fluctuations in daily cash flow and to promote efficient management of investments. As of December 31, 2008, there have been no drawings under this agreement.

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of an upstream company, either directly or indirectly.
- I. The Company has no investments in subsidiary, controlled or affiliated companies.
- J. Impairment of subsidiaries

Refer to 10 I
- K. Investment in foreign insurance subsidiaries.

Refer to 10 I
- L. Investment in downstream non-insurance holding companies.

Refer to 10 I

Note 11- Debt

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

The Company does not have any direct employees for whom it has any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the management services agreement as described in note 10 F.

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

- 1. Common Stock

The Company has 5,000 shares authorized, and 3,600 shares issued and outstanding as of December 31, 2008. All shares have a stated par value of \$1,000.
- 2. Preferred Stock

Not applicable
- 3. Dividend Restrictions

There are no dividend restrictions.
- 4. The Company did not pay a dividend to its parent during 2008.
- 5. The maximum amount of dividends which can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of policyholder surplus less any dividends paid in the preceding twelve months. The maximum dividend payout which may be made without prior approval in 2009 is \$12,021,137.
- 6. The Company does not have restricted unassigned surplus.
- 7. The Company had no advances to surplus.
- 8. The Company does not hold stock for special purposes.
- 9. The Company does not hold special surplus funds.
- 10. The portion of unassigned funds (surplus) represented by cumulative unrealized losses is (\$1,155,354) after applicable deferred taxes of \$622,114.
- 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 or contingent commitments to affiliates except as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.
- B. Assessments

The Company is subject to guaranty funds and other assessments by the states in which it writes business. Guaranty funds 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 \$1,966,179 that is offset by future premium tax credits of \$237,512. 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 2008.

During 2008 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

NOTES TO FINANCIAL STATEMENTS

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$251,208

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

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

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

(f) Per Claim [x] (g) Per Claimant []

E. All other Contingencies

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

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

Note 15- Leases

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

The following is a schedule of the Company’s minimum lease obligations under these agreements for the next five years:

Year(s)	Operating Lease Arrangements
2009	\$449,129
2010	452,604
2011	384,518
2012	239,008
2013	142,705
2014 & thereafter	634,227
Total	\$2,302,191

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

Not applicable

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

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

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

A. Transfers of Receivables reported as sales:

The Company did not sell premium receivables.

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 fair value of the loaned securities. Acceptable collateral may be in the form of cash, Agency and U.S. Government securities. The fair value of the loaned securities is monitored and additional collateral is

NOTES TO FINANCIAL STATEMENTS

obtained if the fair value of the collateral falls below 102% of the fair 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, 2008 the total fair value of securities on loan was \$17,851,779 with corresponding collateral value of \$18,407,359 of which \$9,433,928 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1. Assets in the amount of \$4,067,261 and \$3,738,204 as of December 31, 2008 and 2007, respectively, were on deposit with government authorities or trustees as required by law.

D. The Company routinely assesses the collectibility of its premium receivable. Based upon Company experience, amounts in excess of non-admitted amounts are not believed to be material.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold transferable state tax credits.

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

H. The Company has not entered into Federal Home Loan Bank Agreements.

Note 21- Events Subsequent

There were no events subsequent to December 31, 2008 which would require disclosure.

Note 22- Reinsurance

A. Excluding amounts arising pursuant to the Inter-Company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.

B. There are no reinsurance recoverables in dispute from an individual reinsurer 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.

NOTES TO FINANCIAL STATEMENTS

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurer or the Company if all of the Company’s assumed and ceded reinsurance were canceled as of December 31, 2008.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$75,884,192	\$5,208,622		\$50,357,674	\$(298,211,940)	\$(45,149,052)
			\$374,096,132			
All Other	0	0	0	0	0	0
Total	\$75,884,192	\$5,208,622		\$50,357,674	\$(298,211,940)	\$(45,149,052)
			\$374,096,132			

Direct unearned premium reserve of \$374,096,132

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, 2008 are as follows:

Direct	\$0
Assumed	4,286,790
Ceded	0
Net	\$4,286,790

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

- D. The Company did not write off any uncollectible balances in 2008.
- E. The Company does not have ceded commutations.
- F. The Company has one assumed retroactive contract that transferred liabilities for losses that had already occurred. The impact of the Inter-Company Reinsurance Agreement is also shown.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$15,251,722	\$0
	2. Adjustment – Prior Year(s)	(10,980,335)	0
	3. Adjustment – Current Year	(508,593)	0
	4. Total	3,762,794	
b.	Consideration Paid or Received:		
	1. Initial Reserves	15,251,722	0
	2. Adjustment – Prior Year(s)	446,777	0
	3. Adjustment – Current Year		0
	4. Total	15,698,499	0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	0	0
	2. Adjustment – Prior Year(s)	13,438,292	0
	3. Adjustment – Current Year	448,252	0
	4. Total	13,886,543	0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	0	0
	2. Adjustment – Prior Year(s)	(2,011,180)	0
	3. Adjustment – Current Year	60,342	0
	4. Total		0
	5. Cumulative Total Transferred to Unassigned Funds	(1,950,838)	0
e.	Other insurers included in the above transactions:		
	Peerless Insurance Company, 24198	\$3,762,794	\$0

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

- G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2008.

NOTES TO FINANCIAL STATEMENTS

Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

- A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.
- B. Accrued retrospective premiums are recorded as a component of written premiums.
- C. For detail of net premium written subject to retrospective rating features see 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	\$1,010,423
b. Less: Non-admitted amount 10%	90,848
c. Admitted amount	919,575

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events of prior years has decreased during 2008, primarily as a result of improving loss trends in the Commercial Multiple Peril, Commercial Auto Liability, Workers' Compensation, Other Liability, and Private Passenger Auto Liability lines of business. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 25- Intercompany Pooling Arrangements

The Company is a member of the PIC Amended and Restated Reinsurance Pooling Agreement consisting of the following affiliated companies:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company	Peerless Insurance Company (PIC)	24198	42.00%	All Lines
Affiliated Pool Companies:	Peerless Indemnity Insurance Company (PIIC)	18333	5.00%	All Lines
	Golden Eagle Insurance Corporation (GEIC)	10836	7.00%	All Lines (Except WC)
	Indiana Insurance Company (IIC)	22659	8.00%	All Lines
	The Netherlands Insurance Company (NIC)	24171	3.00%	All Lines
	American Fire and Casualty Company (AFCC)	24066	1.00%	All Lines
	The Ohio Casualty Insurance Company (OCIC)	24074	34.00%	All Lines
	Avomark Insurance Company (AIC)	10798	0.00%	All Lines
	American Ambassador Casualty Company (AACC)	10073	0.00%	All Lines
	America First Insurance Company (AFIC)	12696	0.00%	All Lines
	America First Lloyd's Insurance Company (AFLIC)	11526	0.00%	All Lines
	Colorado Casualty Insurance Company (CCIC)	41785	0.00%	All Lines
	Consolidated Insurance Company (CIC)	22640	0.00%	All Lines
	Excelsior Insurance Company (EIC)	11045	0.00%	All Lines
	Globe American Casualty Company (GACC)	11312	0.00%	All Lines
	Hawkeye-Security Insurance Company (HSIC)	36919	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	14486	0.00%	All Lines
	Mid-American Fire & Casualty Company (MAFCC)	23507	0.00%	All Lines
	Montgomery Mutual Insurance Company (MMC)	14613	0.00%	All Lines
	The Midwestern Indemnity Insurance Company (MWIC)	23515	0.00%	All Lines
	National Insurance Association (NIA)	27944	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc. (OCNJ)	10937	0.00%	All Lines
	Ohio Security Insurance Company (OSIC)	24082	0.00%	All Lines
	West American Insurance Company (WAIC)	44393	0.00%	All Lines
			100.00%	
100% Quota Share				
Affiliated Companies:	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company.
- (b) Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.

NOTES TO FINANCIAL STATEMENTS

- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company’s remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company’s pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) At December 31, 2008, the Company had \$238,000 due from the lead company in the Peerless Pool.

Effective January 1, 2008, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Fire and Casualty Company
Avomark Insurance Company
National Insurance Association
Ohio Casualty of New Jersey, Inc.
Ohio Security Insurance Company
The Ohio Casualty Insurance Company
West American Insurance Company

Effective January 1, 2008 Bridgefield Employers Insurance Company and Bridgefield Casualty Insurance Company novated their 100% quota share agreements with Liberty Mutual Insurance Company to substitute PIC as the reinsurer.

Effective January 1, 2009, the PIC Amended and Restated Reinsurance Pooling Agreement was amended to adjust pooling percentages and add the affiliates noted below. Concurrently, each company noted below terminated their existing inter-company reinsurance agreements.

American Economy Insurance Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
First National Insurance Company of America
General Insurance Company of America
Insurance Company of Illinois
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Surplus Lines Insurance Company

Therefore, effective January 1, 2009, the PIC Amended and Restated Reinsurance Pooling Agreement consisted of the following affiliated companies:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company	Peerless Insurance Company	24198	25.20%	All Lines
Affiliated Pool Companies:	America First Insurance Company	12696	0.00%	All Lines
	America First Lloyd’s Insurance Company	11526	0.00%	All Lines
	American Ambassador Casualty Company	10073	0.00%	All Lines
	Colorado Casualty Insurance Company	41785	0.00%	All Lines
	Consolidated Insurance Company	22640	0.00%	All Lines
	Excelsior Insurance Company	11045	0.00%	All Lines
	Globe American Casualty Company	11312	0.00%	All Lines
	Golden Eagle Insurance Corporation	10836	3.00%	All Lines (Except WC)
	Hawkeye-Security Insurance Company	36919	0.00%	All Lines
	Indiana Insurance Company	22659	4.80%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company	14486	0.00%	All Lines

NOTES TO FINANCIAL STATEMENTS

	Mid-American Fire & Casualty Company	23507	0.00%	All Lines
	The Midwestern Indemnity Company	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company	14613	0.00%	All Lines
	The Netherlands Insurance Company	24171	1.80%	All Lines
	Peerless Indemnity Insurance Company	18333	3.00%	All Lines
	National Insurance Association	27944	0.00%	All Lines
	The Ohio Casualty Insurance Company	24074	20.40%	All Lines
	Avomark Insurance Company	10798	0.00%	All Lines
	West American Insurance Company	44393	0.00%	All Lines
	American Fire and Casualty Company	24066	0.60%	All Lines
	Ohio Security Insurance Company	24082	0.00%	All Lines
	Ohio Casualty of New Jersey, Inc.	10937	0.00%	All Lines
	Insurance Company of Illinois (ICI)	26700	0.00%	All Lines
	Safeco Insurance Company of Illinois (SICIL)	39012	2.00%	All Lines
	American Economy Insurance Company (AEIC)	19690	5.60%	All Lines
	American States Insurance Company (ASIC)	19704	7.60%	All Lines
	American States Preferred Insurance Company (ASPIC)	37214	0.80%	All Lines
	Safeco Insurance Company of Indiana (SICIN)	11215	0.00%	All Lines
	Safeco National Insurance Company (SNIC)	24759	0.00%	All Lines
	Safeco Insurance Company of Oregon (SICO)	11071	0.00%	All Lines
	American States Lloyds Insurance Company (ASLIC)	31933	0.00%	All Lines
	Safeco Lloyds Insurance Company (SLIC)	11070	0.00%	All Lines
	First National Insurance Company of America (FNICA)	24724	0.80%	All Lines
	General Insurance Company of America (GICA)	24732	9.20%	All Lines
	Safeco Insurance Company of America (SICA)	24740	15.20%	All Lines
	Safeco Surplus Lines Insurance Company (SSLIC)	11100	0.00%	All Lines
	American States Insurance Company of Texas (ASICT)	19712	0.00%	All Lines
			100.00%	
100% Quota				
Share Affiliated				
Companies:	Liberty Northwest Insurance Corporation (LNW)	41939	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	North Pacific Insurance Company (NPIC)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (OAIC)	23922	0.00%	All Lines

Note 26- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$1,689,240 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 \$1,689,240 as of December 31, 2008.
- 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 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 – Premium Deficiency Reserves

As of December 31, 2008, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

Note 30- High Dollar Deductible Policies

The Company does not have any high deductible policies.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 3.5%. The December 31, 2008 liabilities subject to discount were carried at a value representing a discount of \$3,463,979 net of all reinsurance.

NOTES TO FINANCIAL STATEMENTS

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

Note 32 - Asbestos/Environmental Reserves

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

Factors Contributing to Uncertainty in Establishing Adequate Reserves

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

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

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

Uncertainty Regarding Reserving Methodologies

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

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

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

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

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

Asbestos:

	2004	2005	2006	2007	2008
Direct Basis					
Beginning Reserves	1,644,236	1,682,944	1,871,280	1,949,077	1,625,858
Incurred losses and LAE	182,432	350,509	193,017	(124,679)	86,017
Calendar year payments	143,724	162,173	115,220	138,539	133,882
Ending Reserves	1,682,944	1,871,280	1,949,077	1,685,859	1,577,993

NOTES TO FINANCIAL STATEMENTS

Assumed Reinsurance Basis					
Beginning Reserves	73,285	46,331	269,013	237,936	384,827
Incurred losses and LAE	12,838	239,251	(28,096)	8,115	35,186
Calendar year payments	39,792	16,569	2,981	10,771	54,992
Ending Reserves	46,331	269,013	237,936	235,280	365,021

Net of Ceded Reinsurance Basis					
Beginning Reserves	1,346,275	1,315,805	1,592,987	1,641,895	1,511,953
Incurred losses and LAE	121,149	454,308	135,240	(82,930)	183,583
Calendar year payments	151,619	177,126	86,332	138,574	164,301
Ending Reserves	1,315,805	1,592,987	1,641,895	1,420,391	1,531,235

Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					1,269,079
Assumed Reinsurance Basis					204,280
Net of Ceded Reinsurance Basis					1,343,488
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					574,213
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					559,499

<u>Environmental:</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Direct Basis					
Beginning Reserves	1,602,602	2,001,841	2,159,145	2,172,980	2,565,837
Incurred losses and LAE	588,613	418,385	360,829	1,535,028	88,993
Calendar year payments	189,374	261,081	346,994	425,310	528,770
Ending Reserves	2,001,841	2,159,145	2,172,980	3,282,698	2,126,060

Assumed Reinsurance Basis					
Beginning Reserves	179,368	165,295	222,658	202,784	189,091
Incurred losses and LAE	3,209	62,065	5,354	8,362	(22,392)
Calendar year payments	17,282	4,702	25,228	3,149	1,792
Ending Reserves	165,295	222,658	202,784	207,997	164,907

Net of Ceded Reinsurance Basis					
Beginning Reserves	1,747,982	2,031,329	2,123,910	2,105,113	2,639,187
Incurred losses and LAE	507,950	350,760	308,411	1,670,139	(146,119)
Calendar year payments	224,603	258,179	327,208	379,204	517,108
Ending Reserves	2,031,329	2,123,910	2,105,113	3,396,048	1,975,960

Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					1,736,505
Assumed Reinsurance Basis					126,080
Net of Ceded Reinsurance Basis					1,601,638
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					295,574
Assumed Reinsurance Basis					-
Net of Ceded Reinsurance Basis					322,141

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 25), the Ohio Casualty Companies’ asbestos and environmental claims coding was revised to reflect the definition employed by the Peerless “Pool”, which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool’s amounts and the Ohio Casualty Companies’ Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop 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?

New Hampshire

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2008

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2004

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/23/2006

3.4 By what department or departments?

State of New Hampshire Insurance Department

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

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

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

Ernst & Young, LLP

200 Clarendon Street

Boston MA 02116

.....

.....

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

William M. Finn, FCAS, MAAA

62 Maple Avenue, Keene, NH 03431

Vice President & Chief Actuary of Liberty Mutual Agency Markets

.....

.....

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

11.11 Name of real estate holding company _____

11.12 Number of parcels involved _____

11.13 Total book/adjusted carrying value \$ _____

11.2 If yes, provide explanation:

.....

.....

.....

GENERAL INTERROGATORIES

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

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

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

Yes ☐ No ☒

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

Yes ☐ No ☒

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

Yes ☐ No ☐ N/A ☒

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

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

Yes ☒ No ☐

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

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

Yes ☒ No ☐

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

Liberty Mutual Group's Code of Business Ethics and Conduct was revised effective March 2008. It continues to contain all substantive areas of company policy and requirements included in the prior Code, but has been rewritten to enhance clarity and readability and provide additional practical guidance. This applies to all Liberty Mutual Group companies.

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

Yes ☐ No ☒

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

BOARD OF DIRECTORS

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Yes ☒ No ☐

FINANCIAL

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

Yes ☐ No ☒

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

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

GENERAL INTERROGATORIES

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

18.21 To directors or other officers

18.22 To stockholders not officers

18.23 Trustees, supreme or grand (Fraternal only)

\$

0

\$

0

\$

0

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [] No [X]

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

19.21 Rented from others

19.22 Borrowed from others

19.23 Leased from others

19.24 Other

\$

\$

\$

\$

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

20.22 Amount paid as expenses

20.23 Other amounts paid

\$

\$

\$

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [] No [X]

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 22.3)?

Yes [X] No []

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)
Please Reference Note 17B.

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [X] No []

22.5 If answer to 22.4 is yes, report amount of collateral.

\$

18,407,359

22.6 If answer to 22.4 is no, report amount of collateral.

\$

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.)

Yes [X] No []

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

23.21 Subject to repurchase agreements

23.22 Subject to reverse repurchase agreements

23.23 Subject to dollar repurchase agreements

23.24 Subject to reverse dollar repurchase agreements

23.25 Pledged as collateral

23.26 Placed under option agreements

23.27 Letter stock or securities restricted as to sale

23.28 On deposit with state or other regulatory body

23.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

4,067,261

0

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

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

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

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

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A	Liberty Mutual Insurance Company	175 Berkeley Street, Boston, MA 02115
N/A	Liberty Mutual Investment Advisors	175 Berkeley Street, Boston, MA 02115

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

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
42982#-10-0	LMIA HIGH YIELD FUND	4,624,116
		0
		0
27.2999 TOTAL		4,624,116

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
LMIA HY FUND	J P. MORGAN PRIME-CAPITA	298,797	12/31/2008
LMIA HY FUND	ALLIED WASTE NORTH AMER	128,815	12/31/2008
LMIA HY FUND	DRS TECHNOLOGIES INC	97,401	12/31/2008
LMIA HY FUND	MULTIPLAN INC	87,424	12/31/2008
LMIA HY FUND	VENTAS REALTY LP/CAP CR	76,627	12/31/2008
LMIA HY FUND	WILLIAMS PARTNERS LP/WIL	75,560	12/31/2008

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	378,192,809	374,257,893	(3,934,916)
28.2 Preferred stocks	901,524	839,900	(61,624)
28.3 Totals	379,094,333	375,097,793	(3,996,540)

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

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

29.2 If no, list exceptions:

OTHER

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

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

1 Name	2 Amount Paid
	0
	0
	0

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

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	0
	0
	0

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

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

1 Name	2 Amount Paid
	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 [☒]

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

\$ _____

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

\$ _____

1.31 Reason for excluding

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

\$ _____

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ _____

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ _____

1.62 Total incurred claims

\$ _____

1.63 Number of covered lives

All years prior to most current three years:

1.64 Total premium earned

\$ _____

1.65 Total incurred claims

\$ _____

1.66 Number of covered lives

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ _____

1.72 Total incurred claims

\$ _____

1.73 Number of covered lives

All years prior to most current three years:

1.74 Total premium earned

\$ _____

1.75 Total incurred claims

\$ _____

1.76 Number of covered lives

2. Health Test:

		1	2
		Current Year	Prior Year
2.1	Premium Numerator	\$ 484	\$ 0
2.2	Premium Denominator	\$ 179,438,244	\$ 117,737,183
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	\$ 0	\$ 0
2.5	Reserve Denominator	\$ 303,064,088	\$ 188,066,878
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 [☐]

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

3.21 Participating policies

\$ 25,596,794

3.22 Non-participating policies

\$ 765,140,711

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies?

Yes [☐] No [☒]

4.2 Does the reporting entity issue non-assessable policies?

Yes [☐] No [☒]

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

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

\$ _____

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents?

Yes [☐] No [☒]

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation

Yes [☐] No [☐] N/A [☒]

5.22 As a direct expense of the exchange

Yes [☐] No [☐] N/A [☒]

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 [☒]

5.5 If yes, give full information

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

In 2008 the Company purchased Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$1,038m part of \$1,175m xs \$25m.

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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 V7.0 from RMS and AIR Clasic/2 v8.0 For WC, Liberty Mutual utilizes RiskLink v7.0 from RMS.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
The Company has in force \$700m part of \$800m xs \$50m of traditional XOL reins. Additionally, traditional XOL reins. with limits of \$20m xs \$30m was purchased for risks in the Midwest. Also, in Dec 2008 the Company purchased a 31.725% QS treaty for its US HO portfolio.

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 unreinsured catastrophe loss

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

Yes ☐ No ☐

7.2 If yes, indicate the number of reinsurance contracts containing such provisions.

1

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?

Yes ☐ No ☒

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?

Yes ☐ No ☒

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes ☐ No ☒

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes ☐ No ☒

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes ☐ No ☒

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or,
(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
(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 ☒

Yes ☐ No ☒

Yes ☒ No ☐

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

Yes ☒ No ☐ N/A ☐

16.1

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

11.1

Has the reporting entity guaranteed policies issued by any other entity and now in force:

Yes [] No [X]

11.2

If yes, give full information

12.1

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

12.11

Unpaid losses

\$

2,920,773

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$

215,616

12.2

Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds?

\$

815,739

12.3

If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

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

12.4

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

12.41

From

0.00

12.42

To

9.00

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 [X] No []

12.6

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

12.61

Letters of Credit

\$

22,238,423

12.62

Collateral and other funds

\$

4,528,947

13.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$

11,801,802

13.2

Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes [] No [X]

13.3

State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.

1

14.1

Is the company a cedant in a multiple cedant reinsurance contract?

Yes [X] No []

14.2

If yes, please describe the method of allocating and recording reinsurance among the cedants:
Premiums and recoverables were allocated pursuant to separate intercompany agreements.

14.3

If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?

Yes [] No [X]

14.4

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

Yes [X] No []

14.5

If the answer to 14.4 is no, please explain:

15.1

Has the reporting entity guaranteed any financed premium accounts?

Yes [] No [X]

15.2

If yes, give full information

16.1

Does the reporting entity write any warranty business?

Yes [] No [X]

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

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

* 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 [☒]

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

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

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
	2008	2007	2006	2005	2004
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	456,844,160	353,478,371	297,792,058	229,189,431	188,368,416
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	79,799,619	72,396,379	68,774,967	57,738,467	54,858,266
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	436,325,634	421,620,126	388,193,471	325,962,325	274,434,209
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	17,598,083	53,947	309,078	71,523	105,972
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6. Total (Line 35)	990,567,496	847,548,823	755,069,574	612,961,746	517,766,863
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	96,233,364	55,822,392	53,607,150	39,400,477	38,111,409
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	25,255,824	17,571,715	16,854,211	15,247,580	16,019,571
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	60,756,687	48,029,880	46,799,933	41,310,963	39,754,291
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	17,584,116	37,032	284,194	45,300	66,763
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12. Total (Line 35)	199,829,991	121,461,019	117,545,488	96,004,320	93,952,034
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	5,357,618	1,987,480	341,329	1,505,816	35,578
14. Net investment gain (loss) (Line 11)	16,906,988	10,288,892	8,451,294	7,164,150	6,405,989
15. Total other income (Line 15)	(2,427,503)	33,756	304,376	(8,406)	89,925
16. Dividends to policyholders (Line 17)	1,171,423	283,355	316,796	155,856	118,218
17. Federal and foreign income taxes incurred (Line 19)	9,775,406	3,654,577	4,818,985	3,367,110	2,168,891
18. Net income (Line 20)	8,890,274	8,372,196	3,961,218	5,138,594	4,244,383
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	460,107,121	282,550,278	290,596,203	262,628,594	182,028,229
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	6,190,429	5,719,779	7,899,991	11,418,410	4,235,506
20.2 Deferred and not yet due (Line 13.2)	47,780,736	37,530,912	34,555,508	25,359,707	24,392,168
20.3 Accrued retrospective premiums (Line 13.3)	919,575	314,840	375,671		
21. Total liabilities excluding protected cell business (Page 3, Line 24)	339,895,749	218,075,724	234,175,189	210,404,152	136,160,429
22. Losses (Page 3, Line 1)	177,306,358	103,638,320	95,965,825	69,152,102	56,273,019
23. Loss adjustment expenses (Page 3, Line 3)	40,601,319	23,717,594	22,019,072	16,558,884	13,491,364
24. Unearned premiums (Page 3, Line 9)	75,884,192	55,328,534	51,701,230	46,148,135	44,321,651
25. Capital paid up (Page 3, Lines 28 & 29)	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
26. Surplus as regards policyholders (Page 3, Line 35)	120,211,372	64,474,554	56,421,014	52,224,442	45,867,800
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	114,724,768	24,373,598	16,495,128	44,619,187	7,559,219
Risk-Based Capital Analysis					
28. Total adjusted capital	120,211,372	64,474,554	56,421,014	52,224,442	45,867,800
29. Authorized control level risk-based capital	16,722,194	11,523,094	10,213,652	9,095,753	7,382,762
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	90.4	89.4	72.8	80.5	87.6
31. Stocks (Lines 2.1 & 2.2)	1.4	2.9	2.3	3.0	4.5
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)	8.2	7.7	24.9	16.5	7.2
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					0.8
37. Receivables for securities (Line 8)		0.0	0.0	0.0	0.0
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					
43. Affiliated short-term investments (Schedule DA Verification, Col. 5, Line 10)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45					
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE – YEAR HISTORICAL DATA
(Continued)

	1	2	3	4	5
	2008	2007	2006	2005	2004
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(1,023,957)	(245,815)	30,781	(611,575)	131,923
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	55,736,818	8,053,540	4,196,572	6,356,642	4,921,506
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	117,703,094	135,721,557	93,003,104	81,035,330	65,064,325
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	42,038,024	33,147,466	26,185,081	23,865,017	19,065,916
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	262,030,350	179,554,107	150,213,278	89,870,051	64,501,841
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(1,639,360)	8,578	62,607	59,280	12,190
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,811	4,792	(17,132)		
56. Total (Line 35)	420,134,919	348,436,500	269,446,938	194,829,678	148,644,272
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(13,893,845)	24,850,060	4,267,356	17,257,814	13,436,706
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	12,010,409	7,694,430	6,757,588	6,215,589	5,891,288
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	23,910,807	20,227,043	18,255,044	14,863,639	10,185,508
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	(1,729,091)	11,111	65,435	23,466	14,560
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	2,811	4,792	(17,132)		
62. Total (Line 35)	20,301,091	52,787,436	29,328,291	38,360,508	29,528,062
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	52.4	51.4	54.3	49.3	53.6
65. Loss expenses incurred (Line 3)	10.8	11.3	11.9	13.2	12.9
66. Other underwriting expenses incurred (Line 4)	33.8	35.6	33.5	35.9	33.8
67. Net underwriting gain (loss) (Line 8)	3.0	1.7	0.3	1.6	0.0
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	31.6	34.5	31.6	35.3	30.5
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	63.2	62.7	66.2	62.5	66.5
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	166.2	188.4	208.3	183.8	204.8
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(15,962)	(8,824)	(1,748)	(2,019)	772
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(24.8)	(15.6)	(3.3)	(4.4)	1.9
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(27,579)	(7,371)	620	(559)	3,679
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(48.9)	(14.1)	1.4	(1.4)	10.5

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
	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)	Number of Claims Reported - Direct and Assumed
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	1,839	259	433	39	237	41	40	2,170	X X X
2. 1999	116,775	11,108	105,667	80,804	10,660	5,664	659	9,263	959	3,705	83,453	X X X
3. 2000	115,840	10,829	105,011	79,816	9,469	6,015	638	8,536	565	3,988	83,695	X X X
4. 2001	119,908	11,072	108,836	74,835	9,221	5,510	329	8,339	612	4,120	78,522	X X X
5. 2002	144,174	23,156	121,018	78,884	13,463	5,397	813	7,614	937	3,583	76,682	X X X
6. 2003	159,415	20,614	138,801	75,992	11,526	5,250	616	9,467	1,002	3,644	77,565	X X X
7. 2004	167,900	13,692	154,208	69,375	4,964	4,164	256	9,011	445	3,761	76,885	X X X
8. 2005	177,611	9,618	167,993	69,031	4,615	4,398	233	9,604	322	3,275	77,863	X X X
9. 2006	183,241	8,048	175,193	64,935	2,052	3,273	91	9,674	477	2,539	75,262	X X X
10. 2007	183,557	5,478	178,079	57,882	956	2,287	69	9,348	281	1,212	68,211	X X X
11. 2008	184,903	5,466	179,437	46,363	1,778	1,041	2	8,338	168	71	53,794	X X X
12. Totals	X X X	X X X	X X X	699,756	68,963	43,432	3,745	89,431	5,809	29,938	754,102	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25			
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR									
	13	14	15	16	17	18	19	20	21	22				Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded						
1. Prior	9,644	2,902	9,205	3,475	169	10	1,626	520	1,036	85	258	14,688	X X X			
2. 1999	2,331	768	958	346	16		275	68	218	53	33	2,563	X X X			
3. 2000	2,189	684	935	328	59		267	57	224	41	38	2,564	X X X			
4. 2001	1,661	711	1,713	436	38	1	467	72	250	35	69	2,874	X X X			
5. 2002	3,117	1,037	1,913	602	68	9	769	91	287	13	78	4,402	X X X			
6. 2003	3,012	456	3,707	692	62	1	1,141	105	434	3	111	7,099	X X X			
7. 2004	4,738	796	5,946	900	65		1,554	128	600		147	11,079	X X X			
8. 2005	8,374	750	7,477	1,083	102		2,493	168	925		261	17,370	X X X			
9. 2006	12,483	1,008	13,105	1,778	183		4,315	258	1,507		362	28,549	X X X			
10. 2007	21,584	676	19,947	2,819	293	1	6,860	386	2,671	2	692	47,471	X X X			
11. 2008	29,593	1,054	37,740	757	478		7,751	66	5,663	93	1,958	79,255	X X X			
12. Totals	98,726	10,842	102,646	13,216	1,533	22	27,518	1,919	13,815	325	4,007	217,914	X X X			

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Company Pooling Participation Percentage	Reserves After Discount	
										35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	12,472	2,216
2. 1999	99,529	13,513	86,016	85.231	121.651	81.403				2,175	388
3. 2000	98,041	11,782	86,259	84.635	108.800	82.143				2,112	452
4. 2001	92,813	11,417	81,396	77.404	103.116	74.788				2,227	647
5. 2002	98,049	16,965	81,084	68.007	73.264	67.002				3,391	1,011
6. 2003	99,065	14,401	84,664	62.143	69.860	60.997				5,571	1,528
7. 2004	95,453	7,489	87,964	56.851	54.696	57.042				8,988	2,091
8. 2005	102,404	7,171	95,233	57.656	74.558	56.689				14,018	3,352
9. 2006	109,475	5,664	103,811	59.744	70.378	59.255				22,802	5,747
10. 2007	120,872	5,190	115,682	65.850	94.743	64.961				38,036	9,435
11. 2008	136,967	3,918	133,049	74.075	71.679	74.148				65,522	13,733
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	177,314	40,600

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	One Year	Two Year
1. Prior	59,143	58,308	57,141	59,525	60,462	61,419	63,691	63,777	65,267	64,801	(466)	1,024
2. 1999	70,876	73,107	73,640	74,782	75,640	76,204	76,887	77,263	77,767	77,690	(77)	427
3. 2000	X X X	72,622	75,279	76,083	77,836	77,908	78,294	78,448	78,929	78,263	(666)	(185)
4. 2001	X X X	X X X	73,031	72,200	73,537	73,852	73,963	73,410	74,619	73,650	(969)	240
5. 2002	X X X	X X X	X X X	78,400	77,730	77,335	75,875	76,001	75,042	74,369	(673)	(1,632)
6. 2003	X X X	X X X	X X X	X X X	80,003	77,769	75,977	75,877	76,868	76,007	(861)	130
7. 2004	X X X	X X X	X X X	X X X	X X X	93,177	88,621	87,169	80,321	79,065	(1,256)	(8,104)
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	97,844	94,057	87,030	85,302	(1,728)	(8,755)
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	104,104	97,749	93,380	(4,369)	(10,724)
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	109,166	104,269	(4,897)	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	119,465	X X X	X X X
12. Totals											(15,962)	(27,579)

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
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior	000	17,166	27,813	34,815	38,932	41,600	44,114	46,335	47,893	49,867	X X X	X X X
2. 1999	34,398	51,430	59,573	65,561	69,230	71,769	73,020	73,973	74,586	75,149	X X X	X X X
3. 2000	X X X	33,948	52,177	60,823	67,037	70,749	72,995	74,383	75,188	75,724	X X X	X X X
4. 2001	X X X	X X X	33,359	49,986	57,625	63,275	66,181	68,240	69,559	70,795	X X X	X X X
5. 2002	X X X	X X X	X X X	30,306	47,152	56,139	62,910	66,582	68,649	70,005	X X X	X X X
6. 2003	X X X	X X X	X X X	X X X	31,905	48,512	56,877	62,803	67,047	69,100	X X X	X X X
7. 2004	X X X	X X X	X X X	X X X	X X X	31,361	49,495	58,552	64,388	68,319	X X X	X X X
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	33,360	52,356	61,970	68,581	X X X	X X X
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	35,340	55,667	66,065	X X X	X X X
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	36,751	59,144	X X X	X X X
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	45,624	X X X	X X X

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior	20,548	15,015	10,501	9,899	9,589	7,778	6,922	5,692	5,766	8,033
2. 1999	16,682	8,971	5,685	3,949	2,586	2,261	1,650	1,484	1,178	962
3. 2000	X X X	17,873	10,635	7,358	4,994	3,536	2,378	2,345	1,663	975
4. 2001	X X X	X X X	20,446	12,416	7,469	5,719	3,452	3,134	2,021	1,868
5. 2002	X X X	X X X	X X X	30,525	16,809	9,863	6,409	4,841	3,043	2,225
6. 2003	X X X	X X X	X X X	X X X	27,140	15,269	10,290	7,494	5,645	4,290
7. 2004	X X X	X X X	X X X	X X X	X X X	37,683	22,332	15,964	9,262	6,739
8. 2005	X X X	X X X	X X X	X X X	X X X	X X X	42,203	23,909	14,673	8,995
9. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	40,770	25,037	15,657
10. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	44,111	23,925
11. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	44,824

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

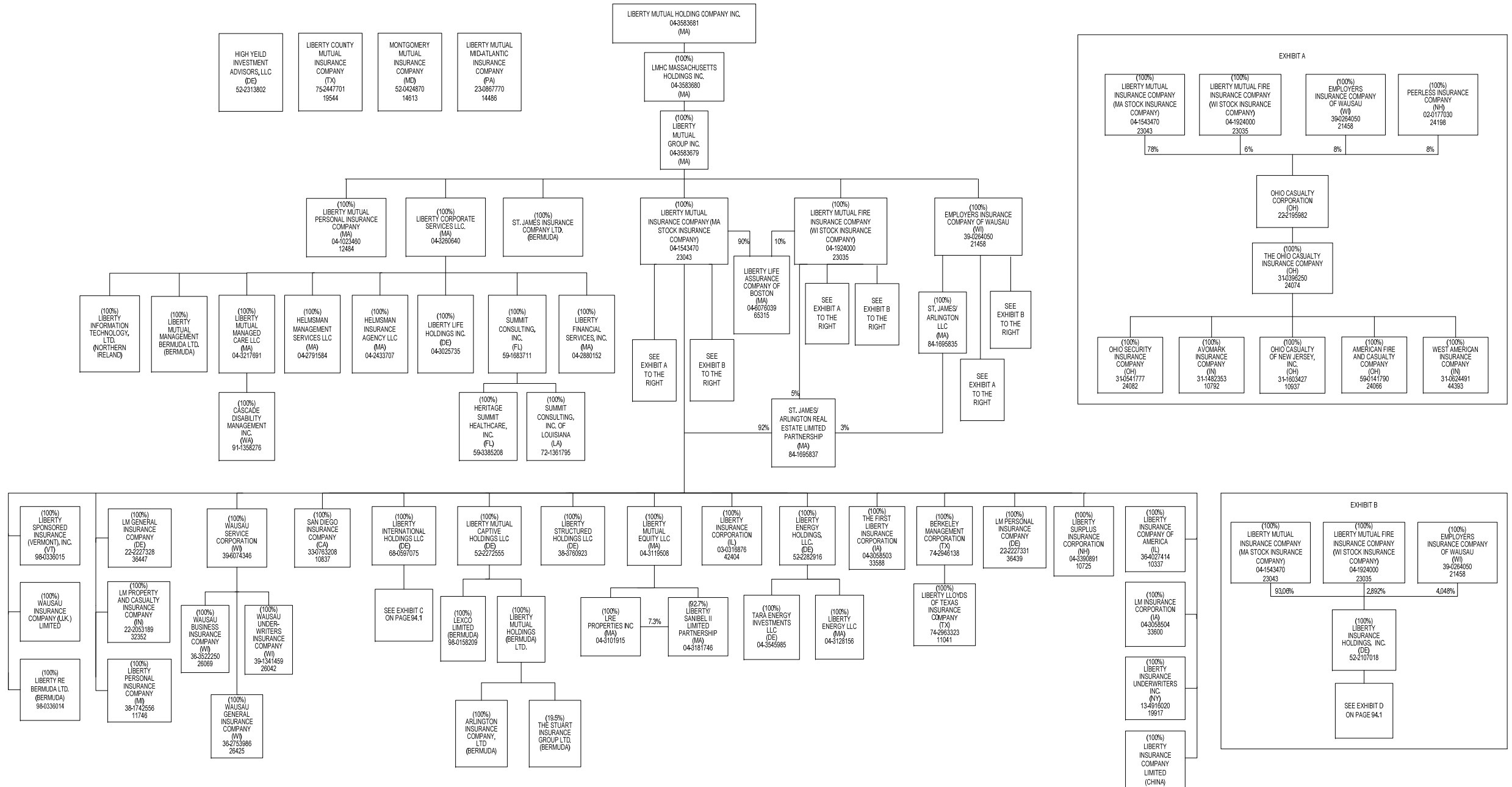
States, Etc.		1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
			2	3						
		Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L								
2. Alaska	AK	L								
3. Arizona	AZ	L	273,153	897,613		46,444	622,118	2,250,427	1,347	
4. Arkansas	AR	L	2,335,678	2,103,894		1,131,045	1,379,850	2,892,608	11,514	
5. California	CA	L	41,263,608	43,872,139		20,031,332	24,020,164	32,276,613	203,421	
6. Colorado	CO	L								
7. Connecticut	CT	L	55,036,545	51,924,433	425,525	19,721,354	29,701,698	48,448,773	271,318	
8. Delaware	DE	L	5,023,430	4,548,821		961,589	2,460,577	2,740,731	24,764	
9. District of Columbia	DC	L	785,865	820,314		5,225	180,673	319,084	3,874	
10. Florida	FL	N								
11. Georgia	GA	L	23,446,671	24,053,257	375	13,544,034	17,474,481	20,784,767	115,587	
12. Hawaii	HI	L		7						
13. Idaho	ID	L								
14. Illinois	IL	L	56,786,084	53,190,480	76,684	27,705,913	40,190,468	55,825,251	279,943	
15. Indiana	IN	L	65,129,992	65,273,411	9,165	45,421,950	55,036,238	44,891,355	321,077	
16. Iowa	IA	L	6,472,439	5,731,437	13,424	3,416,788	4,370,877	3,040,689	31,908	
17. Kansas	KS	L	4,117,846	2,965,542		992,058	1,957,185	1,558,133	20,300	
18. Kentucky	KY	L	40,200,133	40,126,945		24,050,265	36,716,680	37,510,644	198,178	
19. Louisiana	LA	L	7,016,646	5,607,664		1,949,809	3,390,934	4,227,277	34,591	
20. Maine	ME	L	17,622,342	16,003,441	8,611	6,038,589	9,589,408	13,702,306	86,874	
21. Maryland	MD	L	19,272,377	18,970,360	29,394	7,552,481	13,315,901	16,184,034	95,009	
22. Massachusetts	MA	L	16,251,567	14,939,041		6,084,895	10,220,417	10,175,258	80,117	
23. Michigan	MI	L	31,473,977	34,846,085	19,361	27,492,413	35,400,843	30,151,150	155,160	
24. Minnesota	MN	L	20,483,277	16,892,226	22,297	8,000,786	11,825,242	9,935,710	100,978	
25. Mississippi	MS	L								
26. Missouri	MO	L	19,491,073	18,726,484		8,147,228	9,032,779	10,677,858	96,087	
27. Montana	MT	L								
28. Nebraska	NE	L	4,553,634	3,532,562	34,316	3,510,065	4,743,550	2,766,941	22,448	
29. Nevada	NV	L	86	25						
30. New Hampshire	NH	L	16,557,971	16,037,366	21,172	6,349,705	7,306,306	11,647,871	81,627	
31. New Jersey	NJ	L	40,787,366	38,802,628	574,467	13,699,945	22,706,962	45,556,715	201,073	
32. New Mexico	NM	L								
33. New York	NY	L	51,884,884	51,768,947	1,042,755	17,748,076	26,364,599	57,212,322	255,781	
34. North Carolina	NC	L	18,168,194	17,161,549		5,573,825	10,435,203	14,133,211	89,565	
35. North Dakota	ND	L								
36. Ohio	OH	L	58,820,421	59,033,762		31,577,977	36,440,585	37,483,831	289,972	
37. Oklahoma	OK	L	9,601,687	9,172,451		5,422,932	7,278,634	7,280,759	47,334	
38. Oregon	OR	L								
39. Pennsylvania	PA	L	51,340,596	48,831,848		18,276,863	27,875,119	38,609,520	253,098	
40. Rhode Island	RI	L	5,655,452	5,882,837	5,074	3,881,963	1,636,549	4,392,680	27,880	
41. South Carolina	SC	L	11,649,138	10,733,268		5,397,694	7,276,532	7,296,256	57,428	
42. South Dakota	SD	L								
43. Tennessee	TN	L	35,941,050	36,178,144		45,719,466	60,862,557	35,636,186	177,182	
44. Texas	TX	L	31,353,983	29,612,840		11,508,870	23,097,739	25,215,055	154,568	
45. Utah	UT	L								
46. Vermont	VT	L	8,245,773	7,509,406	11,990	2,600,800	2,460,162	6,395,279	40,650	
47. Virginia	VA	L	8,881,571	8,891,492	34,438	3,494,609	4,821,129	8,049,124	43,784	
48. Washington	WA	L								
49. West Virginia	WV	L								
50. Wisconsin	WI	L	4,812,995	4,623,965	50,248	2,776,843	2,400,014	3,471,576	23,727	
51. Wyoming	WY	L								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	X X X								
59. Totals		(a) 50	790,737,504	769,266,684	2,379,296	399,833,831	552,592,173	652,739,994	3,898,164	

DETAILS OF WRITE-INS									
5801.		X X X							
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							

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

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

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

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