ANNUAL STATEMENT

OF THE

PEERLESS INDEMNITY INSURANCE COMPANY

of WARRENVILLE

in the state of ILLINOIS

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2010

PROPERTY AND CASUALTY

2010

18333201020100100

ANNUAL STATEMENT

For the Year Ended December 31, 2010
OF THE CONDITION AND AFFAIRS OF THE

Peerless Indemnity Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 18333 **Employer's ID Number** 13-2919779

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

Country of Domicile United States of America

Incorporated/Organized: April 30, 2002 **Commenced Business** August 10, 2002

Statutory Home Office 27201 Bella Vista Parkway, Suite 130 (Street and Number) , Warrenville, IL 60555 (City or Town, State and Zip Code)

Main Administrative Office: 27201 Bella Vista Parkway, Suite 130 (Street and Number)

Warrenville, IL 60555 (City or Town, State and Zip Code) 630-505-1442 (Area Code) (Telephone Number)

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

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

Internet Web Site Address www.lmac.com

Statutory Statement Contact: Pamela Heenan (Name) 617-357-9500 x44689 (Area Code) (Telephone Number) (Extension)

Statutory.Compliance@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

Chairman of the Board

Gary Richard Gregg

	Name	Title
1.	Gary Richard Gregg	President and Chief Executive Officer
2.	Dexter Robert Legg	Secretary
3.	Michael Joseph Fallon	Treasurer and Chief Financial Officer

VICE-PRESIDENTS

Name	Title	Name	Title
Anthony Alexander Fontanes	EVP and Chief Investment Officer	Joseph Anthony Gilles	Executive Vice President
Scott Rhodes Goodby	EVP and Chief Operating Officer		

DIRECTORS OR TRUSTEES

Michael Joseph Fallon	John Derek Doyle	Joseph Anthony Gilles	Scott Rhodes Goodby
Gary Richard Gregg	Christopher Charles Mansfield	Mary Ann Thaman	John Christopher Ingram #
Richard Thomas Reminger, Jr. #			

State of Massachusetts

County of Suffolk ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Gary Richard Gregg	Dexter Robert Legg	Michael Joseph Fallon
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Secretary	Treasurer and Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this
31st day of January , 2011, by

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

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	616,125,662		616,125,662	595,478,581
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	360,746		360,746	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)				
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 1,515, Schedule E - Part 1), cash equivalents ($ 5,092,908, Schedule E - Part 2), and short-term investments ($ 9,792,413, Schedule DA)	14,886,836		14,886,836	62,607,978
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)	10,000,000		10,000,000	10,000,000
9. Receivables for securities	1,962,332		1,962,332	
10. Securities lending reinvested collateral assets	14,104,254		14,104,254	
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	657,439,830		657,439,830	668,086,559
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	6,428,655		6,428,655	6,223,821
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	12,068,570	1,299,230	10,769,340	11,885,797
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (753,576) earned but unbilled premiums)	86,614,621	2,009	86,612,612	84,394,960
15.3 Accrued retrospective premiums	305,313	30,488	274,825	489,891
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	2,602,581		2,602,581	
18.2 Net deferred tax asset	22,969,480	6,106,016	16,863,464	18,902,700
19. Guaranty funds receivable or on deposit	506,905		506,905	555,412
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				5,951,176
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	3,034,127	405,676	2,628,451	2,524,569
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	791,970,082	7,843,419	784,126,663	799,014,885
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	791,970,082	7,843,419	784,126,663	799,014,885

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	1,743,987		1,743,987	1,700,056
2502. Equities and deposits in pools and associations	793,589		793,589	712,172
2503. Other assets	496,551	405,676	90,875	112,341
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	3,034,127	405,676	2,628,451	2,524,569

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	267,916,372	282,008,945
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	17,976,496	18,180,924
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	59,795,304	67,141,366
4.	Commissions payable, contingent commissions and other similar charges	8,092,093	7,991,264
5.	Other expenses (excluding taxes, licenses and fees)	2,368,326	9,486,750
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	2,706,215	2,875,815
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		4,179,270
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 $ 339,123,079 and including warranty reserves of $ 0)	145,594,731	138,034,024
10.	Advance premium	986,794	982,537
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	28,121	254,699
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	178,947	(90,970)
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	9,819,847	9,857,779
19.	Payable to parent, subsidiaries and affiliates	8,346,760	753,248
20.	Derivatives		
21.	Payable for securities	6,014,982	11,282,361
22.	Payable for securities lending	14,104,254	
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	5,138,762	26,579,016
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	549,068,004	579,517,028
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	549,068,004	579,517,028
29.	Aggregate write-ins for special surplus funds	3,262,265	4,150,087
30.	Common capital stock	3,500,000	3,500,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	156,560,419	156,560,419
35.	Unassigned funds (surplus)	71,735,975	55,287,351
36.	Less treasury stock, at cost:		
	36.1 0 shares common (value included in Line 30 $ 0)		
	36.2 0 shares preferred (value included in Line 31 $ 0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	235,058,659	219,497,857
38.	Totals (Page 2, Line 28, Col. 3)	784,126,663	799,014,885

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	2,862,031	2,702,054
2502.	Other liabilities	1,556,576	2,273,473
2503.	Accrued return retrospective premiums	365,225	372,177
2598.	Summary of remaining write-ins for Line 25 from overflow page	354,930	21,231,312
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	5,138,762	26,579,016
2901.	SSAP 10R incremental change	2,613,395	3,552,006
2902.	Special surplus from retroactive reinsurance	648,870	598,081
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	3,262,265	4,150,087
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	309,425,400	314,295,895
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	173,374,128	159,395,594
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	36,528,064	37,316,365
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	103,986,673	104,334,907
5.	Aggregate write-ins for underwriting deductions	(16,926)	49,033
6.	Total underwriting deductions (Lines 2 through 5)	313,871,939	301,095,899
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(4,446,539)	13,199,996
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	28,148,750	28,812,429
10.	Net realized capital gains (losses) less capital gains tax of $ 163,880 (Exhibit of Capital Gains (Losses))	304,348	(60,096)
11.	Net investment gain (loss) (Lines 9 + 10)	28,453,098	28,752,333
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 18,056 amount charged off $ 1,318,224)	(1,300,168)	(1,391,221)
13.	Finance and service charges not included in premiums	2,730,393	2,679,602
14.	Aggregate write-ins for miscellaneous income	(3,719,537)	(1,717,492)
15.	Total other income (Lines 12 through 14)	(2,289,312)	(429,111)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	21,717,247	41,523,218
17.	Dividends to policyholders	(105,728)	1,344,750
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)	21,822,975	40,178,468
19.	Federal and foreign income taxes incurred	5,403,220	13,229,259
20.	Net income (Line 18 minus Line 19) (to Line 22)	16,419,755	26,949,209
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	219,497,857	188,152,858
22.	Net income (from Line 20)	16,419,755	26,949,209
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 33,366	422,713	(548,769)
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	(1,356,254)	577,609
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	1,195,606	(7,104)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in		
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		
36.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	(1,121,018)	4,374,054
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	15,560,802	31,344,999
39.	Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	235,058,659	219,497,857

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	(16,926)	49,033
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)	(16,926)	49,033
1401.	Other income/(expense)	112,296	(1,676,971)
1402.	Retroactive reinsurance gain/(loss)	(3,831,833)	(40,521)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(3,719,537)	(1,717,492)
3701.	Other changes in surplus	(182,407)	822,048
3702.	SSAP 10R incremental change	(938,611)	3,552,006
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(1,121,018)	4,374,054

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	316,666,509	320,964,244
2.	Net investment income	28,241,564	28,604,289
3.	Miscellaneous income	(3,312,951)	2,448,562
4.	Total (Lines 1 through 3)	341,595,122	352,017,095
5.	Benefit and loss related payments	187,709,062	162,125,531
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	154,806,345	145,891,057
8.	Dividends paid to policyholders	120,850	1,269,573
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	12,348,951	8,064,686
10.	Total (Lines 5 through 9)	354,985,208	317,350,847
11.	Net cash from operations (Line 4 minus Line 10)	(13,390,086)	34,666,248
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	113,968,297	83,995,728
	12.2 Stocks		2,275,295
	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	(1,962,332)	
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	112,005,965	86,271,023
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	134,349,465	103,556,167
	13.2 Stocks		13,708
	13.3 Mortgage loans		
	13.4 Real estate		
	13.5 Other invested assets	14,104,254	
	13.6 Miscellaneous applications	5,267,379	(11,282,360)
	13.7 Total investments acquired (Lines 13.1 to 13.6)	153,721,098	92,287,515
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)	(41,715,133)	(6,016,492)
	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		
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders		
	16.6 Other cash provided (applied)	7,384,077	(16,800,422)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	7,384,077	(16,800,422)
	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)	(47,721,142)	11,849,334
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	62,607,978	50,758,644
	19.2 End of year (Line 18 plus Line 19.1)	14,886,836	62,607,978

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	29,513,187	
20.0002			
20.0003			

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	5,535,379	2,850,632	2,992,131	5,393,880
2. Allied lines	4,684,362	2,293,246	2,484,462	4,493,146
3. Farmowners multiple peril	2,318,480	1,112,426	1,164,370	2,266,536
4. Homeowners multiple peril	45,346,047	22,516,665	24,028,725	43,833,987
5. Commercial multiple peril	55,647,024	29,288,751	28,477,370	56,458,405
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	5,078,083	2,497,054	2,441,312	5,133,825
10. Financial guaranty				
11.1 Medical professional liability—occurrence	23,199	12,130	10,840	24,489
11.2 Medical professional liability—claims-made	3,222	1,178	1,253	3,147
12. Earthquake	1,026,404	539,130	521,561	1,043,973
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(2,389)	2,389		
16. Workers' compensation	27,093,920	11,327,303	11,414,901	27,006,322
17.1 Other liability—occurrence	16,403,003	8,385,097	8,010,567	16,777,533
17.2 Other liability—claims-made	690,089	297,664	320,644	667,109
17.3 Excess Workers' Compensation		14,737		14,737
18.1 Products liability—occurrence	422,513	289,817	223,295	489,035
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	59,067,675	17,052,636	21,278,702	54,841,609
19.3,19.4 Commercial auto liability	25,318,810	12,900,398	12,259,104	25,960,104
21. Auto physical damage	45,695,576	15,038,380	17,537,062	43,196,894
22. Aircraft (all perils)				
23. Fidelity	196,210	164,448	160,566	200,092
24. Surety	21,722,597	12,957,577	13,074,396	21,605,778
26. Burglary and theft	9,286	5,738	4,475	10,549
27. Boiler and machinery	5,718	1,017	2,484	4,251
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	316,285,208	139,548,413	146,408,220	309,425,401

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	2,992,106	24			2,992,130
2.	Allied lines	2,484,434	28			2,484,462
3.	Farmowners multiple peril	1,164,370				1,164,370
4.	Homeowners multiple peril	24,028,725				24,028,725
5.	Commercial multiple peril	28,090,218	469	384,994	1,690	28,477,371
6.	Mortgage guaranty					
8.	Ocean marine					
9.	Inland marine	2,431,749	9,563			2,441,312
10.	Financial guaranty					
11.1	Medical professional liability—occurrence	10,840				10,840
11.2	Medical professional liablity—claims-made	1,249	4			1,253
12.	Earthquake	521,561				521,561
13.	Group accident and health					
14.	Credit accident and health (group and individual)					
15.	Other accident and health					
16.	Workers' compensation	11,040,128		314,861	59,912	11,414,901
17.1	Other liability—occurrence	7,936,070	29,851	46,337	(1,690)	8,010,568
17.2	Other liability—claims-made	314,455	5,514	676		320,645
17.3	Excess Workers' Compensation					
18.1	Products liability—occurrence	216,557	30	6,708		223,295
18.2	Products liability—claims-made					
19.1,19.2	Private passenger auto liability	21,278,702				21,278,702
19.3,19.4	Commercial auto liability	12,141,621	117,482			12,259,103
21.	Auto physical damage	17,513,041	24,022			17,537,063
22.	Aircraft (all perils)					
23.	Fidelity	58,519	102,047			160,566
24.	Surety	6,970,713	6,103,683			13,074,396
26.	Burglary and theft	4,475				4,475
27.	Boiler and machinery	2,484				2,484
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	139,202,017	6,392,717	753,576	59,912	146,408,222
36.	Accrued retrospective premiums based on experience					(59,912)
37.	Earned but unbilled premiums					(753,576)
38.	Balance (Sum of Lines 35 through 37)					145,594,734

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	2,244,484	5,535,379		2,244,484		5,535,379
2. Allied lines	1,993,735	4,684,362		1,993,735		4,684,362
3. Farmowners multiple peril	4,558,719	2,318,480		4,558,719		2,318,480
4. Homeowners multiple peril	42,311,232	45,346,047		42,311,232		45,346,047
5. Commercial multiple peril	326,270,707	55,647,024		326,270,707		55,647,024
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	4,158,071	5,078,083		4,158,071		5,078,083
10. Financial guaranty						
11.1 Medical professional liability--occurrence		23,199				23,199
11.2 Medical professional liability--claims-made		3,222				3,222
12. Earthquake	1,784,095	1,026,404		1,784,095		1,026,404
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		(2,389)				(2,389)
16. Workers' compensation	27,643,820	27,093,920		27,643,820		27,093,920
17.1 Other liability—occurrence	21,937,444	16,403,003		21,937,444		16,403,003
17.2 Other liability—claims-made	69,019	690,089		69,019		690,089
17.3 Excess Workers' Compensation						
18.1 Products liability—occurrence	350,895	422,513		350,895		422,513
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	48,038,295	59,067,675		48,038,295		59,067,675
19.3,19.4 Commercial auto liability	125,135,665	25,318,810		125,135,665		25,318,810
21. Auto physical damage	68,451,560	45,695,576		68,451,560		45,695,576
22. Aircraft (all perils)						
23. Fidelity		196,210				196,210
24. Surety		21,722,597				21,722,597
26. Burglary and theft	9,214	9,286		9,214		9,286
27. Boiler and machinery	66,950	5,718		66,950		5,718
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	675,023,905	316,285,208		675,023,905		316,285,208

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 $ 0

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis $ 0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

	Losses Paid Less Salvage				5	6	7	8
Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	337,554	2,198,986	337,554	2,198,986	977,620	928,247	2,248,359	41.684
2. Allied lines	1,417,010	2,871,979	1,417,010	2,871,979	817,802	775,844	2,913,937	64.853
3. Farmowners multiple peril	3,038,851	1,515,371	3,038,851	1,515,371	696,239	732,094	1,479,516	65.277
4. Homeowners multiple peril	31,369,851	23,700,129	31,369,851	23,700,129	11,726,207	8,733,519	26,692,817	60.895
5. Commercial multiple peril	149,032,172	29,842,112	149,032,172	29,842,112	51,465,221	48,422,852	32,884,481	58.246
6. Mortgage guaranty								
8. Ocean marine		127		127	(24)	439	(336)	
9. Inland marine	1,179,049	1,795,961	1,179,049	1,795,961	427,132	794,457	1,428,636	27.828
10. Financial guaranty								
11.1 Medical professional liability—occurrence		1,306		1,306	70,925	65,263	6,968	28.454
11.2 Medical professional liability—claims-made		1,440		1,440	14,495	14,533	1,402	44.550
12. Earthquake		(564)		(564)	1,183	1,805	(1,186)	(0.114)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		38,011		38,011	1,359,023	230,855	1,166,179	
16. Workers' compensation	3,989,390	41,003,763	3,989,390	41,003,763	83,607,306	102,854,068	21,757,001	80.563
17.1 Other liability—occurrence	1,294,198	6,874,915	1,294,198	6,874,915	28,890,838	26,675,078	9,090,675	54.184
17.2 Other liability—claims-made		314,093		314,093	1,570,850	847,638	1,037,305	155.493
17.3 Excess Workers' Compensation						13,104	(13,104)	(88.919)
18.1 Products liability—occurrence	5,649	240,993	5,649	240,993	637,164	871,106	7,051	1.442
18.2 Products liability—claims-made						23	(23)	
19.1,19.2 Private passenger auto liability	26,483,627	32,857,083	26,483,627	32,857,083	41,816,368	44,093,077	30,580,374	55.761
19.3,19.4 Commercial auto liability	34,976,331	14,344,420	34,976,331	14,344,420	28,287,909	29,110,627	13,521,702	52.086
21. Auto physical damage	48,238,717	24,917,524	48,238,717	24,917,524	1,747,611	2,154,626	24,510,509	56.741
22. Aircraft (all perils)		5,660		5,660	2,364	(20,348)	28,372	
23. Fidelity		30,385		30,385	24,285	67,565	(12,895)	(6.445)
24. Surety		4,268,438		4,268,438	7,901,316	9,007,559	3,162,195	14.636
26. Burglary and theft		2,239		2,239	106	4,855	(2,510)	(23.794)
27. Boiler and machinery	18,868		18,868		1,559	1,558	1	0.024
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X	642,329		642,329	5,872,874	5,628,500	886,703	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	301,381,267	187,466,700	301,381,267	187,466,700	267,916,373	282,008,944	173,374,129	56.031

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		
	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	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	28,667	621,379	28,667	621,379	62,281	356,240	62,281	977,619	80,944
2. Allied lines	482,061	701,022	482,061	701,022	63,969	116,780	63,969	817,802	35,939
3. Farmowners multiple peril	264,190	587,673	264,190	587,673	243,544	108,567	243,544	696,240	136,020
4. Homeowners multiple peril	8,594,267	7,685,398	8,594,267	7,685,398	1,748,294	4,040,809	1,748,294	11,726,207	1,711,371
5. Commercial multiple peril	117,558,532	31,293,520	117,558,532	31,293,520	51,103,529	20,171,701	51,103,529	51,465,221	24,106,299
6. Mortgage guaranty									
8. Ocean marine		144		144		(168)		(24)	
9. Inland marine	116,794	272,877	116,794	272,877	103,509	154,255	103,509	427,132	200,535
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		12,743		12,743		58,182		70,925	37,912
11.2 Medical professional liablity—claims-made						14,495		14,495	4,017
12. Earthquake	1	1,183	1	1,183				1,183	(276)
13. Group accident and health								(a)	(77)
14. Credit accident and health (group and individual)									
15. Other accident and health		317,896		317,896		1,041,127		(a) 1,359,023	152,911
16. Workers' compensation	7,895,015	55,193,285	7,895,015	55,193,285	7,594,028	28,414,021	7,594,028	83,607,306	9,494,683
17.1 Other liability—occurrence	3,297,764	8,946,041	3,297,764	8,946,041	8,381,171	19,944,796	8,381,171	28,890,837	7,467,176
17.2 Other liability—claims-made		591,290		591,290	3,787	979,560	3,787	1,570,850	700,326
17.3 Excess Workers' Compensation									11
18.1 Products liability—occurrence		311,807		311,807	80,896	325,357	80,896	637,164	316,742
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	31,261,012	35,251,732	31,261,012	35,251,732	5,528,825	6,564,636	5,528,825	41,816,368	7,978,368
19.3,19.4 Commercial auto liability	55,141,006	18,056,774	55,141,006	18,056,774	32,416,182	10,231,135	32,416,182	28,287,909	4,410,668
21. Auto physical damage	4,407,669	1,010,346	4,407,669	1,010,346	(380,619)	737,265	(380,619)	1,747,611	328,198
22. Aircraft (all perils)		2,364		2,364				2,364	
23. Fidelity		9,134		9,134		15,152		24,286	25,949
24. Surety		(2,466,830)		(2,466,830)		10,368,146		7,901,316	2,475,353
26. Burglary and theft		18		18		88		106	421
27. Boiler and machinery		(195)		(195)	2,240	1,754	2,240	1,559	1,652
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	XXX				XXX				
32. Reinsurance-Nonproportional Assumed Liability	XXX	2,744,862		2,744,862	XXX	3,128,012		5,872,874	130,161
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	229,046,978	161,144,463	229,046,978	161,144,463	106,951,636	106,771,910	106,951,636	267,916,373	59,795,303

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 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	38,429,813			38,429,813
1.2 Reinsurance assumed	12,088,107			12,088,107
1.3 Reinsurance ceded	38,429,813			38,429,813
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	12,088,107			12,088,107
2. Commission and brokerage:				
2.1 Direct, excluding contingent		105,159,897		105,159,897
2.2 Reinsurance assumed, excluding contingent		47,032,909		47,032,909
2.3 Reinsurance ceded, excluding contingent		105,159,897		105,159,897
2.4 Contingent—direct				
2.5 Contingent—reinsurance assumed		5,386,690		5,386,690
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)		52,419,599		52,419,599
3. Allowances to manager and agents	4,293	22,280	13	26,586
4. Advertising	412,751	2,062,386	6,573	2,481,710
5. Boards, bureaus and associations	122,712	630,798	217	753,727
6. Surveys and underwriting reports	359,724	1,794,464	7,560	2,161,748
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	14,715,044	16,905,640	753,503	32,374,187
8.2 Payroll taxes	296,580	1,905,465	53,353	2,255,398
9. Employee relations and welfare	1,278,694	6,507,344	57,150	7,843,188
10. Insurance	1,014,602	224,833	6,350	1,245,785
11. Directors' fees	216	1,128		1,344
12. Travel and travel items	903,687	1,445,229	16,596	2,365,512
13. Rent and rent items	619,388	2,286,028	19,376	2,924,792
14. Equipment	561,335	2,147,631	20,945	2,729,911
15. Cost or depreciation of EDP equipment and software	313,156	1,431,753	13,730	1,758,639
16. Printing and stationery	167,527	368,418	2,566	538,511
17. Postage, telephone and telegraph, exchange and express	508,864	1,971,815	25,405	2,506,084
18. Legal and auditing	127,057	289,003	36,112	452,172
19. Totals (Lines 3 to 18)	21,405,630	39,994,215	1,019,449	62,419,294
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 97,796		7,141,612		7,141,612
20.2 Insurance department licenses and fees		879,502		879,502
20.3 Gross guaranty association assessments		(100,378)		(100,378)
20.4 All other (excluding federal and foreign income and real estate)		810,083		810,083
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		8,730,819		8,730,819
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	3,034,327	2,842,037	168,831	6,045,195
25. Total expenses incurred	36,528,064	103,986,670	1,188,280	(a) 141,703,014
26. Less unpaid expenses—current year	59,795,304	13,166,634		72,961,938
27. Add unpaid expenses—prior year	67,141,366	20,353,830		87,495,196
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)	43,874,126	111,173,866	1,188,280	156,236,272

DETAILS OF WRITE-IN LINES				
2401. Other expenses	2,170,483	2,842,037	168,831	5,181,351
2402. Change in unallocated expense reserves	863,844			863,844
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	3,034,327	2,842,037	168,831	6,045,195

(a) Includes management fees of $ 1,188,280 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

			1 Collected During Year		2 Earned During Year
1.	U.S. Government bonds	(a)	5,106,060		5,020,840
1.1	Bonds exempt from U.S. tax	(a)	7,076,792		6,728,419
1.2	Other bonds (unaffiliated)	(a)	16,807,967		17,451,458
1.3	Bonds of affiliates	(a)			
2.1	Preferred stocks (unaffiliated)	(b)			
2.11	Preferred stocks of affiliates	(b)			
2.2	Common stocks (unaffiliated)				
2.21	Common stocks of affiliates				
3.	Mortgage loans	(c)			
4.	Real estate	(d)			
5.	Contract loans				
6.	Cash, cash equivalents and short-term investments	(e)	35,619		30,554
7.	Derivative instruments	(f)			
8.	Other invested assets				
9.	Aggregate write-ins for investment income		105,759		105,759
10.	Total gross investment income		29,132,197		29,337,030
11.	Investment expenses			(g)	1,188,280
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)				1,188,280
17.	Net investment income (Line 10 minus Line 16)				28,148,750

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)..	105,759	105,759
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)	105,759	105,759
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 $ 767,179 accrual of discount less $ 1,064,826 amortization of premium and less $ 642,724 paid for accrued interest on purchases.
(b) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 4,785 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	90,874		90,874		
1.1	Bonds exempt from U.S. tax	341,107		341,107		
1.2	Other bonds (unaffiliated)	142,604	(106,358)	36,246	95,333	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates				360,746	
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)	574,585	(106,358)	468,227	456,079	

	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. Derivatives			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	1,299,230	1,886,350	587,120
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,009	(52,370)	(54,379)
15.3 Accrued retrospective premiums	30,488	66,973	36,485
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	6,106,016	5,456,400	(649,616)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	405,676	743,061	337,385
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	7,843,419	8,100,414	256,995
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	7,843,419	8,100,414	256,995

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	405,676	743,061	337,385
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	405,676	743,061	337,385

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).

2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.

3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).

4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).

5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.

6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.

7. Investments in SCA companies are carried in accordance with SSAP No. 97, Investment in Subsidiaries, Controlled Entities and Affiliates, and the SVO Manual.

8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, Joint Ventures, Partnerships and Limited Liability Companies, and the SVO Manual.

9. Derivative Securities, refer to Note 8.

10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.

11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.

12. The Company did not change its capitalization policy in 2010.

13. The Company has no pharmaceutical rebate receivables.

Note 2- Accounting Changes and Correction of Errors

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

Note 3- Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5- Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company does not invest in Mortgage Loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loaned Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.

2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2010 as of December 31, 2010: None.

3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2010:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
02147XAN7	1,456,969	1,341,448	99,837	1,341,448	1,076,370	9/30/2010
02147XAN7	1,357,132	1,350,611	6,521	1,350,611	1,069,197	12/31/2010

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2010:

	1	2
	Less Than 12 Months	Greater Than 12 Months
Gross Unrealized Loss	$(93,623)	$(538,189)
Fair Value of Securities with Unrealized Losses	8,531,085	3,777,647

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

E. Repurchase Agreements and Securities Lending

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

2. The Company maintained collateral for loaned securities.

   (1) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral. Cash collateral received is invested in short-term investments.

   (2) The Company has not pledged any of its assets as collateral.

NOTES TO FINANCIAL STATEMENTS

(3) Sources of collateral are cash and securities. Cash collateral is reinvested by the lending agent in short term securities.

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	$ 14,106,349
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	14,106,349
Securities Received	6,427,711
Total Collateral Received	$ 20,534,060

4. Securities Lending Transactions Administered by an Affiliated Agent

Not applicable

5. Collateral Reinvestment

a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	-	-
30 Days or Less	$ 7,552,512	$ 7,552,682
31 to 60 Days	6,067,765	6,068,048
61 to 90 Days	485,452	485,619
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	14,105,729	14,106,349
Securities Received	6,427,711	6,427,711
Total Collateral Reinvested	$ 20,533,440	$ 20,534,060

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

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

The Company invests in limited partnerships that are reported in accordance with SSAP No. 48. These limited partnerships are valued by the equity method using traditional private equity valuation measures. Interim poor performance which indicates a probable inability to recover the carrying amount of the assets leads to impairment losses being recognized by management. The Company did not realize any impairment losses during the year.

Note 7- Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2010.

NOTES TO FINANCIAL STATEMENTS

Note 8- Derivative Instruments

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

Note 9 - Income Taxes

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	22,608,220	1,117,420	23,725,640	23,606,108	1,148,842	24,754,950	(997,888)	(31,422)	(1,029,310)
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	22,608,220	1,117,420	23,725,640	23,606,108	1,148,842	24,754,950	(997,888)	(31,422)	(1,029,310)
Deferred Tax Liabilities	(756,160)	0	(756,160)	(395,850)	0	(395,850)	(360,310)	0	(360,310)
Net DTA (DTL)	21,852,060	1,117,420	22,969,480	23,210,258	1,148,842	24,359,100	(1,358,198)	(31,422)	(1,389,620)
Deferred Tax Assets Nonadmitted	(6,083,768)	(22,248)	(6,106,016)	(5,456,400)	0	(5,456,400)	(627,368)	(22,248)	(649,616)
Net Admitted DTA (DTL)	15,768,292	1,095,172	16,863,464	17,753,858	1,148,842	18,902,700	(1,985,566)	(53,670)	(2,039,236)

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

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	13,135,091	239,298	13,374,389	14,201,852	101,000	14,302,852	(1,066,761)	138,298	(928,463)
Lesser of:									
Expected to be recognized within one year (10bi.)	0	875,679	875,679	0	1,047,842	1,047,842	0	(172,163)	(172,163)
10% of adjusted capital and surplus (10bii.)			20,864,907			19,655,639			
Adj. gross DTAs offset against existing DTLs (10c.)	756,160	0	756,160	395,850	0	395,850	360,310	0	360,310
Total	13,891,251	1,114,977	15,006,228	14,597,702	1,148,842	15,746,544	(706,451)	(33,865)	(740,316)

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	14,563,045	219,493	14,782,538	16,317,000	100,000	16,417,000	(1,753,955)	119,493	(1,634,462)
Lesser of:									
Expected to be recognized within three years (10eiia.)	1,205,247	875,679	2,080,926	1,436,858	1,048,842	2,485,700	(231,611)	(173,163)	(404,774)
15% of adjusted capital and surplus (10eiib.)			31,297,361			29,483,485			
Adj. gross DTAs offset against existing DTLs (10eiii.)	756,160	0	756,160	395,850	0	395,850	360,310	0	360,310
Total	16,524,452	1,095,172	17,619,624	18,149,708	1,148,842	19,298,550	(1,625,256)	(53,670)	(1,678,926)

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2010	December 31, 2009	Change
Total Adjusted Capital	232,445,264	215,945,851	16,499,413
Authorized Control Level	28,050,632	28,378,058	(327,426)

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

	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	13,135,091	1,114,977	14,250,068	14,201,852	1,148,842	15,350,694	(1,066,761)	(33,865)	(1,100,626)
Admitted Assets			781,513,267			795,462,879			(13,949,612)
Adjusted Statutory Surplus			232,445,264			215,945,851			16,499,413
Total Adjusted Capital from DTAs			232,445,264			15,945,851			16,499,413

NOTES TO FINANCIAL STATEMENTS

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2010			December 31, 2009			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	2,633,201	(19,805)	2,613,396	3,552,006	0	3,552,006	(918,805)	(19,805)	(938,610)
Admitted Assets			784,126,663			799,014,885			(14,888,222)
Adjusted Statutory Surplus			235,058,659			219,497,857			15,560,802
Total Adjusted Capital from DTAs			235,058,659			219,497,857			15,560,802

	December 31, 2010		
	(1)	(2)	(3)
			(Col 1 + 2)
Impact of Tax Planning Strategies	Ordinary Percent	Capital Percent	Total Percent
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Gross DTAs)	0%	5%	5%

B. The Company does not have any DTLs described in SSAP No. 10R, Income Taxes, paragraph 6d.

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

	2010	2009
Federal	5,403,220	13,229,259
Foreign	0	0
Realized capital gains	163,880	(32,359)
Federal and foreign income taxes incurred	5,567,100	13,196,900

The Company’s deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves and limits on unearned premium reserve deductions.

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

	2010
Change in net deferred income tax (without unrealized gain or loss)	(1,356,254)
Change in tax effect of unrealized (gains) losses	(33,366)
Total change in net deferred income tax	(1,389,620)

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

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $4,629,100 from the current year and $12,388,375 from the preceding year.

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

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

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

Access Insurance Services, Co.
AMBCO Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company
American Economy Insurance Company
American Fire & Casualty Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Avomark Insurance Company (merged 2/23/2010)
Barrier Ridge LLC
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Court Corporation
Capitol Agency, Inc., The (Arizona corporation)
Capitol Agency, Inc., The (Ohio corporation) Dissolved 11/17/2010
Capitol Agency, Inc., The (Tennessee corporation) (Dissolved 7/1/2010)
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.
Companies Agency of New York, Inc. (Dissolved 3/3/2010)
Companies Agency of Pennsylvania, Inc. (Dissolved 9/9/2010)
Consolidated Insurance Company
Diversified Settlements, Inc.
Copley Venture Capital, Inc.
Employers Insurance Company of Wausau
Emerald City Insurance Agency, Inc.
F.B. Beattie & Co., Inc.
Excelsior Insurance Company
First State Agency Inc.
First National Insurance Company of America
General America Corporation
Florida State Agency, Inc. (Dissolved 8/20/2010)
General Insurance Company of America
General America Corporation of Texas
Gulf States AIF, Inc.

NOTES TO FINANCIAL STATEMENTS

Golden Eagle Insurance Corporation
Hawkeye-Security Insurance Company
Indiana Insurance Company
LEXCO Limited
Liberty Assignment Corporation
Liberty Financial Services, Inc.
Liberty Insurance Corporation
Liberty Insurance Underwriters Inc.
Liberty International Holdings Inc.
Liberty Life Holdings Inc.
Liberty Management Services, Inc.
Liberty Mutual Agency Corporation
Liberty Mutual Group Inc.
Liberty Mutual Insurance Company
Liberty Northwest Insurance Corporation
Liberty RE (Bermuda) Limited
Liberty Surplus Insurance Corporation
LIU Specialty Insurance Agency Inc.
LM Insurance Corporation
LM Property & Casualty Insurance Company
LRE Properties, Inc.
Mid-American Fire & Casualty Company
OCASCO Budget, Inc.
Ohio Casualty Corporation
Open Seas Solutions, Inc.
Peerless Indemnity Insurance Company
Pilot Insurance Services, Inc.
S.C. Bellevue, Inc.
Safeco Corporation
Safeco Insurance Company of America
Safeco Insurance Company of Indiana
Safeco Lloyds Insurance Company
Safeco Properties, Inc.
San Diego Insurance Company
St. James Insurance Company Ltd.
State Agency, Inc. (Wisconsin corporation) (Dissolved 8/24/2010)
Summit Consulting, Inc. of Louisiana
The First Liberty Insurance Corporation
The Ohio Casualty Insurance Company
Wausau General Insurance Company
West American Insurance Company
Winmar of the Desert, Inc.
Winmar-Metro, Inc.
Heritage-Summit HealthCare, Inc.
Insurance Company of Illinois
Liberty-USA Corporation
Liberty Energy Canada, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Holdings, Inc.
Liberty International Europe Inc.
Liberty Life Assurance Company of Boston
Liberty Lloyds of Texas Insurance Company
Liberty Mexico Holdings Inc.
Liberty Mutual Fire Insurance Company
Liberty Mutual Holding Company Inc.
Liberty Mutual Personal Insurance Company
Liberty Personal Insurance Company
Liberty Sponsored Insurance (Vermont) Inc.
LIH-RE of America Corporation
LM General Insurance Company
LM Personal Insurance Company
LMHC Massachusetts Holdings Inc.
Mid-American Agency, Inc. (Dissolved 8/20/2010)
North Pacific Insurance Company
OCI Printing, Inc.
Ohio Security Insurance Company
Oregon Automobile Insurance Company
Peerless Insurance Company
Rianoc Research Corporation
SAFECARE Company, Inc.
Safeco General Agency, Inc.
Safeco Insurance Company of Illinois
Safeco Insurance Company of Oregon
Safeco National Insurance Company
Safeco Surplus Lines Insurance Company
SCIT, Inc.
State Agency, Inc. (Indiana corporation) (Dissolved 8/23/2010)
Summit Consulting, Inc.
Summit Holding Southeast, Inc.
The Midwestern Indemnity Company
The Netherlands Insurance Company
The National Corporation
Wausau Business Insurance Company
Wausau Underwriters Insurance Company
Winmar Company, Inc.
Winmar Oregon, Inc.

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

Note 10- Information Concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by Liberty-USA Corporation ("Liberty-USA"), an insurance holding company incorporated in Delaware. Liberty-USA is wholly owned by Peerless Insurance Company ("PIC"), a New Hampshire insurance company. PIC is wholly owned by Liberty Mutual Agency Corporation, an insurance holding company incorporated in Delaware. Liberty Mutual Agency 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"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.

B. Transactions between the Company and its affiliates are listed on Schedule Y Part 2.

C. There have been no material transactions with the Company's affiliates during 2010.

D. At December 31, 2010, the Company reported a net $8,346,760 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.

E. The Company has not made any guarantees or initiated any undertakings for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.

F. Refer to Note 26 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company is a party to a services agreement (the "Agreement") with PIC and other affiliates. The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

NOTES TO FINANCIAL STATEMENTS

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

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

The Company is a party to a revolving credit agreement under which the Company may borrow up to $100,000,000 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, 2010, there have been no drawings under this agreement.

G. The Company is a member of a holding company structure as illustrated in Schedule Y Part 1.

H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

I. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.

J. The Company does not own any investments in subsidiary, controlled or affiliated entities.

K. The Company does not hold any investments in foreign insurance subsidiaries.

L. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11- Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

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

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

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

As a result of the acquisition of Safeco Corporation, by Liberty Mutual on September 22, 2008, the Safeco Corporation's eligible U.S. employees became employees of Liberty Mutual and began participating in non contributory defined benefit pension plans and contributory defined contribution pension plans sponsored by LMGI, effective January 1, 2009. The Safeco 401(k) plan assets merged into the Liberty Mutual Employees' Thrift-Incentive plan in May of 2009.

The Safeco Corporation sponsored a cash balance defined benefit pension plan (CBP) covering a wide range of former Company employees. Safeco Corporation terminated the CBP effective December 31, 2008. The Internal Revenue Service issued a favorable letter of determination for the Plan on May 6, 2010. As a result, all assets of the plan were distributed to plan participants by the end of the third quarter of 2010. The final distribution resulted in a settlement charge of $1,335,316. The CBP pension costs are subject to the inter-company pooling agreement described in Note 26. These costs amounted to $208,831 and $42,780 in 2010 and 2009, respectively. Also, a CBP additional minimum liability of $0 and $148,920, also subject to the inter-company pooling agreement, was recognized in 2010 and 2009 respectively in accordance with SSAP 89 and is reported as a component of unassigned funds (surplus). The Company has no legal obligation for benefits under this plan.

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

1. The Company has 500,000 shares authorized and 10,000 shares issued and outstanding as of December 31, 2010. All shares have a stated par value of $350.

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

4. The Company did not pay any dividends to its parent during 2010.

NOTES TO FINANCIAL STATEMENTS

5. The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without the prior approval of the Insurance Director is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout which may be made without prior approval in 2011 is $ 23,505,866.

6. As of December 31, 2010, the Company has restricted surplus of $2,613,395 from recording the increase in admitted adjusted gross DTA's as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes,* and pre-tax restricted surplus of $648,870 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

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

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2010 and from the adoption of the revised guidance on calculating admitted adjusted gross DTA's in SSAP 10R.

10. The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is $(269,874) after applicable deferred taxes of $326,103.

11. Surplus Notes

    Not applicable

12. Quasi re-organization (dollar impact)

    Not applicable

13. Quasi re-organization (effective date)

    Not applicable

Note 14- Contingencies

A. Contingent Commitments

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

B. Assessments

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

   The Company has accrued a liability for guaranty funds and other assessments of $1,366,556 that is offset by future premium tax credits of $250,048. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies.

   Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2010.

   During 2010 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

C. Gain Contingencies

   Not applicable

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

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

E. All Other Contingencies

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

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

NOTES TO FINANCIAL STATEMENTS

Note 15- Leases

A. Lessee Leasing Arrangements

The Company leases office space, plant and equipment under various non cancelable operating lease arrangements. The Company has also entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all property, plant and equipment at the end of each respective lease.

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

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2011	$170,176	$1,197,732
2012	170,176	1,182,564
2013	170,176	796,957
2014	14,181	747,508
2015	0	416,614
2016 & thereafter	0	595,470
Total	$524,709	$4,936,845

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

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

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

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

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

A. Transfers of receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

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

At December 31, 2010 the total fair value of securities on loan was $19,971,059, with corresponding collateral value of $20,534,060 of which $14,106,349 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 Plans and the Uninsured Portion of Partially Insured Plans

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, certain members of the PIC Amended and Restated Reinsurance Pooling Agreement (refer to Note 26) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as third party administrators and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for

NOTES TO FINANCIAL STATEMENTS

commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2010, the Company recorded net CEA administrative fees of $31,800.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

Note 20 – Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company’s portfolio is based on the Company’s assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.

- Level 3 — Valuations based on inputs that are unobservable and reflect the Company’s own assumptions about the assumptions that market participants might use.

The following table summarizes the Company’s assets and liabilities that are measured at fair value at December 31, 2010:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Issuer Obligations	-	$ 770,719	-	$ 770,719
Residential Mortgage-Backed Securities	-	$ 3,390,397	-	$ 3,390,397
Total Bonds	-	$ 4,161,116	-	$ 4,161,116
Preferred Stocks	-	-	-	-
Common Stocks	-	-	-	-
Total assets at fair value	$0	$ 4,161,116	$0	$ 4,161,116
Liabilities at fair value				
Total liabilities at fair value	$0	$0	$0	$0

The Company did not have significant transfers between Levels 1 and 2 during the year ended December 31, 2010.

2. Rollforward of Level 3 Items

The Company has no assets or liabilities measured at fair value in the Level 3 category.

3. Policy on Transfers Into and Out of Level 3

Transfers in and/or out of Level 3 are due to re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company’s securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Mortgage-Backed Securities

The Company's portfolio of residential mortgage-backed securities ("MBS") and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities

Asset-backed securities ("ABS") include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals

The Company's municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate debt and other

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity Securities

Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited

NOTES TO FINANCIAL STATEMENTS

partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

5. Derivative Fair Values

Not applicable

B. This Disclosure was removed by NAIC December 2010.

C. Other Fair Value Disclosures

Not applicable

D. Reasons Not Practical to Estimate Fair Value

Not applicable

Note 21- Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of $7,794,106 and $7,690,635 as of December 31, 2010 and 2009, respectively, were on deposit with government authorities or trustees as required by law.

2) 2010 North Carolina Private Passenger Automobile Escrow

As mandated by North Carolina Statute #58-7-26(C), the escrow account of the Company was $1,515 at December 31, 2010.

3) Interrogatory 6.1

In 2010, as a member of the inter-company reinsurance pooling arrangement in which PIC is the pool leader, the Company had the benefit, together with its affiliates that cede business to PIC or that are members of the reinsurance pooling arrangement, of Workers' Compensation Catastrophe XOL reinsurance with limits of $110,000,000 part of $200,000,000 xs $100,000,000 purchased by PIC and covering PIC's direct and assumed from affiliates workers' compensation business.

Interrogatory 6.3

In 2010, as a member of the inter-company pooling arrangement in which PIC is the pool leader, the Company had the benefit, together with its affiliates that cede business to PIC or that are members of the reinsurance pooling arrangement, of traditional Property Catastrophe XOL reinsurance, with limits of $742,500,000 part of $825,000,000 xs $500,000,000 covering PIC's direct and assumed from affiliates property business.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

State Transferable Tax Credit

(1) Carrying value of transferable state tax credits gross of any related tax liabilities and total unused transferable state tax credits by state and in total

Description of State Transferable Tax Credits	State	Carrying Value	Unused Amount
Historical Rehabilitation Credit	OK	$91,000	$91,000
Total		$91,000	$91,000

(2) Method of Estimating Utilization of Remaining Transferable State Tax Credits

The Company estimated the utilization of the remaining Transferable State Tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on

NOTES TO FINANCIAL STATEMENTS

projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining Transferable State Tax Credits

(3) Impairment Loss

The Company has not recognized any impairment losses associate with its Transferable State Tax Credits

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.

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

3. The Company does not have any direct exposure through other investments.

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

Note 22- Events Subsequent

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

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

Note 23- Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	145,594,731	21,839,210	339,123,079	50,868,462	(193,528,348)	(29,029,252)
All Other	-	-	-	-	-	-
Total	145,594,731	21,839,210	339,123,079	50,868,462	(193,528,348)	(29,029,252)

Direct Unearned Premium Reserve: 339,123,079

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	-	7,811,105	-	7,811,105
Sliding scale adjustments				
Other profit commissions				
Totals	-	7,811,105	-	7,811,105

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

NOTES TO FINANCIAL STATEMENTS

F. Retroactive Reinsurance

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

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	14,244,498	-
	2. Adjustments – Prior Year(s)	(11,542,445)	-
	3. Adjustments – Current Year	159,977	-
	4. Total	2,862,031	-
b.	Consideration Paid or Received:		
	1. Initial	11,721,671	-
	2. Adjustments – Prior Year(s)	446,788	-
	3. Adjustments – Current Year	-	-
	4. Total	12,168,459	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	14,463,076	-
	3. Adjustments – Current Year	(48,489)	-
	4. Total	14,414,587	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	(2,961,986)	-
	2. Adjustments – Prior Year(s)	(2,473,843)	-
	3. Adjustments – Current Year	(111,488)	-
	4. Current Year Special Surplus	648,870	-
	5. Cumulative Total Transferred to Unassigned Funds	(6,196,187)	-
e.	All cedents and reinsurers included in the above transactions:		
	Peerless Insurance Company	2,862,031	
	Total	2,862,031	

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

G. Reinsurance Accounted for as a Deposit

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

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

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

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. 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 refer to Schedule P, Part 7A.

D. Ten Percent of the amount of accrued retrospective premiums not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss adjustment expense reserves), or collateral as permitted by SSAP No. 66, retrospectively rated contracts, has been non-admitted.

a. Total accrued retro premium	$305,313
b. Unsecured amount	
c. Less: Non-admitted amount (10%)	30,488
d. Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e. Admitted amount (a) - (c) - (d)	$274,826

NOTES TO FINANCIAL STATEMENTS

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased $3,645,661 during 2010. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $903,926, Fidelity/Surety $2,925,155 and Private Passenger Auto Liability $3,345,579 lines. The decrease was also the result of a reclassification of loss adjustment expenses to other underwriting expenses in the Commercial Multiple Peril line. This was partially offset by weakening loss trends in the Workers' Compensation $1,719,962, Other-Including Credit, Accident and Health $1,161,635, and Nonproportional Assumed Liability $907,719 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26- Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company ("PIC")	24198	25.20%	All Lines
Affiliated Pool Companies:	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines
	General Insurance Company of America ("GICA")	24732	9.20%	All Lines
	American States Insurance Company ("ASIC")	19704	7.60%	All Lines
	American Economy Insurance Company ("AEIC")	19690	5.60%	All Lines
	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines
	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	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
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.0%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	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. Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.

(b) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.

NOTES TO FINANCIAL STATEMENTS

(c) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.

(d) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.

(e) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.

(f) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance

(g) Amounts due (to)/from affiliated entities participating in the PIC Amended and Restated Reinsurance Pooling Agreement as at December 31, 2010:

Affiliate:	Amount:
Peerless Insurance Company	(24,025,293)
The Netherlands Insurance Company	(2,042,444)
Indiana Insurance Company	(5,446,518)
Peerless Indemnity Insurance Company	(3,404,074)
Ohio Casualty Insurance Company	(20,160,168)
Ohio Security Insurance Company	972,506
West America Insurance Company	(1,234,734)
American Fire and Casualty Insurance Company	(1,083,517)
Golden Eagle Insurance Corporation	(3,404,074)
American Economy Insurance Company	251,450
American States Insurance Company	(14,046,151)
American States Insurance Company of Texas	(318,718)
American States Lloyds Insurance Company	(3,029)
American States Preferred Insurance Company	1,378,282
First National Insurance Company	4,977,377
General Insurance Company of America	(9,795,724)
Safeco Insurance Company of America	23,738,540
Safeco Insurance Company of Illinois	38,606,218
Safeco Insurance Company of Indiana	5,927,201
Safeco Insurance Company of Oregon	7,829,541
Safeco Lloyds Insurance Company	1,513,595
Safeco National Insurance Company	69,388
Safeco Surplus Insurance Company	(60,938)

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

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

Effective February 23, 2010, Avomark Insurance Company merged with WAIC. WAIC was the surviving entity.

Note 27 Structured Settlements

A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of $3,655,829 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 $3,655,829 as of December 31, 2010.

B. The Company does not have material structured settlements from life insurers for which the Company has not obtained a release of liability from the claimant.

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 30 – Premium Deficiency Reserves

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

Note 31- High Dollar Deductible Policies

The Company does not have any high deductible policies.

Note 32- Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2010 liabilities subject to discount were carried at a value representing a discount of $4,072,573 net of all reinsurance.

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

Note 33 - Asbestos/Environmental Reserves

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

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 insured's with potential exposure, (vi) the cost to resolve claims, and (vii) the collectability of reinsurance.

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

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

Uncertainty Regarding Reserving Methodologies
As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities and establishing related reserves, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment. In that regard, the estimation of asbestos claims and associated liabilities and the analysis of environmental claims considered prevailing applicable law and certain inconsistencies of court decisions as to coverage, plaintiffs' expanded theories of liability, and the risks inherent in major litigation and other uncertainties, the Company believes that in future periods it is possible that the outcome of the continued uncertainties regarding asbestos and environmental related claims could result in an aggregate liability that differs from current reserves by an amount that could be material to the Companies' future operating results and financial condition.

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

NOTES TO FINANCIAL STATEMENTS

injury, state jurisdictions, legal defenses, and reinsurance potential. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insureds. Between comprehensive studies, the Company monitors asbestos activity to determine whether or not any adjustment to reserves in warranted. The Company also completed its annual study on the environmental claims liability, resulting in immaterial adjustments to held reserves. During 2010 the Company monitored asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted. Based on this review of actual emerged losses, no material adjustments were made.

Effect of Uncertainty in Reserving For Asbestos and Environmental Claims on Company's Financial Condition
The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

The table below summarizes reserve and loss activity for the Company’s asbestos and environmental loss and loss adjustment expenses for each of the five most recent calendar years. Gross reserves for both asbestos and environmental are representative of the companies included in Note 26. Net reserves for asbestos and environmental are allocated based on the Company’s Inter-company Reinsurance Agreement, as discussed in Note 26.

Asbestos:

	2006	2007	2008	2009	2010
Direct Basis					
Beginning Reserves	4,449,476	5,144,424	4,853,206	5,021,470	4,698,004
Incurred losses and LAE	1,058,558	280,984	739,960	64,130	(389)
Calendar year payments	363,610	512,202	571,695	387,597	470,010
Ending Reserves	5,144,424	4,913,206	5,021,471	4,698,003	4,227,605
Assumed Reinsurance Basis					
Beginning Reserves	3,275,222	3,230,789	3,990,167	3,415,554	4,758,244
Incurred losses and LAE	141,515	919,361	(135,581)	1,688,382	(1,673)
Calendar year payments	185,948	309,529	439,032	345,693	604,897
Ending Reserves	3,230,789	3,840,621	3,415,554	4,758,243	4,151,674
Net of Ceded Reinsurance Basis					
Beginning Reserves	6,361,133	6,765,694	7,165,705	6,874,117	8,094,192
Incurred losses and LAE	903,717	992,609	361,267	1,906,290	3,809
Calendar year payments	499,156	684,161	652,854	686,215	978,420
Ending Reserves	6,765,694	7,074,142	6,874,118	8,094,192	7,119,581

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	2,540,451
Assumed Reinsurance Basis	2,364,675
Net of Ceded Reinsurance Basis	4,556,603
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	1,340,090
Assumed Reinsurance Basis	22,109
Net of Ceded Reinsurance Basis	1,111,815

Environmental:	2006	2007	2008	2009	2010
Direct Basis					
Beginning Reserves	6,021,695	5,866,766	5,578,007	4,765,406	4,059,335
Incurred losses and LAE	553,973	1,543,527	122,816	(206,855)	(21,710)
Calendar year payments	708,902	1,115,426	935,417	499,216	404,071
Ending Reserves	5,866,766	6,294,867	4,765,406	4,059,335	3,633,554
Assumed Reinsurance Basis					
Beginning Reserves	1,220,643	1,101,893	1,070,983	1,029,826	741,293
Incurred losses and LAE	24,281	16,095	60	(262,462)	13,645
Calendar year payments	143,032	28,098	41,218	26,071	76,596
Ending Reserves	1,101,892	1,089,890	1,029,825	741,293	678,342
Net of Ceded Reinsurance Basis					
Beginning Reserves	6,590,769	6,136,856	6,136,545	5,233,627	4,186,793
Incurred losses and LAE	328,837	1,703,039	(108,054)	(553,055)	2,333
Calendar year payments	782,750	946,488	794,864	493,779	460,969
Ending Reserves	6,136,856	6,893,407	5,233,627	4,186,793	3,728,157

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	2,120,251
Assumed Reinsurance Basis	418,696

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis	2,129,112
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	885,209
Assumed Reinsurance Basis	3,343
Net of Ceded Reinsurance Basis	831,366

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 26), 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 34- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 – Financial Guarantee Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?	Yes [X] No [ ]
1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?	Yes [X] No [ ] N/A [ ]
1.3 State Regulating?	Illinois
2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?	Yes [ ] No [X]
2.2 If yes, date of change:	
3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.	12/31/2008
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.	12/31/2008
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).	07/19/2010

3.4 By what department or departments?
Illinois Department of Financial and Professional Regulation Division of Insurance

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?	Yes [ ] No [ ] N/A [X]
3.6 Have all of the recommendations within the latest financial examination report been complied with?	Yes [X] 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 [X]
4.12 renewals?	Yes [ ] No [X]
4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:	
4.21 sales of new business?	Yes [ ] No [X]
4.22 renewals?	Yes [ ] No [X]
5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?	Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. ______ %

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

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

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

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

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

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

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

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

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

GENERAL INTERROGATORIES

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

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

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

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

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Thomas E. Schadler, FCAS, MAAA
175 Berkeley Street Boston, MA 02116
Sr. Vice President & Chief Actuary of Liberty Mutual Agency Corporation

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

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

12.2 If yes, provide explanation:

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

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

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

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

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

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

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules, and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code. Yes [X] No [ ]

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

GENERAL INTERROGATORIES

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
During the 1st quarter, Liberty Mutual Group published several non-material changes to its Code of Business Ethics and Conduct designed to clarify existing Code provisions.

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

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

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

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

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

FINANCIAL

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

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

19.11 To directors or other officers	$ 0
19.12 To stockholders not officers	$ 0
19.13 Trustees, supreme or grand (Fraternal only)	$ 0

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

19.21 To directors or other officers	$ 0
19.22 To stockholders not officers	$ 0
19.23 Trustees, supreme or grand (Fraternal only)	$ 0

20.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

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

20.21 Rented from others	$ 0
20.22 Borrowed from others	$ 0
20.23 Leased from others	$ 0
20.24 Other	$ 0

21.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

21.2 If answer is yes:

21.21 Amount paid as losses or risk adjustment	$ 0
21.22 Amount paid as expenses	$ 0
21.23 Other amounts paid	$ 0

22.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

22.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

GENERAL INTERROGATORIES

INVESTMENT

23.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 23.3) Yes [X] No [ ]

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

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

23.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ] N/A [ ]

23.5 If answer to 23.4 is yes, report amount of collateral for conforming programs. $ 20,531,965

23.6 If answer to 23.4 is no, report amount of collateral for other programs. $ 0

23.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]

23.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]

23.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities lending Agreement (MLSA) to conduct securities lending? Yes [X] No [ ] N/A [ ]

24.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 20.1 and 23.3) Yes [X] No [ ]

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

24.21	Subject to repurchase agreements	$ 0
24.22	Subject to reverse repurchase agreements	$ 0
24.23	Subject to dollar repurchase agreements	$ 0
24.24	Subject to reverse dollar repurchase agreements	$ 0
24.25	Pledged as collateral	$ 0
24.26	Placed under option agreements	$ 0
24.27	Letter stock or securities restricted as to sale	$ 0
24.28	On deposit with state or other regulatory body	$ 7,794,106
24.29	Other	$ 0

24.3 For category (24.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

25.2 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.

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

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

GENERAL INTERROGATORIES

27. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ ] No [X]

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza New York, NY 10005
Bank of New York Mellon	601 Travis Street, Houston, TX 77002

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

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

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 27.01 during the current year? Yes [X] No [ ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
N/A	Bank of New York Mellon	06/01/2010	Custodian for new asset types

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

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

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

28.2 If yes, complete the following schedule:

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

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

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

GENERAL INTERROGATORIES

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
29.1 Bonds	631,010,983	664,403,900	33,392,917
29.2 Preferred stocks	0	0	0
29.3 Totals	631,010,983	664,403,900	33,392,917

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

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

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

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

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

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

31.2 If no, list exceptions:

OTHER

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

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

1 Name	2 Amount Paid
	0
	0
	0

33.1 Amount of payments for legal expenses, if any? $ 102,439

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

1 Name	2 Amount Paid
	0
	0
	0

34.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 7,319

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	0
	0
	0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

1.61	Total premium earned	$ 0
1.62	Total incurred claims	$ 0
1.63	Number of covered lives	0

All years prior to most current three years:

1.64	Total premium earned	$ 0
1.65	Total incurred claims	$ 0
1.66	Number of covered lives	0

1.7 Group policies:

Most current three years:

1.71	Total premium earned	$ 0
1.72	Total incurred claims	$ 0
1.73	Number of covered lives	0

All years prior to most current three years:

1.74	Total premium earned	$ 0
1.75	Total incurred claims	$ 0
1.76	Number of covered lives	0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 212,994
2.2	Premium Denominator	$ 309,425,400	$ 314,295,895
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 1,511,857	$ 233,241
2.5	Reserve Denominator	$ 473,306,406	$ 505,365,259
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21	Participating policies	$ 2,348,922
3.22	Non-participating policies	$ 672,674,982

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

5.21	Out of Attorney's-in-fact compensation	Yes [ ] No [ ] N/A [X]
5.22	As a direct expense of the exchange	Yes [ ] No [ ] N/A [X]

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

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

5.5 If yes, give full information

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, we employ RiskLink v10.0 from RMS and AIR Clasic/2 v12.0. For workers' compensation, Liberty Mutual utilizes RiskLink v10.0 from RMS.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
See Note 21C

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No [ ]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [X]

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]

8.2 If yes, give full information

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

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 [X]

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

9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

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

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [X] No [ ]

GENERAL INTERROGATORIES

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

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

11.2 If yes, give full information

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

12.11 Unpaid losses $ 1,235,139

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 154,421

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $ 36,000

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 $ 25,130,997

12.62 Collateral and other funds $ 7,424,512

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 10,795,500

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 [ ] No [X]

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

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 [ ] No [X]

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [ ] No [X]

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

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

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

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

18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0

18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

18.4 If yes, please provide the balance of the funds adminstered as of the reporting date. $ 0

FIVE – YEAR HISTORICAL DATA

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

	1 2010	2 2009	3 2008	4 2007	5 2006
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	352,197,569	307,153,805	291,436,451	(9,872,604)	132,248,181
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	140,670,249	131,106,323	96,032,491	1,146,188	44,932,716
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	476,524,877	375,791,878	299,307,083	16,948,557	98,306,306
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	21,916,418	24,457,788	29,343,370	3,397	26,073
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)		3			
6. Total (Line 35)	991,309,113	838,509,797	716,119,395	8,225,538	275,513,276
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	129,022,431	143,306,894	195,355,211	5,121,318	4,918,086
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	62,029,090	66,511,240	55,457,304	1,612,085	1,546,258
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	103,317,269	94,973,541	138,515,067	4,406,411	4,293,571
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	21,916,418	24,457,788	29,343,370	3,397	26,073
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)		3			
12. Total (Line 35)	316,285,208	329,249,466	418,670,952	11,143,211	10,783,988
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(4,446,539)	13,199,996	8,929,365	182,337	31,314
14. Net investment gain (loss) (Line 11)	28,453,098	28,752,333	26,652,858	8,557,849	(101,175,205)
15. Total other income (Line 15)	(2,289,312)	(429,111)	(4,159,317)	21,763	18,456
16. Dividends to policyholders (Line 17)	(105,728)	1,344,750	1,952,371	25,996	29,064
17. Federal and foreign income taxes incurred (Line 19)	5,403,220	13,229,259	29,444,476	9,664,734	(2,143,853)
18. Net income (Line 20)	16,419,755	26,949,209	26,059	(928,781)	(99,010,646)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	784,126,663	799,014,885	757,377,031	196,263,441	246,151,279
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	10,769,340	11,885,797	10,317,385	524,753	724,773
20.2 Deferred and not yet due (Line 15.2)	86,612,612	84,394,960	79,634,561	3,443,203	18,243,506
20.3 Accrued retrospective premiums (Line 15.3)	274,825	489,891	1,532,624	28,885	34,466
21. Total liabilities excluding protected cell business (Page 3, Line 26)	549,068,004	579,517,028	569,224,173	29,367,800	78,031,214
22. Losses (Page 3, Line 1)	267,916,372	282,008,945	295,510,596	9,508,103	8,804,204
23. Loss adjustment expenses (Page 3, Line 3)	59,795,304	67,141,366	67,668,864	2,175,926	2,020,098
24. Unearned premiums (Page 3, Line 9)	145,594,731	138,034,024	126,473,653	5,076,012	4,743,232
25. Capital paid up (Page 3, Lines 30 & 31)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
26. Surplus as regards policyholders (Page 3, Line 37)	235,058,659	219,497,857	188,152,858	166,895,641	168,120,065
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(13,390,086)	34,666,248	420,127,396	9,186,449	51,280,591
Risk-Based Capital Analysis					
28. Total adjusted capital	235,058,659	219,497,857	188,152,858	166,895,641	168,120,065
29. Authorized control level risk-based capital	28,051,951	28,380,208	27,886,383	1,683,197	1,657,658
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	93.7	89.1	90.2	87.6	71.1
31. Stocks (Lines 2.1 & 2.2)	0.1		0.3	0.1	0.1
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)	2.3	9.4	7.9	7.0	23.8
35. Contract loans (Line 6)					
36. Derivatives (Line 7)		XXX	XXX	XXX	XXX
37. Other invested assets (Line 8)	1.5	1.5	1.6	5.3	5.0
38. Receivables for securities (Line 9)	0.3			0.0	
39. Securities lending reinvested collateral assets (Line 10)	2.1	XXX	XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	360,746				
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
48. Total of above Lines 42 to 47	10,360,746	10,000,000	10,000,000	10,000,000	10,000,000
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	4.4	4.6	5.3	6.0	

FIVE – YEAR HISTORICAL DATA
(Continued)

	1 2010	2 2009	3 2008	4 2007	5 2006
Capital and Surplus Accounts (Page 4)					
50. Net unrealized capital gains (losses) (Line 24)	422,713	(548,769)	(474,817)	(8,670)	127,436,206
51. Dividends to stockholders (Line 35)					(435,939,572)
52. Change in surplus as regards policyholders for the year (Line 38)	15,560,802	31,344,999	12,785,614	(1,224,424)	(408,237,911)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	162,387,208	133,706,716	(119,264,831)	119,332,010	64,998,349
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	82,958,455	67,007,710	37,796,134	11,900,535	31,834,290
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	238,523,141	176,129,524	53,756,884	56,438,931	47,606,123
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,336,834	3,457,229	(3,855,543)	604,397	31,003
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	642,329	(5,579,764)	(34,646)	440	(1,572)
58. Total (Line 35)	488,847,967	374,721,415	(31,602,002)	188,276,313	144,468,193
Net Losses Paid (Page 9, Part 2, Col. 4)					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	95,638,013	86,755,484	(137,504,722)	2,279,822	391,502
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	31,786,125	31,307,846	18,207,181	705,912	619,962
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	55,063,399	56,956,450	(6,199,549)	1,855,691	1,674,773
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,336,834	3,457,229	(3,855,543)	1,019	6,003
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	642,329	(5,579,764)	(34,646)	440	(1,572)
64. Total (Line 35)	187,466,700	172,897,245	(129,387,279)	4,842,884	2,690,668
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2)	56.0	50.7	52.4	51.4	54.3
67. Loss expenses incurred (Line 3)	11.8	11.9	10.8	11.3	11.9
68. Other underwriting expenses incurred (Line 4)	33.6	33.2	33.8	35.6	33.5
69. Net underwriting gain (loss) (Line 8)	(1.4)	4.2	3.0	1.7	0.3
Other Percentages					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	33.6	31.8	25.1	34.3	31.7
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	67.8	62.6	63.2	62.7	66.2
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	134.6	150.0	222.5	6.7	6.4
One Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(3,641)	(23,139)	(26,627)	(803)	(162)
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(1.7)	(12.3)	(16.0)	(0.5)	(0.0)
Two Year Loss Development (000 omitted)					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(18,494)	(33,344)	(45,987)	(672)	57
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(9.8)	(19.0)	(27.4)	(0.1)	0.0

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

If no, please explain:
Not applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	4,153	419	1,148	33	250	41	101	5,058	X X X
2. 2001	251,527	15,617	235,910	161,066	11,263	11,894	639	19,704	623	8,927	180,139	X X X
3. 2002	273,505	26,888	246,617	150,369	14,882	11,259	1,035	19,339	950	8,866	164,100	X X X
4. 2003	298,597	24,939	273,658	145,489	12,539	10,105	735	21,843	1,001	9,001	163,162	X X X
5. 2004	321,339	17,729	303,610	149,104	5,981	9,190	333	21,425	446	11,276	172,959	X X X
6. 2005	334,763	13,559	321,204	151,805	6,019	9,472	356	22,449	327	10,660	177,024	X X X
7. 2006	334,319	14,931	319,388	150,068	3,388	8,774	419	22,545	485	9,096	177,095	X X X
8. 2007	341,229	16,665	324,564	148,568	3,258	7,697	352	22,260	299	9,365	174,616	X X X
9. 2008	340,559	12,661	327,898	158,547	4,756	6,207	293	24,469	228	8,283	183,946	X X X
10. 2009	319,518	19,983	299,535	119,957	8,267	3,282	378	20,945	145	7,099	135,394	X X X
11. 2010	315,811	6,386	309,425	86,029	415	1,252	25	19,473	19	4,338	106,295	X X X
12. Totals	X X X	X X X	X X X	1,425,155	71,187	80,280	4,598	214,702	4,564	87,012	1,639,788	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 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	35,737	12,671	21,240	2,571	1,288	287	4,120	482	3,303	73	1,123	49,604	X X X
2. 2001	3,426	593	980	253	58	4	430	42	254	7	156	4,249	X X X
3. 2002	3,995	739	1,034	208	86	7	432	35	269	6	167	4,821	X X X
4. 2003	3,153	677	1,376	178	90		638	31	318	5	199	4,684	X X X
5. 2004	3,782	805	2,181	229	90		704	38	341	7	563	6,019	X X X
6. 2005	5,020	435	2,711	307	165		1,214	58	514	5	680	8,819	X X X
7. 2006	8,722	517	3,189	557	246	1	1,876	103	830	5	1,509	13,680	X X X
8. 2007	15,352	424	5,509	939	445	1	2,969	145	1,529	4	1,207	24,291	X X X
9. 2008	21,841	345	12,407	1,594	727	2	5,493	280	2,189	10	2,786	40,426	X X X
10. 2009	30,354	718	21,642	1,479	644	22	7,580	438	3,696	8	4,059	61,251	X X X
11. 2010	47,955	268	43,253	428	503		10,673	27	8,220		6,656	109,881	X X X
12. Totals	179,337	18,192	115,522	8,743	4,342	324	36,129	1,679	21,463	130	19,105	327,725	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	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	41,735	7,869
2. 2001	197,812	13,424	184,388	78.644	85.958	78.160			3.000	3,560	689
3. 2002	186,783	17,862	168,921	68.292	66.431	68.495			3.000	4,082	739
4. 2003	183,012	15,166	167,846	61.291	60.812	61.334			3.000	3,674	1,010
5. 2004	186,817	7,839	178,978	58.137	44.216	58.950			3.000	4,929	1,090
6. 2005	193,350	7,507	185,843	57.757	55.365	57.858			3.000	6,989	1,830
7. 2006	196,250	5,475	190,775	58.701	36.669	59.731			3.000	10,837	2,843
8. 2007	204,329	5,422	198,907	59.880	32.535	61.284			3.000	19,498	4,793
9. 2008	231,880	7,508	224,372	68.088	59.300	68.427			3.000	32,309	8,117
10. 2009	208,100	11,455	196,645	65.129	57.324	65.650			3.000	49,799	11,452
11. 2010	217,358	1,182	216,176	68.825	18.509	69.864			3.000	90,512	19,369
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	267,924	59,801

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 2001	2 2002	3 2003	4 2004	5 2005	6 2006	7 2007	8 2008	9 2009	10 2010	11 One Year	12 Two Year
1. Prior	152,063	158,289	167,965	169,190	174,349	177,013	178,141	175,868	182,748	186,734	3,986	10,866
2. 2001	164,736	163,850	164,949	165,460	165,539	164,987	165,769	164,334	165,509	165,306	(203)	972
3. 2002	XXX	157,921	157,116	155,696	152,405	151,854	150,625	149,615	150,533	150,502	(31)	887
4. 2003	XXX	XXX	155,542	152,691	148,887	148,118	149,140	147,993	147,452	146,859	(593)	(1,134)
5. 2004	XXX	XXX	XXX	174,924	170,681	168,459	161,129	160,149	158,302	157,873	(429)	(2,276)
6. 2005	XXX	XXX	XXX	XXX	182,538	175,593	166,912	165,849	163,828	163,391	(437)	(2,458)
7. 2006	XXX	XXX	XXX	XXX	XXX	179,646	175,982	171,386	167,555	168,102	547	(3,284)
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	192,556	187,448	175,729	175,635	(94)	(11,813)
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	208,417	198,938	198,163	(775)	(10,254)
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	177,918	172,306	(5,612)	XXX
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	188,575	XXX	XXX
										12. Totals	(3,641)	(18,494)

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 2001	2 2002	3 2003	4 2004	5 2005	6 2006	7 2007	8 2008	9 2009	10 2010	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	46,873	76,620	94,901	107,638	116,794	123,650	129,497	133,330	138,179	XXX	XXX
2. 2001	81,687	118,229	135,091	145,810	151,812	155,363	157,441	159,173	160,184	161,058	XXX	XXX
3. 2002	XXX	71,969	105,351	121,245	132,350	138,027	141,314	143,393	144,514	145,711	XXX	XXX
4. 2003	XXX	XXX	72,623	104,580	119,902	129,896	136,644	139,590	141,364	142,320	XXX	XXX
5. 2004	XXX	XXX	XXX	75,350	113,160	130,795	141,269	147,456	150,514	151,980	XXX	XXX
6. 2005	XXX	XXX	XXX	XXX	77,140	114,539	132,447	144,086	151,376	154,902	XXX	XXX
7. 2006	XXX	XXX	XXX	XXX	XXX	78,561	116,718	133,334	146,749	155,035	XXX	XXX
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	81,637	121,259	139,464	152,655	XXX	XXX
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	94,656	139,970	159,705	XXX	XXX
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	79,063	114,594	XXX	XXX
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	86,841	XXX	XXX

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)									
	1 2001	2 2002	3 2003	4 2004	5 2005	6 2006	7 2007	8 2008	9 2009	10 2010
1. Prior	55,686	41,974	37,928	29,430	26,347	23,978	21,169	20,954	23,129	24,488
2. 2001	37,975	17,827	9,922	7,214	5,130	4,538	3,108	2,467	2,205	1,361
3. 2002	XXX	47,959	24,380	13,878	8,017	5,881	3,987	2,642	2,444	1,456
4. 2003	XXX	XXX	43,493	21,660	12,387	8,578	6,243	4,575	3,108	1,973
5. 2004	XXX	XXX	XXX	54,609	27,176	17,945	9,675	7,115	3,849	2,826
6. 2005	XXX	XXX	XXX	XXX	61,002	30,337	15,339	9,510	5,417	3,739
7. 2006	XXX	XXX	XXX	XXX	XXX	55,022	27,700	16,888	8,133	4,617
8. 2007	XXX	XXX	XXX	XXX	XXX	XXX	56,885	29,674	13,982	7,608
9. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	61,854	27,215	16,237
10. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	54,221	27,454
11. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	53,544

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken: 2 Direct Premiums Written	3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L								
2. Alaska AK	L								
3. Arizona AZ	L	36,101,319	31,695,985		14,793,557	22,949,402	17,898,807	195,178	
4. Arkansas AR	L	3,742,392	3,166,256		1,003,724	1,761,304	1,541,080	20,233	
5. California CA	L	16,689,256	13,947,825		2,809,145	5,336,282	6,704,625	90,229	
6. Colorado CO	L	37,567,241	32,007,857		11,255,432	17,114,395	11,197,226	203,104	
7. Connecticut CT	L	29,601,063	26,554,414		10,481,879	17,452,439	15,709,029	160,035	
8. Delaware DE	L	4,446,305	4,222,548		1,581,332	2,959,515	3,808,424	24,039	
9. District of Columbia DC	L	767,720	656,898		147,410	240,271	230,800	4,151	
10. Florida FL	L				(4,502)	(4,981)			
11. Georgia GA	L	12,346,465	13,950,358		5,023,654	8,064,246	5,685,947	66,750	
12. Hawaii HI	L								
13. Idaho ID	L								
14. Illinois IL	L	25,744,120	22,599,376		8,844,061	14,535,986	11,193,693	139,183	
15. Indiana IN	L	15,739,990	13,497,113		10,039,917	16,502,243	11,757,604	85,097	
16. Iowa IA	L	3,646,931	3,266,748		2,833,848	3,461,129	3,272,534	19,717	
17. Kansas KS	L	3,696,712	3,019,983		1,332,276	1,347,356	1,679,078	19,986	
18. Kentucky KY	L	18,746,186	16,189,215		6,972,166	11,827,489	10,299,577	101,350	
19. Louisiana LA	L	13,414,882	12,107,965		1,956,355	3,796,935	4,640,781	72,526	
20. Maine ME	L	7,509,966	6,462,578		1,418,298	2,825,319	2,925,753	40,602	
21. Maryland MD	L	16,399,192	14,378,790		6,022,961	9,633,321	8,426,907	88,661	
22. Massachusetts MA	L	17,518,905	14,700,973		3,615,532	8,422,360	8,907,026	94,714	
23. Michigan MI	L	7,059,002	7,589,628		10,381,781	9,749,398	9,021,755	38,164	
24. Minnesota MN	L	9,431,543	8,243,965		4,847,023	8,953,376	6,253,205	50,991	
25. Mississippi MS	L								
26. Missouri MO	L	11,146,982	9,998,640		8,007,020	8,082,082	4,420,241	60,265	
27. Montana MT	L								
28. Nebraska NE	L	3,621,097	3,455,694		2,068,778	2,801,622	1,824,693	19,577	
29. Nevada NV	L	18,134,334	15,881,581		4,182,002	7,503,485	6,682,093	98,042	
30. New Hampshire NH	L	9,063,384	7,716,803		2,624,120	2,787,853	1,546,041	49,000	
31. New Jersey NJ	L	25,624,328	22,779,079		7,213,130	13,824,741	16,315,725	138,536	
32. New Mexico NM	L	19,618,773	16,865,730		7,185,425	17,578,015	13,552,172	106,067	
33. New York NY	L	1,399,283	1,192,961		368,316	892,852	1,907,671	7,565	
34. North Carolina NC	L	19,825,447	15,031,025		10,133,892	14,665,566	13,099,617	107,184	
35. North Dakota ND	L								
36. Ohio OH	L	55,706,742	51,938,353		35,274,417	41,769,689	20,945,822	301,173	
37. Oklahoma OK	L	9,888,684	8,536,134		8,392,231	11,679,767	5,029,046	53,462	
38. Oregon OR	L								
39. Pennsylvania PA	L	92,204,055	85,565,158		56,839,147	77,799,658	48,228,399	498,493	
40. Rhode Island RI	L	6,732,051	6,077,931		1,569,815	3,742,227	3,181,956	36,396	
41. South Carolina SC	L	17,504,859	13,924,072		9,584,397	13,465,660	9,669,927	94,638	
42. South Dakota SD	L								
43. Tennessee TN	L	15,689,365	14,912,933		7,759,155	15,722,121	11,714,513	84,823	
44. Texas TX	L	35,816,348	33,304,187		16,300,460	22,712,133	14,917,949	193,638	
45. Utah UT	L	18,718,819	15,928,958		3,716,527	7,309,743	6,184,132	101,202	
46. Vermont VT	L	3,246,805	2,747,243		434,774	860,386	921,568	17,554	
47. Virginia VA	L	10,957,802	8,958,121		3,771,339	6,111,189	3,691,343	59,242	
48. Washington WA	L								
49. West Virginia WV	L								
50. Wisconsin WI	L	12,685,613	13,351,675	147,890	7,512,916	10,098,635	9,237,638	68,584	
51. Wyoming WY	L	7,269,948	6,191,826		3,087,565	4,286,962	1,774,217	39,304	
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	XXX								
59. Totals	(a) 51	675,023,909	602,616,579	147,890	301,381,275	450,622,171	335,998,614	3,649,455	

DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX								

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

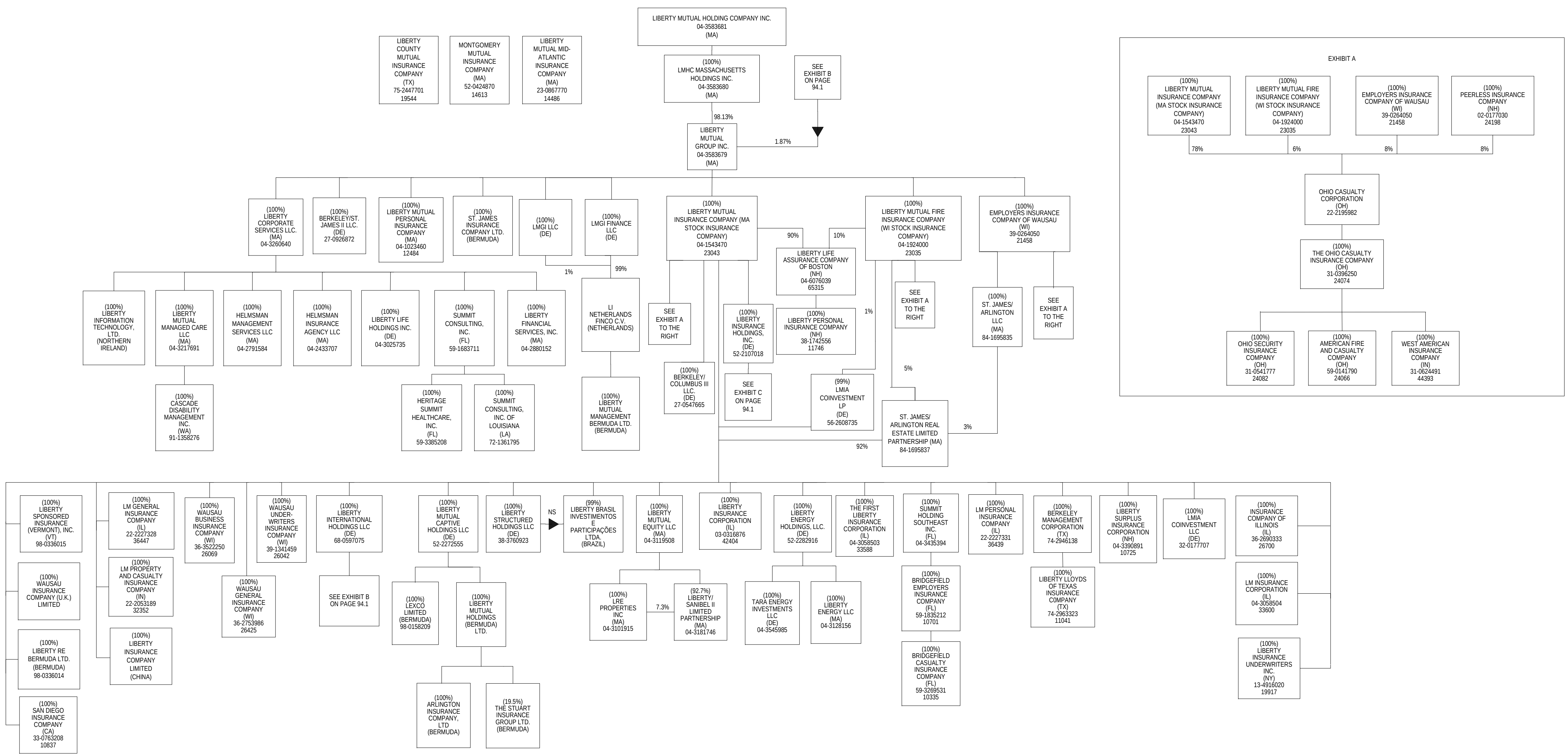
Explanation of basis of allocation of premiums by states, etc.

*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
*States employee's main work place - Worker's 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, Warranty — *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.

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

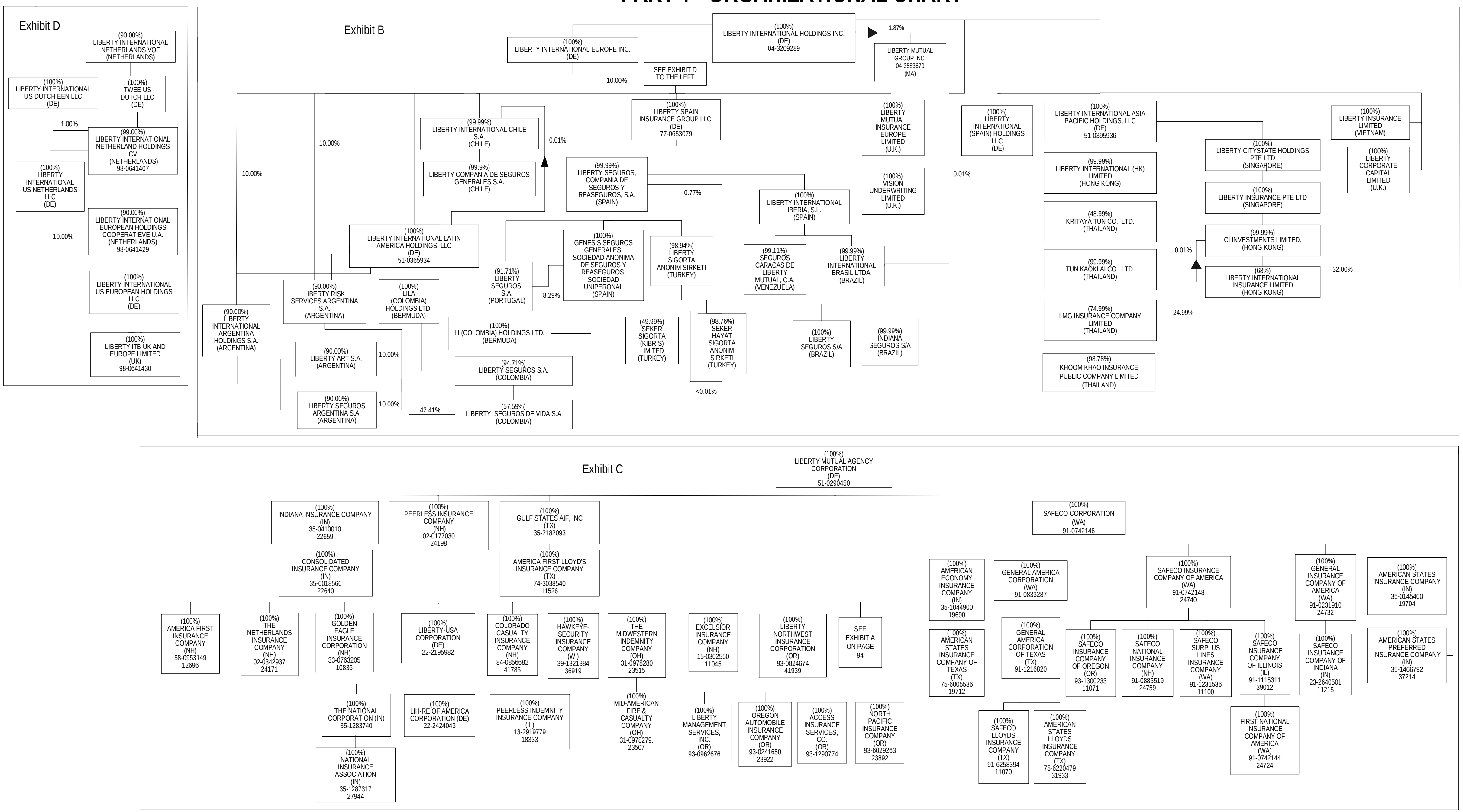
PART 1 - ORGANIZATIONAL CHART



Annual Statement for the year 2010 of the **Peerless Indemnity Insurance Company**

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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Year	2 Prior Year
2504. Amounts held under uninsured plans	322,823	2,175,088
2505. Private passenger auto escrow	32,107	49,033
2506. Collateral held for securities loaned		19,007,191
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	354,930	21,231,312

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT