ANNUAL STATEMENT

OF THE

PEERLESS INSURANCE COMPANY

of KEENE

in the state of NEW HAMPSHIRE

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2010

PROPERTY AND CASUALTY

2010

24198201020100100

ANNUAL STATEMENT

For the Year Ended December 31, 2010

OF THE CONDITION AND AFFAIRS OF THE

Peerless Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 24198 **Employer's ID Number** 02-0177030

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

Country of Domicile United States of America

Incorporated/Organized: March 7, 1901 **Commenced Business** November 23, 1903

Statutory Home Office 62 Maple Avenue (Street and Number) , Keene, NH 03431 (City or Town, State and Zip Code)

Main Administrative Office: 62 Maple Avenue (Street and Number)

Keene, NH 03431 (City or Town, State and Zip Code) 603-352-3221 (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		

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)	3,719,020,536		3,719,020,536	4,608,965,547
2. Stocks (Schedule D):				
2.1 Preferred stocks	55,126,940		55,126,940	70,703,960
2.2 Common stocks	1,113,143,107		1,113,143,107	1,083,221,127
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	130,826,374		130,826,374	119,080,513
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)	4,374,163		4,374,163	4,860,264
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 6,647,595, Schedule E - Part 1), cash equivalents ($ 17,683,130, Schedule E - Part 2), and short-term investments ($ 268,459,263, Schedule DA)	292,789,988		292,789,988	307,578,496
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)	11,593,302		11,593,302	59,444,497
9. Receivables for securities	2,473,491		2,473,491	
10. Securities lending reinvested collateral assets	70,883,237		70,883,237	
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	5,400,231,138		5,400,231,138	6,253,854,404
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	43,503,078		43,503,078	51,763,506
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	105,523,392	10,913,525	94,609,867	104,541,562
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (6,330,036) earned but unbilled premiums)	967,222,826	16,872	967,205,954	894,771,266
15.3 Accrued retrospective premiums	2,564,632	256,096	2,308,536	4,115,082
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	536,638,464		536,638,464	628,010,950
16.2 Funds held by or deposited with reinsured companies	14,840,524		14,840,524	14,594,090
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	29,709,703		29,709,703	
18.2 Net deferred tax asset	182,755,800	36,903,656	145,852,144	166,931,600
19. Guaranty funds receivable or on deposit	4,258,001		4,258,001	4,665,458
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ 0)	100,354	100,354		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	153,037,658		153,037,658	224,888,442
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	35,699,235	7,401,403	28,297,832	29,105,189
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	7,476,084,805	55,591,906	7,420,492,899	8,377,241,549
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	7,476,084,805	55,591,906	7,420,492,899	8,377,241,549

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	14,649,471		14,649,471	14,280,474
2502. Equities and deposits in pools and associations	9,204,656		9,204,656	9,522,956
2503. Other assets	8,132,631	3,688,926	4,443,705	5,301,759
2598. Summary of remaining write-ins for Line 25 from overflow page	3,712,477	3,712,477		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	35,699,235	7,401,403	28,297,832	29,105,189

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	2,250,497,523	2,368,875,142
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	320,678,656	388,864,517
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	502,280,553	563,987,478
4.	Commissions payable, contingent commissions and other similar charges	67,973,581	67,126,619
5.	Other expenses (excluding taxes, licenses and fees)	19,970,606	79,759,424
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	22,732,203	24,156,848
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		51,808,511
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 $ 3,684,480,696 and including warranty reserves of $ 0)	1,222,995,740	1,159,485,799
10.	Advance premium	8,289,073	8,253,311
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	236,214	2,139,474
12.	Ceded reinsurance premiums payable (net of ceding commissions)	541,924,384	573,228,857
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	59,765,373	70,239,063
14.	Amounts withheld or retained by company for account of others	4,023,235	(363,199)
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)	62,066,307	67,527,000
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	82,486,717	82,805,347
19.	Payable to parent, subsidiaries and affiliates	342,804,788	264,338,057
20.	Derivatives		
21.	Payable for securities	19,949,163	19,582,734
22.	Payable for securities lending	70,883,237	
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	43,260,216	176,081,643
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	5,642,817,569	5,967,896,625
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	5,642,817,569	5,967,896,625
29.	Aggregate write-ins for special surplus funds	32,155,134	22,298,648
30.	Common capital stock	8,848,635	8,848,635
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	1,412,783,818	1,202,783,818
35.	Unassigned funds (surplus)	324,053,459	1,175,579,539
36.	Less treasury stock, at cost:		
	36.1 14,998 shares common (value included in Line 30 $ 37,495)	165,716	165,716
	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)	1,777,675,330	2,409,344,924
38.	Totals (Page 2, Line 28, Col. 3)	7,420,492,899	8,377,241,549

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	24,041,063	22,697,252
2502.	Other liabilities	13,169,847	19,047,618
2503.	Accrued return retrospective premiums	3,067,894	3,126,286
2598.	Summary of remaining write-ins for Line 25 from overflow page	2,981,412	131,210,487
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	43,260,216	176,081,643
2901.	SSAP 10R incremental change	26,704,629	17,274,770
2902.	Special surplus from retroactive reinsurance	5,450,505	5,023,878
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	32,155,134	22,298,648
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)	2,599,173,358	2,640,085,520
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	1,456,342,678	1,338,922,988
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	306,835,739	313,457,465
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	873,634,349	876,239,343
5.	Aggregate write-ins for underwriting deductions	(142,181)	411,880
6.	Total underwriting deductions (Lines 2 through 5)	2,636,670,585	2,529,031,676
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(37,497,227)	111,053,844
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	206,519,147	241,159,420
10.	Net realized capital gains (losses) less capital gains tax of $ 15,770,755 (Exhibit of Capital Gains (Losses))	34,097,926	(13,637,478)
11.	Net investment gain (loss) (Lines 9 + 10)	240,617,073	227,521,942
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 151,671 amount charged off $ 11,073,083)	(10,921,411)	(11,686,255)
13.	Finance and service charges not included in premiums	22,935,303	22,508,659
14.	Aggregate write-ins for miscellaneous income	(40,474,429)	(18,968,298)
15.	Total other income (Lines 12 through 14)	(28,460,537)	(8,145,894)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	174,659,309	330,429,892
17.	Dividends to policyholders	(888,116)	11,295,896
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)	175,547,425	319,133,996
19.	Federal and foreign income taxes incurred	5,115,645	105,839,007
20.	Net income (Line 18 minus Line 19) (to Line 22)	170,431,780	213,294,989
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	2,409,344,924	2,019,067,407
22.	Net income (from Line 20)	170,431,780	213,294,989
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 6,608,095	63,859,482	159,361,186
25.	Change in net unrealized foreign exchange capital gain (loss)	4,480,483	181,512
26.	Change in net deferred income tax	(26,341,955)	(54,330,896)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	19,812,383	100,299,872
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	5,460,693	(53,529,621)
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles		254,431
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	210,000,000	
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders	(1,087,270,097)	
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	7,897,637	24,746,044
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(631,669,594)	390,277,517
39.	Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	1,777,675,330	2,409,344,924

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	(142,181)	411,880
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)	(142,181)	411,880
1401.	Other income/(expense)	(8,287,030)	(18,627,926)
1402.	Retroactive reinsurance gain/(loss)	(32,187,399)	(340,372)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(40,474,429)	(18,968,298)
3701.	SSAP 10R incremental change	9,429,859	17,274,770
3702.	Other changes in surplus	(1,532,222)	7,471,274
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	7,897,637	24,746,044

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	2,613,054,543	2,869,650,640
2.	Net investment income	219,136,206	239,058,963
3.	Miscellaneous income	(26,694,608)	(12,724,616)
4.	Total (Lines 1 through 3)	2,805,496,141	3,095,984,987
5.	Benefit and loss related payments	1,551,852,303	1,647,290,458
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	1,338,177,230	1,225,311,005
8.	Dividends paid to policyholders	1,015,143	10,664,416
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	102,404,614	45,436,482
10.	Total (Lines 5 through 9)	2,993,449,290	2,928,702,361
11.	Net cash from operations (Line 4 minus Line 10)	(187,953,149)	167,282,626
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	1,924,289,651	680,295,567
	12.2 Stocks	123,621,006	157,306,283
	12.3 Mortgage loans	3,675,580	4,065,516
	12.4 Real estate		
	12.5 Other invested assets	57,275,317	2,873,457
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments	7,444	
	12.7 Miscellaneous proceeds	(2,998,185)	4,800
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,105,870,813	844,545,623
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	975,406,302	992,016,065
	13.2 Stocks	74,740,306	8,989,068
	13.3 Mortgage loans	16,014,467	10,196,210
	13.4 Real estate	61,455	180,997
	13.5 Other invested assets	80,403,350	12,216,954
	13.6 Miscellaneous applications	(366,429)	(19,581,637)
	13.7 Total investments acquired (Lines 13.1 to 13.6)	1,146,259,451	1,004,017,657
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)	959,611,362	(159,472,034)
	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	210,000,000	
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders	1,087,270,097	
	16.6 Other cash provided (applied)	90,823,377	138,529,815
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(786,446,720)	138,529,815
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(14,788,507)	146,340,407
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	307,578,496	161,238,089
	19.2 End of year (Line 18 plus Line 19.1)	292,789,989	307,578,496

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds	1,118,946,318	
20.0002	12.5 - Proceeds from investments sold, matured or repaid - Other invested assets	5,013,685	
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	46,497,185	23,945,305	25,133,897	45,308,593
2. Allied lines	39,348,639	19,263,264	20,869,479	37,742,424
3. Farmowners multiple peril	19,475,228	9,344,376	9,780,708	19,038,896
4. Homeowners multiple peril	380,906,795	189,139,987	201,841,289	368,205,493
5. Commercial multiple peril	467,435,000	246,025,510	239,209,910	474,250,600
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	42,655,897	20,975,256	20,507,017	43,124,136
10. Financial guaranty				
11.1 Medical professional liability—occurrence	194,874	101,891	91,057	205,708
11.2 Medical professional liability—claims-made	27,067	9,899	10,523	26,443
12. Earthquake	8,621,792	4,528,695	4,381,109	8,769,378
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(20,066)	20,066		
16. Workers' compensation	227,588,928	95,149,342	95,885,169	226,853,101
17.1 Other liability—occurrence	137,785,224	70,434,813	67,288,765	140,931,272
17.2 Other liability—claims-made	5,796,747	2,500,380	2,693,413	5,603,714
17.3 Excess Workers' Compensation		123,787		123,787
18.1 Products liability—occurrence	3,549,112	2,434,461	1,875,676	4,107,897
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	496,168,467	143,242,139	178,741,095	460,669,511
19.3,19.4 Commercial auto liability	212,678,002	108,363,343	102,976,471	218,064,874
21. Auto physical damage	383,842,835	126,322,388	147,311,322	362,853,901
22. Aircraft (all perils)				
23. Fidelity	1,648,164	1,381,361	1,348,754	1,680,771
24. Surety	182,469,814	108,843,650	109,824,927	181,488,537
26. Burglary and theft	78,004	48,200	37,589	88,615
27. Boiler and machinery	48,035	8,540	20,868	35,707
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	2,656,795,743	1,172,206,653	1,229,829,038	2,599,173,358

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	25,133,692	205			25,133,897
2.	Allied lines	20,869,244	235			20,869,479
3.	Farmowners multiple peril	9,780,708				9,780,708
4.	Homeowners multiple peril	201,841,289				201,841,289
5.	Commercial multiple peril	235,957,831	3,938	3,233,948	14,194	239,209,911
6.	Mortgage guaranty					
8.	Ocean marine					
9.	Inland marine	20,426,692	80,325			20,507,017
10.	Financial guaranty					
11.1	Medical professional liability—occurrence	91,057				91,057
11.2	Medical professional liablity—claims-made	10,493	30			10,523
12.	Earthquake	4,381,109				4,381,109
13.	Group accident and health					
14.	Credit accident and health (group and individual)					
15.	Other accident and health					
16.	Workers' compensation	92,737,075		2,644,832	503,261	95,885,168
17.1	Other liability—occurrence	66,662,985	250,746	389,228	(14,194)	67,288,765
17.2	Other liability—claims-made	2,641,418	46,316	5,678		2,693,412
17.3	Excess Workers' Compensation					
18.1	Products liability—occurrence	1,819,077	249	56,350		1,875,676
18.2	Products liability—claims-made					
19.1,19.2	Private passenger auto liability	178,741,095				178,741,095
19.3,19.4	Commercial auto liability	101,989,620	986,850			102,976,470
21.	Auto physical damage	147,109,541	201,781			147,311,322
22.	Aircraft (all perils)					
23.	Fidelity	491,559	857,195			1,348,754
24.	Surety	58,553,990	51,270,937			109,824,927
26.	Burglary and theft	37,589				37,589
27.	Boiler and machinery	20,868				20,868
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	1,169,296,932	53,698,807	6,330,036	503,261	1,229,829,036
36.	Accrued retrospective premiums based on experience					(503,261)
37.	Earned but unbilled premiums					(6,330,036)
38.	Balance (Sum of Lines 35 through 37)					1,222,995,739

	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	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	21,684,868	169,047,762	2,186,319	146,180,958	240,806	46,497,185
2. Allied lines	15,729,787	139,813,933	1,238,110	117,314,712	118,479	39,348,639
3. Farmowners multiple peril	8,465,057	70,691,769	(31)	58,841,498	840,068	19,475,229
4. Homeowners multiple peril	187,567,994	1,345,181,573	1,675,142	1,150,781,771	2,736,143	380,906,795
5. Commercial multiple peril	217,533,255	1,718,418,216	21,356	1,443,872,964	24,664,864	467,434,999
6. Mortgage guaranty						
8. Ocean marine				26	(26)	
9. Inland marine	50,492,597	123,604,344		130,145,387	1,295,657	42,655,897
10. Financial guaranty						
11.1 Medical professional liability--occurrence		773,308		578,435		194,873
11.2 Medical professional liability--claims-made		107,409		80,342		27,067
12. Earthquake	1,852,215	33,728,118	2,875	25,620,987	1,340,430	8,621,791
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		769,572		384,065	405,573	(20,066)
16. Workers' compensation	88,915,033	802,532,663	16,918,129	679,830,090	946,808	227,588,927
17.1 Other liability—occurrence	91,333,415	486,505,957	(3,981)	408,942,046	31,108,120	137,785,225
17.2 Other liability—claims-made	487,419	23,099,315		17,789,974	12	5,796,748
17.3 Excess Workers' Compensation						
18.1 Products liability—occurrence	1,487,523	12,596,255		10,534,666		3,549,112
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	179,082,189	1,698,807,072	99,032,433	1,473,398,989	7,354,237	496,168,468
19.3,19.4 Commercial auto liability	82,587,632	759,782,035	4,652,238	631,344,177	2,999,726	212,678,002
21. Auto physical damage	154,566,023	1,300,854,843	79,167,705	1,150,199,838	545,899	383,842,834
22. Aircraft (all perils)						
23. Fidelity	83,100	6,457,235		4,892,171		1,648,164
24. Surety	594,769	755,376,344	666,029	541,618,313	32,549,015	182,469,814
26. Burglary and theft	78,347	229,353	3,153	231,537	1,312	78,004
27. Boiler and machinery	902,805	1,465,391		1,634,907	685,254	48,035
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X		101,324	43,779	57,545	
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,103,444,028	9,449,842,467	205,660,801	7,994,261,632	107,889,922	2,656,795,742

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
	1	2	3	4				
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Recovered	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	5,444,249	68,405,368	55,378,136	18,471,481	8,212,004	7,797,279	18,886,206	41.683
2. Allied lines	5,775,056	91,640,593	73,291,024	24,124,625	6,869,535	6,517,090	24,477,070	64.853
3. Farmowners multiple peril	4,651,652	48,046,869	39,969,405	12,729,116	5,848,410	6,149,592	12,427,934	65.277
4. Homeowners multiple peril	98,784,211	752,162,125	651,865,255	199,081,081	98,500,135	73,361,556	224,219,660	60.895
5. Commercial multiple peril	102,827,408	914,561,253	766,714,921	250,673,740	432,307,865	406,751,969	276,229,636	58.246
6. Mortgage guaranty								
8. Ocean marine		8,192	7,122	1,070	(208)	3,687	(2,825)	
9. Inland marine	16,593,387	43,464,322	44,971,634	15,086,075	3,587,906	6,673,440	12,000,541	27.828
10. Financial guaranty								
11.1 Medical professional liability—occurrence		43,544	32,571	10,973	595,770	548,211	58,532	28.454
11.2 Medical professional liability—claims-made		47,991	35,897	12,094	121,762	122,079	11,777	44.537
12. Earthquake		(18,801)	(14,063)	(4,738)	9,939	15,159	(9,958)	(0.114)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		2,263,716	1,944,421	319,295	11,415,790	1,939,178	9,795,907	
16. Workers' compensation	44,366,643	1,340,310,761	1,040,245,795	344,431,609	702,301,369	863,974,166	182,758,812	80.563
17.1 Other liability—occurrence	23,636,472	219,574,783	185,461,966	57,749,289	242,683,035	224,070,651	76,361,673	54.184
17.2 Other liability—claims-made	2,775	10,901,152	8,265,546	2,638,381	13,195,141	7,120,156	8,713,366	155.493
17.3 Excess Workers' Compensation						110,078	(110,078)	(88.925)
18.1 Products liability—occurrence	38,284	7,701,419	5,715,363	2,024,340	5,352,178	7,317,289	59,229	1.442
18.2 Products liability—claims-made						193	(193)	
19.1,19.2 Private passenger auto liability	95,666,719	1,015,722,037	835,389,256	275,999,500	351,257,492	370,381,851	256,875,141	55.761
19.3,19.4 Commercial auto liability	47,664,003	432,688,697	359,859,569	120,493,131	237,618,439	244,529,267	113,582,303	52.086
21. Auto physical damage	87,543,499	743,223,252	621,459,552	209,307,199	14,679,931	18,098,860	205,888,270	56.741
22. Aircraft (all perils)		12,467	(35,078)	47,545	19,860	(170,921)	238,326	
23. Fidelity	(3,987)	1,016,831	757,608	255,236	203,997	567,543	(108,310)	(6.444)
24. Surety	2,194,020	139,586,646	105,925,784	35,854,882	66,371,056	75,663,496	26,562,442	14.636
26. Burglary and theft	5,461	69,165	55,820	18,806	888	40,783	(21,089)	(23.798)
27. Boiler and machinery	49,583	163,107	212,690		13,090	13,090		
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	XXX							
32. Reinsurance-Nonproportional Assumed Liability	XXX	22,590,406	17,194,838	5,395,568	49,332,138	47,279,402	7,448,304	
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	535,239,435	5,854,185,895	4,814,705,032	1,574,720,298	2,250,497,522	2,368,875,144	1,456,342,676	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 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire	2,485,475	19,427,167	16,693,056	5,219,586	943,722	10,930,954	8,882,257	8,212,005	679,926
2. Allied lines	1,590,893	22,955,406	18,657,714	5,888,585	512,392	3,467,248	2,998,690	6,869,535	301,886
3. Farmowners multiple peril	2,403,750	17,185,338	14,652,638	4,936,450	616,069	3,002,819	2,706,928	5,848,410	1,142,572
4. Homeowners multiple peril	33,042,617	242,044,365	210,529,643	64,557,339	31,277,971	103,566,028	100,901,202	98,500,136	14,375,516
5. Commercial multiple peril	107,485,275	958,160,429	802,780,126	262,865,578	147,483,214	537,466,237	515,507,164	432,307,865	202,492,917
6. Mortgage guaranty									
8. Ocean marine		6,915	5,716	1,199		(476)	930	(207)	3
9. Inland marine	2,524,324	6,571,588	6,803,742	2,292,170	1,370,596	3,818,168	3,893,028	3,587,906	1,684,494
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		424,777	317,733	107,044		1,939,389	1,450,663	595,770	318,459
11.2 Medical professional liablity—claims-made						483,182	361,420	121,762	33,747
12. Earthquake		39,439	29,500	9,939				9,939	(2,319)
13. Group accident and health								(a)	(643)
14. Credit accident and health (group and individual)									
15. Other accident and health		53,457,465	50,787,142	2,670,323		35,617,991	26,872,524	(a) 11,415,790	1,284,452
16. Workers' compensation	117,234,156	1,956,030,479	1,609,641,039	463,623,596	54,828,993	1,004,606,948	820,758,167	702,301,370	79,755,338
17.1 Other liability—occurrence	50,107,714	318,909,230	293,870,196	75,146,748	66,788,853	720,331,226	619,583,792	242,683,035	62,724,278
17.2 Other liability—claims-made	19,698	20,198,525	15,251,386	4,966,837	51,665	32,839,782	24,663,144	13,195,140	5,882,739
17.3 Excess Workers' Compensation			(1)	1				1	87
18.1 Products liability—occurrence	408,099	17,971,026	15,759,948	2,619,177	695,879	10,279,630	8,242,510	5,352,176	2,660,630
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	112,211,638	1,197,236,883	1,013,333,973	296,114,548	21,115,330	202,742,149	168,714,535	351,257,492	67,018,291
19.3,19.4 Commercial auto liability	52,597,857	556,020,479	456,941,431	151,676,905	33,168,710	313,306,385	260,533,562	237,618,438	37,049,613
21. Auto physical damage	7,659,168	26,244,124	25,416,383	8,486,909	136,561	24,443,737	18,387,276	14,679,931	2,756,864
22. Aircraft (all perils)		369,538	349,678	19,860				19,860	
23. Fidelity		304,456	227,733	76,723	265	504,791	377,782	203,997	217,968
24. Surety	2,545,769	(81,817,568)	(58,550,428)	(20,721,371)	(6,503,497)	352,123,132	258,527,208	66,371,056	20,792,968
26. Burglary and theft	592		443	149	1,740	1,191	2,193	887	3,536
27. Boiler and machinery	28,000	169,764	199,402	(1,638)	25,876	32,578	43,724	13,092	13,878
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	XXX				XXX				
32. Reinsurance-Nonproportional Assumed Liability	XXX	106,227,194	83,170,354	23,056,840	XXX	113,144,994	86,869,697	49,332,137	1,093,354
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	492,345,025	5,438,137,019	4,576,868,547	1,353,613,497	352,514,339	3,474,648,083	2,930,278,396	2,250,497,523	502,280,554

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	34,805,443			34,805,443
1.2 Reinsurance assumed	397,857,468			397,857,468
1.3 Reinsurance ceded	331,122,811			331,122,811
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	101,540,100			101,540,100
2. Commission and brokerage:				
2.1 Direct, excluding contingent		170,622,899		170,622,899
2.2 Reinsurance assumed, excluding contingent		1,424,655,228		1,424,655,228
2.3 Reinsurance ceded, excluding contingent		1,200,201,693		1,200,201,693
2.4 Contingent—direct		176,779,266		176,779,266
2.5 Contingent—reinsurance assumed		6,532,156		6,532,156
2.6 Contingent—reinsurance ceded		138,063,224		138,063,224
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)		440,324,632		440,324,632
3. Allowances to manager and agents	36,058	187,151	85	223,294
4. Advertising	3,467,109	17,324,037	44,287	20,835,433
5. Boards, bureaus and associations	1,030,783	5,298,702	1,460	6,330,945
6. Surveys and underwriting reports	3,021,682	15,073,499	50,936	18,146,117
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	123,606,369	142,007,380	5,076,869	270,690,618
8.2 Payroll taxes	2,491,276	16,005,906	359,479	18,856,661
9. Employee relations and welfare	10,741,033	54,661,694	385,058	65,787,785
10. Insurance	8,522,656	1,888,596	42,785	10,454,037
11. Directors' fees	1,814	9,472	3	11,289
12. Travel and travel items	7,590,968	12,139,929	111,819	19,842,716
13. Rent and rent items	5,202,861	19,202,632	130,548	24,536,041
14. Equipment	4,715,215	18,040,101	141,121	22,896,437
15. Cost or depreciation of EDP equipment and software	2,630,513	12,026,729	92,505	14,749,747
16. Printing and stationery	1,407,226	3,094,716	17,286	4,519,228
17. Postage, telephone and telegraph, exchange and express	4,274,455	16,563,243	171,172	21,008,870
18. Legal and auditing	1,067,275	2,427,632	610,012	4,104,919
19. Totals (Lines 3 to 18)	179,807,293	335,951,419	7,235,425	522,994,137
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 821,484		59,989,542		59,989,542
20.2 Insurance department licenses and fees		7,387,820		7,387,820
20.3 Gross guaranty association assessments		(843,173)		(843,173)
20.4 All other (excluding federal and foreign income and real estate)		6,804,700		6,804,700
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		73,338,889		73,338,889
21. Real estate expenses			1,256,650	1,256,650
22. Real estate taxes			376,962	376,962
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	25,488,347	24,019,413	1,137,533	50,645,293
25. Total expenses incurred	306,835,740	873,634,353	10,006,570	(a) 1,190,476,663
26. Less unpaid expenses—current year	502,280,553	110,599,723	76,666	612,956,942
27. Add unpaid expenses—prior year	563,987,478	170,972,167	70,725	735,030,370
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)	368,542,665	934,006,797	10,000,629	1,312,550,091

DETAILS OF WRITE-IN LINES				
2401. Other expenses	18,232,058	24,019,413	1,137,533	43,389,004
2402. Change in unallocated expense reserves	7,256,289			7,256,289
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	25,488,347	24,019,413	1,137,533	50,645,293

(a) Includes management fees of $ 8,006,258 to affiliates and $ 366,699 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 17,788,106	16,472,701
1.1	Bonds exempt from U.S. tax	(a) 70,403,709	60,740,980
1.2	Other bonds (unaffiliated)	(a) 123,383,455	125,859,154
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 2,833,121	2,967,009
2.11	Preferred stocks of affiliates	(b) 359,198	415,073
2.2	Common stocks (unaffiliated)	251,037	256,807
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c) 7,854,769	7,985,484
4.	Real estate	(d) 2,381,787	2,381,787
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 203,013	174,649
7.	Derivative instruments	(f)	
8.	Other invested assets	413,498	413,498
9.	Aggregate write-ins for investment income	(593,871)	(593,871)
10.	Total gross investment income	225,277,822	217,073,271
11.	Investment expenses		(g) 10,006,569
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) 547,555
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		10,554,124
17.	Net investment income (Line 10 minus Line 16)		206,519,147

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	(593,871)	(593,871)
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)	(593,871)	(593,871)
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 $ 5,669,267 accrual of discount less $ 9,002,453 amortization of premium and less $ 4,115,581 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 $ 18,705 paid for accrued interest on purchases.
(d) Includes $ 2,381,787 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 292 accrual of discount less $ 13,270 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 $ 547,555 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	5,488,559		5,488,559		
1.1	Bonds exempt from U.S. tax	27,146,227	(608,630)	26,537,597	750,148	
1.2	Other bonds (unaffiliated)	25,628,284	(1,001,179)	24,627,105	212,824	4,655,292
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)				(1,209,100)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	649,964		649,964	2,922,543	4,077
2.21	Common stocks of affiliates	4,809,381		4,809,381	56,048,794	
3.	Mortgage loans	(229,611)		(229,611)	(363,415)	
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments	7,444		7,444		
7.	Derivative instruments					
8.	Other invested assets	(5,949,905)	(6,071,851)	(12,021,756)	12,105,782	(178,886)
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	57,550,343	(7,681,660)	49,868,683	70,467,576	4,480,483

	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	10,913,525	15,845,337	4,931,812
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	16,872	(439,911)	(456,783)
15.3 Accrued retrospective premiums	256,096	562,572	306,476
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	36,903,656	48,774,250	11,870,594
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software		5,409,042	5,409,042
21. Furniture and equipment, including health care delivery assets	100,354	263,195	162,841
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	7,401,403	14,419,665	7,018,262
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	55,591,906	84,834,150	29,242,244
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	55,591,906	84,834,150	29,242,244

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. OneBeacon Intangible	3,712,477	8,167,429	4,454,952
2502. Other assets	3,688,926	6,252,236	2,563,310
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	7,401,403	14,419,665	7,018,262

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of New Hampshire, the accompanying financial statements of Peerless 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.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

Acquired Company	Date of Acquisition	% Ownership	Cost	Unamortized Goodwill December 31, 2010	Goodwill Amortization December 31, 2010
Ohio Casualty Corporation	August 24, 2008	8.00%	$173,394,088	$78,219,803	$11,771,227

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

During 2010, the Company participated in direct investment in commercial mortgage loans using an experienced external manager, StanCorp Mortgage Investors.

(1) The maximum and minimum lending rates for mortgage loans during 2010 were 10.25% and 5.24% respectively.
(2) During 2010, the Company did not reduce interest rates of any outstanding mortgage loans.
(3) The maximum loan to value of any loan written during 2010 was 75%.
(4) As of year end, PIC held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued, of $330,557.
  a) Total interest due on mortgages with interest more than 180 days past due was $26,310.
(5) There were $28,754 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
(6) Total recorded investment in impaired loans as of December 31, 2010 was $1,873,162, of which there is a related allowance for credit losses of $639,036.
(7) There was no recorded investment in impaired loans without a related allowance for credit losses.
(8) The average recorded investment in impaired loans was $55,238 for 2010.
(9) There was no interest income recognized for impaired loans during 2010.
(10) There was no interest income recognized on a cash basis for impaired loans during 2010.
(11)
  a) The balance in the allowance for credit losses at the beginning of 2010 was $214,860 and at the beginning of 2009 was $0.
  b) There were $771,139 of additions to the allowance charged to operations in 2010 and $214,860 in 2009.
  c) There were $346,963 of direct write-downs charged against the allowance in 2010 and $0 in 2009.
  d) There were no recoveries of amounts previously charged off.
  e) The balance in the allowance for credit losses was $639,036 in 2010 and $214,860 in 2009.

(12) The Company recognizes interest income on its impaired loans upon receipt.

B. Troubled Debt Restructuring for Creditors

(1) There was $1,765,183 of recorded investment in mortgage loans for which impairment has been recognized.
(2) There was no realized capital loss.
(3) There were no commitments to lend additional funds to debtors owing receivables whose terms have been modified in trouble debt restructuring.
(4) The Company accrues interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. Interest income on non performing loans is generally recognized on a cash basis.

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. Not used.

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:

NOTES TO FINANCIAL STATEMENTS

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
021468AD5	$975,864	$860,343	$115,521	$860,343	$614,366	6/30/2009
021468AD5	1,554,886	1,520,246	34,640	1,520,246	1,575,844	9/30/2010
021468AD5	825,703	821,910	3,793	821,910	787,982	12/31/2010
02147XAN7	3,111,215	2,978,630	132,585	2,978,630	2,858,884	9/30/2010
02147XAN7	1,802,301	1,793,640	8,661	1,793,640	1,419,916	12/31/2010
76200RAG3	5,654,887	5,405,828	249,059	5,405,828	5,089,692	12/31/2010
74958YAA0	$1,999,531	$1,878,500	$121,031	$1,878,500	$1,713,250	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	$(784,411)	$(2,684,456)
Fair Value of Securities with Unrealized Losses	$92,457,557	$32,234,536

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

E. Repurchase Agreements and Securities Lending

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

2. The Company maintained collateral for loaned securities.

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

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

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

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	$ 70,893,765
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	70,893,765
Securities Received	7,308,959
Total Collateral Received	$ 78,202,724

4. Securities Lending Transactions Administered by an Affiliated Agent

   Not applicable

5. Collateral Reinvestment

   a. Aggregate Amount Cash Collateral Reinvested

NOTES TO FINANCIAL STATEMENTS

	Amortized Cost	Fair Value
Open	-	-
30 Days or Less	$ 37,956,384	$ 37,957,240
31 to 60 Days	30,494,547	30,495,969
61 to 90 Days	2,439,718	2,440,556
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	70,890,648	70,893,765
Securities Received	7,308,959	7,308,959
Total Collateral Reinvested	$ 78,199,608	$ 78,202,724

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

F. Real Estate

1. The Company did not recognize any impairments on real estate during the year.

2. The Company has not sold or classified real estate investments as held for sale.

3. The Company has not experienced any changes to a plan of sale for investment in real estate.

4. The Company does not engage in retail land sale operations.

5. The Company does not hold real estate investments with participating mortgage loan features.

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 that exceed 10% of its admitted assets.

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 realized impairment losses of $6,071,851 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.

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:

NOTES TO FINANCIAL STATEMENTS

	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	197,531,334	18,786,206	216,317,540	211,782,604	29,999,187	241,781,791	(14,251,270)	(11,212,981)	(25,464,251)
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	197,531,334	18,786,206	216,317,540	211,782,604	29,999,187	241,781,791	(14,251,270)	(11,212,981)	(25,464,251)
Deferred Tax Liabilities	(27,535,542)	(6,026,198)	(33,561,740)	(25,768,721)	(307,220)	(26,075,941)	(1,766,821)	(5,718,978)	(7,485,799)
Net DTA (DTL)	169,995,792	12,760,008	182,755,800	186,013,883	29,691,967	215,705,850	(16,018,091)	(16,931,959)	(32,950,050)
Deferred Tax Assets Nonadmitted	(35,828,081)	(1,075,575)	(36,903,656)	(48,774,183)	(67)	(48,774,250)	12,946,102	(1,075,508)	11,870,594
Net Admitted DTA (DTL)	134,167,711	11,684,433	145,852,144	137,239,700	29,691,900	166,931,600	(3,071,989)	(18,007,467)	(21,079,456)

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.)	101,992,262	10,859,303	112,851,566	112,147,000	2,071,000	114,218,000	(10,154,738)	8,788,303	(1,366,435)
Lesser of:									
Expected to be recognized within one year (10bi.)	6,295,950	0	6,295,950	7,817,930	27,620,900	35,438,830	(1,521,980)	(27,620,900)	(29,142,880)
10% of adjusted capital and surplus (10bii.)			129,660,638			216,641,429			
Adj. gross DTAs offset against existing DTLs (10c.)	27,535,542	6,026,198	33,561,740	25,768,721	307,220	26,075,941	1,766,821	5,718,978	7,485,799
Total	135,823,754	16,885,501	152,709,255	145,733,651	29,999,120	175,732,771	(9,909,897)	(13,113,619)	(23,023,516)

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.)	103,065,667	11,684,433	114,750,100	124,675,000	2,071,000	126,746,000	(21,609,333)	9,613,433	(11,995,900)
Lesser of:									
Expected to be recognized within three years (10eiia.)	31,102,044	0	31,102,044	12,564,700	27,620,900	40,185,600	18,537,344	(27,620,900)	(9,083,556)
15% of adjusted capital and surplus (10eiib.)			194,490,957			324,962,143			
Adj. gross DTAs offset against existing DTLs (10eiii.)	27,535,542	6,026,198	33,561,740	25,768,721	307,220	26,075,941	1,766,821	5,718,978	7,485,799
Total	161,703,253	17,710,631	179,413,884	163,008,421	29,999,120	193,007,541	(1,305,168)	(12,288,489)	(13,593,657)

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2010	December 31, 2009	Change
Total Adjusted Capital	1,750,970,701	2,392,070,155	(641,099,453)
Authorized Control Level	348,672,512	360,281,933	(11,609,422)

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	108,288,212	10,859,303	119,147,515	119,964,930	29,691,900	149,656,830	(11,676,718)	(18,832,597)	(30,509,315)
Admitted Assets			7,393,788,270			8,359,966,779			(966,178,509)
Adjusted Statutory Surplus			1,750,970,701			2,392,070,155			(641,099,453)
Total Adjusted Capital from DTAs			1,750,970,701			2,392,070,155			(641,099,453)

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	25,879,499	825,130	26,704,629	17,274,770	0	17,274,770	8,604,729	825,130	9,429,859
Admitted Assets			7,420,492,899			8,377,241,549			(956,748,650)
Adjusted Statutory Surplus			1,777,675,330			2,409,344,924			(631,669,594)
Total Adjusted Capital from DTAs			1,777,675,330			2,409,344,924			(631,669,594)

	December 31, 2010		
	(1)	(2)	(3)
Impact of Tax Planning Strategies			(Col 1 + 2)
	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%	0%	0%

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	5,115,645	105,839,007
Foreign	0	0
Realized capital gains	15,770,755	(7,343,257)
Federal and foreign income taxes incurred	20,886,400	98,495,750

The Company’s deferred tax assets and liabilities result primarily from unearned premiums, discounting of unpaid losses and LAE reserves, non-admitted assets, permanent impairments, income and loss from partnerships, accrual of market discount and deferred intercompany transactions.

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

	2010
Change in net deferred income tax (without unrealized gain or loss)	(26,341,955)
Change in tax effect of unrealized (gains) losses	(6,608,095)
Total change in net deferred income tax	(32,950,050)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, goodwill, discounting of unpaid losses and LAE reserves, deferred intercompany transactions, return to provision adjustments, unearned premiums, permanent impairments and accrual of market discount.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $29,359,400 from the current year and $94,348,797 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
Copley Venture Capital, Inc.
Diversified Settlements, Inc.
Employers Insurance Company of Wausau

NOTES TO FINANCIAL STATEMENTS

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

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

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual 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. As of December 31, 2010, the Company had the following capital transactions with its parent and subsidiaries:

1. Received capital contributions of $210,000,000 from its parent, Liberty Mutual Agency Corporation.

2. Contributed capital in the amount of $14,423,795.

3. Received dividends in the amount of $415,073.

D. At December 31, 2010, the Company reported a net $189,767,129 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.

NOTES TO FINANCIAL STATEMENTS

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 a number of affiliates. The Agreement allows the Company 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.

The Company is a party to a service agreement with Employers Insurance Company of Wausau, Wausau Business Insurance Company, Wausau General Insurance Company and Wausau Underwriters Insurance Company (collectively known as "Wausau") whereby Wausau provides services to the Company.

The Company is a party to an investment management agreement with Liberty Mutual Group Inc. ("LMGI"), investment management agreements with Liberty Mutual Investment Advisors LLC ("LMIA") and cash management agreements with 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 entered into a management agreement with Liberty Mutual Mid-Atlantic Insurance Company, to provide services related to common management functions including, but not limited to, coordinating marketing and advertising, actuarial support, and accounting, 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 $150,000,000 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.

The Company is party to a Reciprocal Claims Services Agreement with LMIC and member companies.

The Company is party to a National Markets Claims Services Agreement with LMIC.

The Company is party to a Middle Markets Claims Services Agreement with LMIC.

The Company is party to a Claims Services Agreement with LMIC.

On June 30, 2010, the Company entered into an aggregate stop-loss reinsurance agreement with an affiliate, Liberty Mutual Insurance Company ("LMIC"). Pursuant to the agreement, LMIC will indemnify the Company, on an incurred basis, against adverse development in the Company's legacy run-off liability exposures, which includes any failure to fully realize reinsurance recoverables, whether due to coverage disputes or inability to pay. The agreement provides that, if at any time commencing in July 1, 2010, the Company's total legacy run-off liability exposures develop adversely from the amounts established as of June 30, 2010, LMIC will pay to the Company an amount equal to such adverse development, up to an aggregate amount of $500 million.

The agreement will terminate upon the earlier of the time that there are no liabilities for the Company's legacy run-off exposures remaining or the second anniversary of the date that the aggregate net payments made by LMIC under the agreement equal $500 million if the parties agree that no reinsurance refunds are likely to become due. The agreement may only be amended or assigned with the written consent of both parties.

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 did not recognize any impairment write down for its investments in subsidiary, controlled, or affiliated entities during the statement period.

K. The Company does not hold 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.

NOTES TO FINANCIAL STATEMENTS

B. Federal Home Loan Bank Agreements

On May 11, 2010, the Company became a member of the Federal Home Loan Bank of Boston. To date, no funds have been borrowed.

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 $11,216,656. The CBP pension costs are subject to the inter-company pooling agreement described in Note 26. These costs amounted to $1,754,183 and $359,354 in 2010 and 2009, respectively. Also, a CBP additional minimum liability of $0 and $1,250,932, 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, Shareholders' Dividend Restrictions and Quasi-Reorganizations

1. The Company has 5,000,000 common shares authorized, and 3,524,456 shares issued and outstanding as of December 31, 2010. All shares have a stated par value of $2.50.

   The Company has 113,043 preferred shares authorized, but no shares issued and outstanding as of December 31, 2010. All shares have a stated par value of $2.50.

2. Preferred Stock

   Not applicable

3. The Company has no dividend restrictions.

4. The Company paid dividends to its parent in 2010 of:

	Ordinary	Extraordinary	Total Dividends
March	$240,934,492	$535,065,508	$776,000,000
June		104,270,097	104,270,097
August		207,000,000	207,000,000
Total	$240,934,492	$846,335,605	$1,087,270,097

5. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of surplus. The maximum dividend payout that may be made without prior approval in 2011 is $177,767,533.

6. As of December 31, 2010, the Company has restricted surplus of $26,704,629 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 $5,450,505 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 $(216,772,759) after applicable deferred taxes of $2,400,543.

11. Surplus Notes

    Not applicable

12. Quasi re-organization (dollar impact)

    Not applicable

NOTES TO FINANCIAL STATEMENTS

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 $11,479,071 that is offset by future premium tax credits of $2,100,403. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies.

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

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

C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$1,070,000

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

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

Indicate whether claim count information is disclosed per claim or per claimant.
(f) Per Claim [X]   (g) Per Claimant [ ]

E. All Other Contingencies

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

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

Pursuant to North Carolina General Statute #58-36-25, the potential interest payable to policyholders for the 2010 Private Passenger Automobile Escrow was $57,222.

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.

NOTES TO FINANCIAL STATEMENTS

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

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2011	$1,429,482	$10,060,946
2012	1,429,482	9,933,538
2013	1,429,482	6,694,435
2014	119,123	6,279,065
2015	0	3,499,558
2016 & thereafter	0	5,001,945
Total	$4,407,569	$41,469,487

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 $75,810,657, with corresponding collateral value of $78,202,724 of which $70,893,765 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

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 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 $267,120.

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	-	$ 36,239,020	-	$ 36,239,020
Residential Mortgage-Backed Securities	-	$ 6,765,935	-	$ 6,765,935
Total Bonds	-	$ 43,004,955	-	$ 43,004,955
Preferred Stocks				
Industrial and Miscellaneous (Unaffiliated)	-	$ 53,544,500	-	$ 53,544,500
Total Preferred Stocks	-	$ 53,544,500	-	$ 53,544,500
Common Stocks				
Industrial and Miscellaneous	$ 57,121,743	-	$ 4,180,900	$ 61,302,643
Total Common Stocks	$ 57,121,743	-	$ 4,180,900	$ 61,302,643
Total assets at fair value	$ 57,121,743	$ 96,549,455	$ 4,180,900	$ 157,852,098
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 following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

	1	2	3	4	5	6	7
	Balance at 12/31/2009	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases, issuances, sales and settlements	Balance at 12/31/2010
Bonds	-	-	-	-	-	-	-
Preferred Stock	-	-	-	-	-	-	-
Common Stock	-	-	-	-	-	$ 4,180,900	$ 4,180,900
Total	-	-	-	-	-	$ 4,180,900	$ 4,180,900

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.

NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

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 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 $594,946,454 and $372,909,441 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 $649,903 at December 31, 2010.

3) Interrogatory 6.1

In 2010, as the lead company in the inter-company pool, the Company purchased Workers' Compensation Catastrophe XOL reinsurance with limits of $110,000,000 part of $200,000,000 xs $100,000,000, covering its direct and assumed from affiliates workers' compensation business.

Interrogatory 6.3

In 2010, as the lead company in the inter-company pool, the Company purchased traditional Property Catastrophe XOL reinsurance, with limits of $742,500,000 part of $825,000,000 xs $500,000,000 covering its 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

(1) Carrying value of transferable state tax credits gross of any related state 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
Production Tax Credit	CT	$900,000	$900,000
Historical Rehabilitation Credit	OK	$113,750	$113,750
Total		$1,013,750	$1,013,750

NOTES TO FINANCIAL STATEMENTS

(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 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, the following are the unsecured reinsurance recoverables or ceded unearned premium of an individual reinsurer which exceed 3% of policyholder’s surplus.

Reinsurer	NAIC No.	Federal ID No.	Recoverable Amount
SWISS REINS AMER CORP	25364	13-1675535	-
WESTPORT INS CORP	39845	48-0921045	-
NORTH AMER SPECIALTY INS CO	29874	02-0311919	-
SWISS RE LIFE & HLTH AMER INC	82627	06-0839705	-
SWISS RE FRANKONA REINS LTD	00000	AA-1120643	-
SWISS RE FRANKONA RUECKVERSICHERUNGS AG	00000	AA-1340090	-
SWISS REINS CO (UK) LTD	00000	AA-1121400	-
NORTH AMER ELITE INS CO	29700	13-3440360	-
EUROPEAN REINS CO OF ZURICH	00000	AA-1460045	-
MERCANTILE & GENERAL REINS CO LTD	00000	AA-1120950	-
UNION RUCKVERSICHERUNGS GESELLSCHAFT	00000	AA-1460155	-
Swiss Re Group (NAIC Code: 181)			$243,236,495
GENERAL REINS CORP	22039	13-2673100	-
NATIONAL REINS CORP	34835	13-1988169	-
ALLIED WORLD REINS CO	22730	06-1182357	-
FINIAL REINS CO	39136	06-1325038	-
NATIONAL IND CO	20087	47-0355979	-
COLOGNE REINS CO OF AMER	33197	06-0949141	-
NORTH STAR REINS CORP	22047	13-2930109	-
GENERAL STAR IND CO	37362	06-0876629	-
Berkshire Hathaway Group (NAIC Code: 31)			$131,470,021
MUNICH REINS AMER INC	10227	13-4924125	-
HARTFORD STEAM BOIL INSPEC & INS CO	11452	06-0384680	-
MUNCHENER RUCKVERSICHERUNGS GESELLSCHAFT	00000	AA-1340165	-
Munich Re Group (NAIC Code: 361)			$76,114,361
MICHIGAN CATASTROPHIC CLAIMS ASSN	00000	AA-9991159	$102,701,913

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.

NOTES TO FINANCIAL STATEMENTS

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	$4,282,083,590	$642,303,456	$3,630,161,958	$544,524,294	$651,921,632	$97,779,162
All Other	79,697,611	12,147,216	54,318,738	13,724,819	25,378,873	(1,577,603)
Total	$4,361,781,201	$654,450,671	$3,684,480,696	$558,249,112	$677,300,505	$96,201,559

Direct Unearned Premium Reserve: $545,695,235

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	$239,698,564	$20,671,595	$(194,756,879)	$65,613,280
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	$239,698,564	$20,671,595	$(194,756,879)	$65,613,280

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

Income Statement Classification	Amount
Losses Incurred	$9,555
Loss Expenses Incurred	-
Other	150,000
Total	$159,555
Reinsurer	Amount
Florida Hurricane CAT Fund	$9,555
Other	150,000
Total	$159,555

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	$508,403,066	$388,749,280
	2. Adjustments – Prior Year(s)	(398,635,525)	(301,678,991)
	3. Adjustments – Current Year	(644,135)	(1,987,945)
	4. Total	$109,123,406	$85,082,343
b.	Consideration Paid or Received:		
	1. Initial	$508,403,066	$409,941,026
	2. Adjustments – Prior Year(s)	14,892,933	11,139,914
	3. Adjustments – Current Year	-	-
	4. Total	$523,295,999	$421,080,940
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	$489,653,282	$368,163,447
	3. Adjustments – Current Year	6,223,977	6,631,285
	4. Total	$495,877,259	$374,794,732
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	-	$24,880,681
	2. Adjustments – Prior Year(s)	$(76,124,824)	(55,344,542)

NOTES TO FINANCIAL STATEMENTS

	3. Adjustments – Current Year	(5,579,842)	(4,643,340)
	4. Current Year Special Surplus	-	(5,450,505)
	5. Cumulative Total Transferred to Unassigned Funds	$(81,704,666)	$(29,656,695)
e.	All cedents and reinsurers included in the above transactions:		
	Great American Insurance Company	$109,123,406	-
	Westport Insurance Corporation	-	$12,605,692
	Lloyds Of London	-	60,266
	Lloyd's Syndicate Number 138	-	15,683
	Lloyd's Syndicate Number 183	-	44,748
	Lloyd's Syndicate Number 227	-	44,748
	Lloyd's Syndicate Number 1003	-	19,688
	Lloyd's Syndicate Number 1007	-	31,357
	Lloyd's Syndicate Number 1047	-	44,748
	Lloyd's Syndicate Number 1096	-	35,803
	Lloyd's Syndicate Number 1173	-	94,079
	Lloyd's Syndicate Number 1212	-	134,269
	Lloyd's Syndicate Number 2027	-	67,128
	Lloyd's Syndicate Number 2003	-	69,808
	Lloyd's Syndicate Number 1218	-	44,748
	Lloyd's Syndicate Number 2020	-	89,509
	Lloyd's Syndicate Number 1241	-	89,509
	Lloyd's Syndicate Number 1415	-	22,380
	Lloyd's Syndicate Number 1900	-	111,876
	Lloyd's Syndicate Number 1223	-	44,748
	Lloyd's Syndicate Number 1204	-	67,128
	American Security Insurance Company	-	79,800
	Everest Reinsurance Company	-	(100,890)
	Zurich Insurance Company UK LTD	-	5,539
	American Economy Insurance Company	-	5,342,458
	American Fire and Casualty Company	-	572,406
	American States Insurance Company	-	7,250,479
	American States Preferred Insurance Company	-	763,208
	First National Insurance Company of America	-	763,208
	General Insurance Company of America	-	8,776,896
	Golden Eagle Insurance Corporation	-	2,862,031
	Indiana Insurance Company	-	4,579,250
	Peerless Indemnity Insurance Company	-	2,862,031
	Peerless Insurance Company	-	-
	Safeco Insurance Company of America	-	14,500,958
	Safeco Insurance Company of Illinois	-	1,908,021
	The Netherlands Insurance Company	-	1,717,219
	The Ohio Casualty Insurance Company	-	19,461,813
	Total	$109,123,406	$85,082,343

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 deposit type agreements 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.

NOTES TO FINANCIAL STATEMENTS

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	$2,564,632
b.	Unsecured amount	
c.	Less: Non-admitted amount (10%)	256,096
d.	Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e.	Admitted amount (a) - (c) - (d)	$2,308,536

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 $30,623,556 during 2010. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $7,592,975, Fidelity/Surety $24,571,303, and Private Passenger Auto Liability $28,102,861 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 $14,447678, Other Liabaility-Including Credit, Accident and Health $9,757,737, and Nonproportional Assumed Liability $7,624,840. 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%	

NOTES TO FINANCIAL STATEMENTS

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.

(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 $30,708,964 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 $30,708,964 as of December 31, 2010.

NOTES TO FINANCIAL STATEMENTS

B. Not applicable

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

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

Note 31 - High Dollar Deductible Policies

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 $34,209,615 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

NOTES TO FINANCIAL STATEMENTS

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 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	37,375,602	43,213,164	41,270,937	42,180,352	39,463,233
Incurred losses and LAE	8,891,887	2,360,267	6,215,660	538,695	(3,267)
Calendar year payments	3,054,326	4,302,494	4,802,238	3,255,814	3,948,086
Ending Reserves	43,213,163	41,270,937	42,684,359	39,463,233	35,511,880
Assumed Reinsurance Basis					
Beginning Reserves	27,511,865	27,138,629	33,517,404	28,690,658	39,969,251
Incurred losses and LAE	1,188,723	7,722,629	(1,138,881)	14,182,412	(14,053)
Calendar year payments	1,561,959	2,600,044	3,687,866	2,903,818	5,081,133
Ending Reserves	27,138,629	32,261,214	28,690,657	39,969,252	34,874,065
Net of Ceded Reinsurance Basis					
Beginning Reserves	53,433,519	56,831,832	60,191,920	57,742,584	67,991,210
Incurred losses and LAE	7,591,222	8,337,913	3,034,640	16,012,836	31,997
Calendar year payments	4,192,909	5,746,951	5,483,975	5,764,210	8,218,728
Ending Reserves	56,831,832	59,422,794	57,742,585	67,991,210	59,804,479

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	21,339,785
Assumed Reinsurance Basis	19,863,273
Net of Ceded Reinsurance Basis	38,275,468
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	11,256,752
Assumed Reinsurance Basis	185,713
Net of Ceded Reinsurance Basis	9,339,249

Environmental:	2006	2007	2008	2009	2010
Direct Basis					
Beginning Reserves	50,582,235	49,280,834	46,855,257	40,029,408	34,098,413
Incurred losses and LAE	4,653,372	12,965,630	1,031,658	(1,737,580)	(182,367)
Calendar year payments	5,954,773	9,369,577	7,857,506	4,193,415	3,394,198
Ending Reserves	49,280,834	52,876,887	40,029,409	34,098,413	30,521,848

NOTES TO FINANCIAL STATEMENTS

Assumed Reinsurance Basis					
Beginning Reserves	10,253,404	9,255,899	8,996,258	8,650,537	6,226,862
Incurred losses and LAE	203,963	135,195	506	(2,204,682)	114,616
Calendar year payments	1,201,469	236,026	346,228	218,993	643,404
Ending Reserves	9,255,898	9,155,068	8,650,536	6,226,862	5,698,074
Net of Ceded Reinsurance Basis					
Beginning Reserves	55,362,463	51,549,592	51,546,979	43,962,466	35,169,057
Incurred losses and LAE	2,762,231	14,305,527	(907,654)	(4,645,665)	19,595
Calendar year payments	6,575,101	7,950,502	6,676,859	4,147,744	3,872,137
Ending Reserves	51,549,593	57,904,617	43,962,466	35,169,057	31,316,515

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	17,810,113
Assumed Reinsurance Basis	3,517,050
Net of Ceded Reinsurance Basis	17,884,545
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	7,435,760
Assumed Reinsurance Basis	28,081
Net of Ceded Reinsurance Basis	6,983,475

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? New Hampshire

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

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008

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). 05/28/2010

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

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

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

GENERAL INTERROGATORIES

INVESTMENT

23.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 23.3) Yes [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. $ 78,192,196

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	$ 594,946,454
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 [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005
Bank of New York	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 [ ] No [X]

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	03/01/2010	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
N/A	Stancorp Mortgage Investors	1100 SW Sixth Avenue, Portland, OR 97204

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	4,005,162,929	4,168,919,625	163,756,696
29.2 Preferred stocks	55,126,940	56,445,540	1,318,600
29.3 Totals	4,060,289,869	4,225,365,165	165,075,296

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? $ 530,062

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
Insurance Services Office Inc	487,479
	0
	0

33.1 Amount of payments for legal expenses, if any? $ 860,487

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? $ 61,482

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	$ 1,789,151
2.2	Premium Denominator	$ 2,599,173,358	$ 2,640,085,520
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 12,699,599	$ 1,959,226
2.5	Reserve Denominator	$ 3,988,876,125	$ 4,481,212,936
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	$ 4,398,312
3.22	Non-participating policies	$ 1,099,045,716

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 [X] No [ ]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [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 [X] No [ ]

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

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [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 $ 10,375,164
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 1,297,135

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? $ 302,400

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 $ 211,100,375
12.62 Collateral and other funds $ 62,365,898

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 90,682,200

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)	4,348,696,044	5,502,241,216	3,341,655,051	1,721,887,757	1,663,078,784
2.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	2,094,280,352	2,492,748,247	890,604,875	553,904,215	531,494,192
3.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,551,922,527	4,234,106,509	2,273,319,033	1,536,879,494	1,507,929,095
4.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	763,947,049	1,007,375,003	588,077,708	1,132,476	8,674,958
5.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	101,324	447			
6.	Total (Line 35)	10,758,947,296	13,236,471,422	7,093,656,667	3,813,803,942	3,711,177,029
	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)	1,083,788,422	1,203,777,911	1,176,509,499	1,210,850,841	1,162,799,809
8.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	521,044,350	558,694,420	288,317,217	381,150,394	365,586,931
9.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	867,865,058	797,777,742	668,664,285	1,041,822,458	1,015,143,519
10.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	184,097,912	205,445,421	245,999,332	803,263	6,164,488
11.	Nonproportional reinsurance lines (Lines 31, 32 & 33)		27			
12.	Total (Line 35)	2,656,795,742	2,765,695,521	2,379,490,333	2,634,626,956	2,549,694,747
	Statement of Income (Page 4)					
13.	Net underwriting gain (loss) (Line 8)	(37,497,227)	111,053,844	75,006,667	43,110,722	7,403,355
14.	Net investment gain (loss) (Line 11)	240,617,073	227,521,942	231,368,996	226,431,795	678,576,356
15.	Total other income (Line 15)	(28,460,537)	(8,145,894)	(28,014,503)	4,580,943	9,111,147
16.	Dividends to policyholders (Line 17)	(888,116)	11,295,896	16,399,916	6,146,290	6,871,671
17.	Federal and foreign income taxes incurred (Line 19)	5,115,645	105,839,007	75,271,088	79,977,829	108,737,255
18.	Net income (Line 20)	170,431,780	213,294,989	186,690,156	187,999,341	579,481,932
	Balance Sheet Lines (Pages 2 and 3)					
19.	Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	7,420,492,899	8,377,241,549	7,069,023,987	6,025,003,036	5,707,896,863
20.	Premiums and considerations (Page 2, Col. 3)					
	20.1 In course of collection (Line 15.1)	94,609,867	104,541,562	86,666,006	124,068,478	171,360,719
	20.2 Deferred and not yet due (Line 15.2)	967,205,954	894,771,266	661,742,596	659,743,600	617,491,263
	20.3 Accrued retrospective premiums (Line 15.3)	2,308,536	4,115,082	12,874,039	6,829,238	8,148,722
21.	Total liabilities excluding protected cell business (Page 3, Line 26)	5,642,817,569	5,967,896,625	5,049,956,580	4,554,695,451	4,488,676,760
22.	Losses (Page 3, Line 1)	2,250,497,523	2,368,875,142	2,482,289,010	2,248,032,435	2,081,607,322
23.	Loss adjustment expenses (Page 3, Line 3)	502,280,553	563,987,478	568,418,457	514,461,445	477,618,586
24.	Unearned premiums (Page 3, Line 9)	1,222,995,740	1,159,485,799	1,062,378,685	1,200,138,518	1,121,458,176
25.	Capital paid up (Page 3, Lines 30 & 31)	8,848,635	8,848,635	8,848,635	8,848,635	8,848,635
26.	Surplus as regards policyholders (Page 3, Line 37)	1,777,675,330	2,409,344,924	2,019,067,407	1,470,307,585	1,219,220,103
	Cash Flow (Page 5)					
27.	Net cash from operations (Line 11)	(187,953,149)	167,282,626	534,551,630	513,937,304	1,436,392,548
	Risk-Based Capital Analysis					
28.	Total adjusted capital	1,777,675,330	2,409,344,924	2,019,067,407	1,470,307,585	1,219,220,103
29.	Authorized control level risk-based capital	348,747,336	360,340,526	360,631,272	285,104,975	227,339,457
	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)	68.9	73.7	74.4	79.5	83.4
31.	Stocks (Lines 2.1 & 2.2)	21.6	18.5	19.7	16.5	10.2
32.	Mortgage loans on real estate (Lines 3.1 and 3.2)	2.4	1.9	2.0	0.5	0.3
33.	Real estate (Lines 4.1, 4.2 & 4.3)	0.1	0.1	0.1	0.1	0.1
34.	Cash, cash equivalents and short-term investments (Line 5)	5.4	4.9	2.8	2.4	5.0
35.	Contract loans (Line 6)					
36.	Derivatives (Line 7)		XXX	XXX	XXX	XXX
37.	Other invested assets (Line 8)	0.2	1.0	1.1	0.9	0.5
38.	Receivables for securities (Line 9)	0.0			0.0	0.4
39.	Securities lending reinvested collateral assets (Line 10)	1.3	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)		14,367,920	14,367,920		
44.	Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	1,051,840,464	1,080,828,590	957,386,920	556,575,175	219,463,709
45.	Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46.	Affiliated mortgage loans on real estate					
47.	All other affiliated					
48.	Total of above Lines 42 to 47	1,051,840,464	1,095,196,510	971,754,840	556,575,175	219,463,709
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)	59.2	45.5	48.1	37.9	18.0

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)	63,859,482	159,361,186	(63,572,475)	(32,556,720)	(469,385,832)
51. Dividends to stockholders (Line 35)	(1,087,270,097)				(67,370,072)
52. Change in surplus as regards policyholders for the year (Line 38)	(631,669,594)	390,277,517	548,759,822	251,087,482	202,558,174
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)	3,238,365,280	(211,888,056)	(1,032,495,791)	811,136,570	199,609,231
54. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,062,145,551	1,005,318,086	402,783,851	245,117,875	212,967,675
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,921,266,867	1,225,018,873	774,628,585	661,633,827	622,066,994
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	145,057,226	(16,258,447)	(61,368,197)	189,387	2,232,590
57. Nonproportional reinsurance lines (Lines 31, 32 & 33)	22,590,406	(205,135,158)	24,953	146,543	(523,929)
58. Total (Line 35)	6,389,425,330	1,797,055,298	83,573,401	1,718,224,202	1,036,352,561
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)	803,359,317	728,746,061	363,905,605	539,025,911	92,563,777
60. Property lines (Lines 1, 2, 9, 12, 21 & 26)	267,003,448	262,985,915	176,985,694	166,900,853	146,579,748
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	462,532,552	478,434,177	559,640,613	438,747,467	395,972,566
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	36,429,413	29,040,723	(19,452,104)	241,020	1,419,368
63. Nonproportional reinsurance lines (Lines 31, 32 & 33)	5,395,568	(46,870,018)	231,416	103,943	(371,623)
64. Total (Line 35)	1,574,720,298	1,452,336,858	1,081,311,224	1,145,019,194	636,163,836
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	33.9	32.0	36.9	34.4	31.5
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)	149.5	114.8	117.9	179.2	209.1
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)	(30,610)	(194,378)	(223,610)	(191,348)	(38,121)
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)	(1.3)	(9.6)	(15.2)	(15.7)	(3.8)
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)	(155,396)	(280,089)	(386,263)	(159,792)	13,250
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)	(7.7)	(19.1)	(31.7)	(15.7)	1.5

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	34,881	3,513	9,666	280	2,115	323	855	42,546	X X X
2. 2001	2,112,825	131,179	1,981,646	1,352,949	94,594	99,897	5,367	165,514	5,237	74,992	1,513,162	X X X
3. 2002	2,297,440	225,857	2,071,583	1,263,102	124,987	94,579	8,699	162,445	7,980	74,476	1,378,460	X X X
4. 2003	2,508,214	209,485	2,298,729	1,222,111	105,327	84,889	6,176	183,478	8,408	75,627	1,370,567	X X X
5. 2004	2,699,249	148,927	2,550,322	1,252,462	50,249	77,215	2,791	179,965	3,759	94,721	1,452,843	X X X
6. 2005	2,812,007	113,894	2,698,113	1,275,162	50,549	79,567	2,994	188,577	2,756	89,542	1,487,007	X X X
7. 2006	2,808,281	125,420	2,682,861	1,260,588	28,450	73,696	3,516	189,380	4,068	76,419	1,487,630	X X X
8. 2007	2,866,324	139,986	2,726,338	1,247,967	27,367	64,666	2,943	186,987	2,515	78,673	1,466,795	X X X
9. 2008	2,860,692	106,354	2,754,338	1,331,797	39,940	52,136	2,465	205,541	1,914	69,577	1,545,155	X X X
10. 2009	2,683,953	167,854	2,516,099	1,007,640	69,429	27,554	3,171	175,937	1,215	59,628	1,137,316	X X X
11. 2010	2,652,817	53,642	2,599,175	722,644	3,501	10,520	212	163,574	164	36,445	892,861	X X X
12. Totals	X X X	X X X	X X X	11,971,303	597,906	674,385	38,614	1,803,513	38,339	730,955	13,774,342	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	300,185	106,427	178,404	21,612	10,815	2,411	34,602	4,045	27,743	616	9,442	416,638	X X X
2. 2001	28,772	4,970	8,231	2,129	492	30	3,616	350	2,132	59	1,309	35,705	X X X
3. 2002	33,562	6,217	8,686	1,747	717	62	3,627	295	2,274	49	1,399	40,496	X X X
4. 2003	26,483	5,694	11,561	1,492	756	6	5,347	274	2,671	39	1,675	39,313	X X X
5. 2004	31,771	6,764	18,305	1,913	769	5	5,909	320	2,868	56	4,725	50,564	X X X
6. 2005	42,171	3,662	22,765	2,581	1,383	6	10,198	491	4,312	46	5,729	74,043	X X X
7. 2006	73,247	4,346	26,794	4,686	2,064	8	15,763	858	6,977	41	12,672	114,906	X X X
8. 2007	128,965	3,557	46,275	7,887	3,742	11	24,931	1,223	12,853	44	10,137	204,044	X X X
9. 2008	183,477	2,912	104,225	13,407	6,098	22	46,137	2,347	18,389	86	23,400	339,552	X X X
10. 2009	254,984	6,026	181,789	12,414	5,423	187	63,678	3,679	31,051	67	34,082	514,552	X X X
11. 2010	402,820	2,245	363,316	3,597	4,224	2	89,640	229	69,034		55,908	922,961	X X X
12. Totals	1,506,437	152,820	970,351	73,465	36,483	2,750	303,448	14,111	180,304	1,103	160,478	2,752,774	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	350,550	66,088
2. 2001	1,661,603	112,736	1,548,867	78.644	85.941	78.161			25.200	29,904	5,801
3. 2002	1,568,992	150,036	1,418,956	68.293	66.430	68.496			25.200	34,284	6,212
4. 2003	1,537,296	127,416	1,409,880	61.290	60.823	61.333			25.200	30,858	8,455
5. 2004	1,569,264	65,857	1,503,407	58.137	44.221	58.950			25.200	41,399	9,165
6. 2005	1,624,135	63,085	1,561,050	57.757	55.389	57.857			25.200	58,693	15,350
7. 2006	1,648,509	45,973	1,602,536	58.702	36.655	59.732			25.200	91,009	23,897
8. 2007	1,716,386	45,547	1,670,839	59.881	32.537	61.285			25.200	163,796	40,248
9. 2008	1,947,800	63,093	1,884,707	68.088	59.324	68.427			25.200	271,383	68,169
10. 2009	1,748,056	96,188	1,651,868	65.130	57.305	65.652			25.200	418,333	96,219
11. 2010	1,825,772	9,950	1,815,822	68.824	18.549	69.861			25.200	760,294	162,667
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	2,250,503	502,271

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	One Year	Two Year
1. Prior	1,277,331	1,329,633	1,410,898	1,421,192	1,464,537	1,486,901	1,496,377	1,477,296	1,535,122	1,568,551	33,429	91,255
2. 2001	1,383,784	1,376,337	1,385,571	1,389,866	1,390,527	1,385,889	1,392,464	1,380,407	1,390,279	1,388,583	(1,696)	8,176
3. 2002	X X X	1,326,540	1,319,772	1,307,849	1,280,200	1,275,577	1,265,251	1,256,767	1,264,478	1,264,221	(257)	7,454
4. 2003	X X X	X X X	1,306,554	1,282,606	1,250,654	1,244,188	1,252,779	1,243,145	1,238,598	1,233,592	(5,006)	(9,553)
5. 2004	X X X	X X X	X X X	1,469,365	1,433,716	1,415,053	1,353,486	1,345,252	1,329,734	1,326,135	(3,599)	(19,117)
6. 2005	X X X	X X X	X X X	X X X	1,533,320	1,474,982	1,402,061	1,393,134	1,376,157	1,372,466	(3,691)	(20,668)
7. 2006	X X X	X X X	X X X	X X X	X X X	1,509,027	1,478,246	1,439,641	1,407,459	1,412,072	4,613	(27,569)
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	1,617,471	1,574,566	1,476,120	1,475,352	(768)	(99,214)
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,750,706	1,671,080	1,664,546	(6,534)	(86,160)
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,494,514	1,447,413	(47,101)	X X X
11. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,583,988	X X X	X X X
										12. Totals	(30,610)	(155,396)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
1. Prior	000	393,735	643,610	797,165	904,157	981,071	1,038,658	1,087,779	1,119,974	1,160,728	X X X	X X X
2. 2001	686,171	993,122	1,134,760	1,224,801	1,275,218	1,305,046	1,322,501	1,337,049	1,345,542	1,352,885	X X X	X X X
3. 2002	X X X	604,540	884,950	1,018,457	1,111,739	1,159,429	1,187,036	1,204,498	1,213,917	1,223,995	X X X	X X X
4. 2003	X X X	X X X	610,032	878,474	1,007,174	1,091,128	1,147,812	1,172,558	1,187,455	1,195,497	X X X	X X X
5. 2004	X X X	X X X	X X X	632,942	950,544	1,098,675	1,186,661	1,238,631	1,264,315	1,276,637	X X X	X X X
6. 2005	X X X	X X X	X X X	X X X	647,978	962,129	1,112,554	1,210,318	1,271,559	1,301,186	X X X	X X X
7. 2006	X X X	X X X	X X X	X X X	X X X	659,915	980,432	1,120,002	1,232,691	1,302,318	X X X	X X X
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	685,750	1,018,579	1,171,497	1,282,323	X X X	X X X
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	795,113	1,175,746	1,341,528	X X X	X X X
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	664,132	962,594	X X X	X X X
11. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	729,451	X X X	X X X

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Prior	467,766	352,582	318,597	247,213	221,318	201,412	177,815	176,020	194,279	205,666
2. 2001	318,987	149,750	83,346	60,597	43,091	38,119	26,110	20,721	18,524	11,434
3. 2002	X X X	402,852	204,793	116,574	67,343	49,403	33,489	22,193	20,529	12,226
4. 2003	X X X	X X X	365,345	181,942	104,047	72,052	52,439	38,428	26,110	16,556
5. 2004	X X X	X X X	X X X	458,716	228,282	150,739	81,272	59,766	32,332	23,727
6. 2005	X X X	X X X	X X X	X X X	512,418	254,828	128,850	79,887	45,499	31,394
7. 2006	X X X	X X X	X X X	X X X	X X X	462,184	232,680	141,856	68,317	38,797
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	477,837	249,263	117,450	63,890
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	519,575	228,602	136,377
10. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	455,455	230,625
11. 2010	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	449,740

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

	1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
States, Etc.	Active Status	2 Direct Premiums Written	3 Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges Not Included in Premiums	Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L				78,978	50,388	(21,955)		
2. Alaska AK	L	36,478	29,031		51,001	50,600	18,257	197	
3. Arizona AZ	L	144,924	238,946		226,742	11,424,618	12,359,416	784	
4. Arkansas AR	L	1,908,652	1,879,392		1,325,584	2,184,803	3,732,255	10,319	
5. California CA	L	170,595,051	185,646,673	6,735	85,381,391	67,463,174	112,761,992	922,306	
6. Colorado CO	L	2,616	1,665		174,880	(1,992,829)	1,571,546	14	
7. Connecticut CT	L	99,116,758	96,362,735	35,607	41,406,855	46,716,721	69,220,966	535,866	
8. Delaware DE	L	3,927,510	4,213,039		2,322,011	2,138,472	9,021,078	21,234	
9. District of Columbia DC	L	770,132	873,257		337,957	(629,102)	1,168,414	4,164	
10. Florida FL	L	45,570	52,833		1,145,159	(506,079)	(1,586,014)	246	
11. Georgia GA	L	30,513,311	32,096,587		17,459,944	18,957,661	15,339,579	164,967	
12. Hawaii HI	N								
13. Idaho ID	L				111,964	(3,736,320)	(3,848,284)		
14. Illinois IL	L	10,760,262	11,023,986	1,724	5,511,333	13,544,221	19,257,754	58,174	
15. Indiana IN	L	17,029,704	17,181,082		8,628,448	6,809,683	39,715,857	92,070	
16. Iowa IA	L	1,103,260	1,026,825		502,552	1,261,974	1,292,596	5,965	
17. Kansas KS	L	2,376,960	2,023,633		695,187	1,282,838	1,574,974	12,851	
18. Kentucky KY	L	4,791,820	4,549,491		1,852,531	1,865,228	5,318,377	25,907	
19. Louisiana LA	L	7,988,138	7,756,056		3,038,631	2,853,826	8,696,058	43,187	
20. Maine ME	L	56,285,444	55,918,727	15,025	21,573,869	22,887,560	28,673,224	304,302	
21. Maryland MD	L	15,653,663	16,268,453	2,374	6,541,485	7,800,029	21,602,847	84,630	
22. Massachusetts MA	L	69,707,797	63,356,276		30,010,304	38,557,070	47,404,982	376,869	
23. Michigan MI	L	1,543,974	2,014,922		1,053,245	1,068,039	1,754,639	8,347	
24. Minnesota MN	L	3,297,766	3,760,195		1,562,485	4,621,907	6,494,600	17,829	
25. Mississippi MS	L				60,171	555,741	495,570		
26. Missouri MO	L	7,459,264	8,163,941		2,749,527	4,499,458	10,128,261	40,328	
27. Montana MT	L				99,360	1,010,828	911,468		
28. Nebraska NE	L	1,668,835	1,704,487	1,586	707,323	560,585	1,130,990	9,022	
29. Nevada NV	L	5,786	7,872		29,238	15,470	(10,008)	31	
30. New Hampshire NH	L	79,098,413	82,206,658	72,047	38,734,423	41,249,845	61,700,760	427,638	
31. New Jersey NJ	Q	1	1		865	865	19,743		
32. New Mexico NM	L	420	420		46,412	189,455	143,043	2	
33. New York NY	L	198,291,135	188,917,455	311,342	87,387,204	125,566,403	134,251,927	1,072,043	
34. North Carolina NC	L	108,517,479	104,617,730		53,659,222	55,541,205	48,072,675	586,690	
35. North Dakota ND	L				6,986	6,833	(153)		
36. Ohio OH	L	5,474,475	5,718,689	270	2,352,055	(1,191,986)	8,062,155	29,597	
37. Oklahoma OK	L	12,067,721	10,893,657		9,438,842	11,075,680	9,656,498	65,243	
38. Oregon OR	L		10		412,361	(482,959)	(2,954)		
39. Pennsylvania PA	L	53,130,139	55,633,505	823	34,843,937	22,462,549	52,851,097	287,243	
40. Rhode Island RI	L	32,287,800	32,432,613	3,576	14,782,602	13,842,468	13,652,170	174,561	
41. South Carolina SC	L	39,718,072	38,670,030		29,627,911	31,922,315	26,584,232	214,732	
42. South Dakota SD	L				10,762	8,077	(2,685)		
43. Tennessee TN	L	4,738,013	4,752,741	8,096	2,170,946	4,341,098	5,562,987	25,616	
44. Texas TX	L	5,177,931	5,597,874		2,873,318	7,799,572	12,751,235	27,994	
45. Utah UT	L	4,003	3,770		17,616	15,840	(1,776)	22	
46. Vermont VT	L	32,340,942	33,364,396	25,907	17,489,770	14,820,998	26,691,882	174,848	
47. Virginia VA	L	23,831,886	24,771,349		12,395,458	11,982,964	17,982,182	128,845	
48. Washington WA	L				(6,241,207)	(7,237,414)	9,256,164		
49. West Virginia WV	L	184	184		42,573	39,265	(3,308)	1	
50. Wisconsin WI	L	2,031,738	2,194,288	175,453	517,539	1,139,033	2,926,065	10,984	
51. Wyoming WY	L				31,685	557,674	525,989		
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) 49	1,103,444,027	1,105,925,474	660,565	535,239,435	584,966,344	844,859,367	5,965,668	

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.

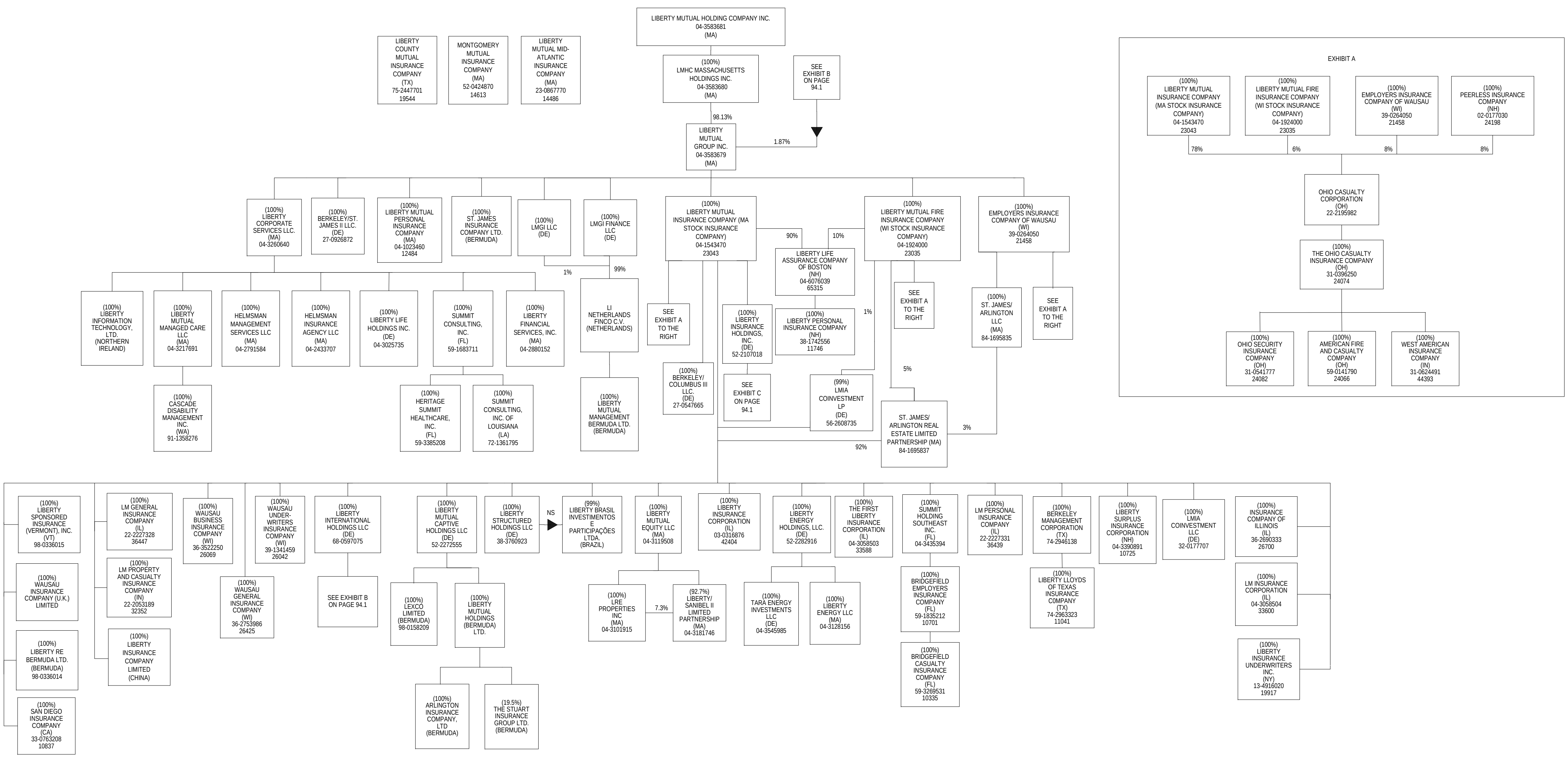
Explanation of basis of allocation of premiums by states, etc.

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

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

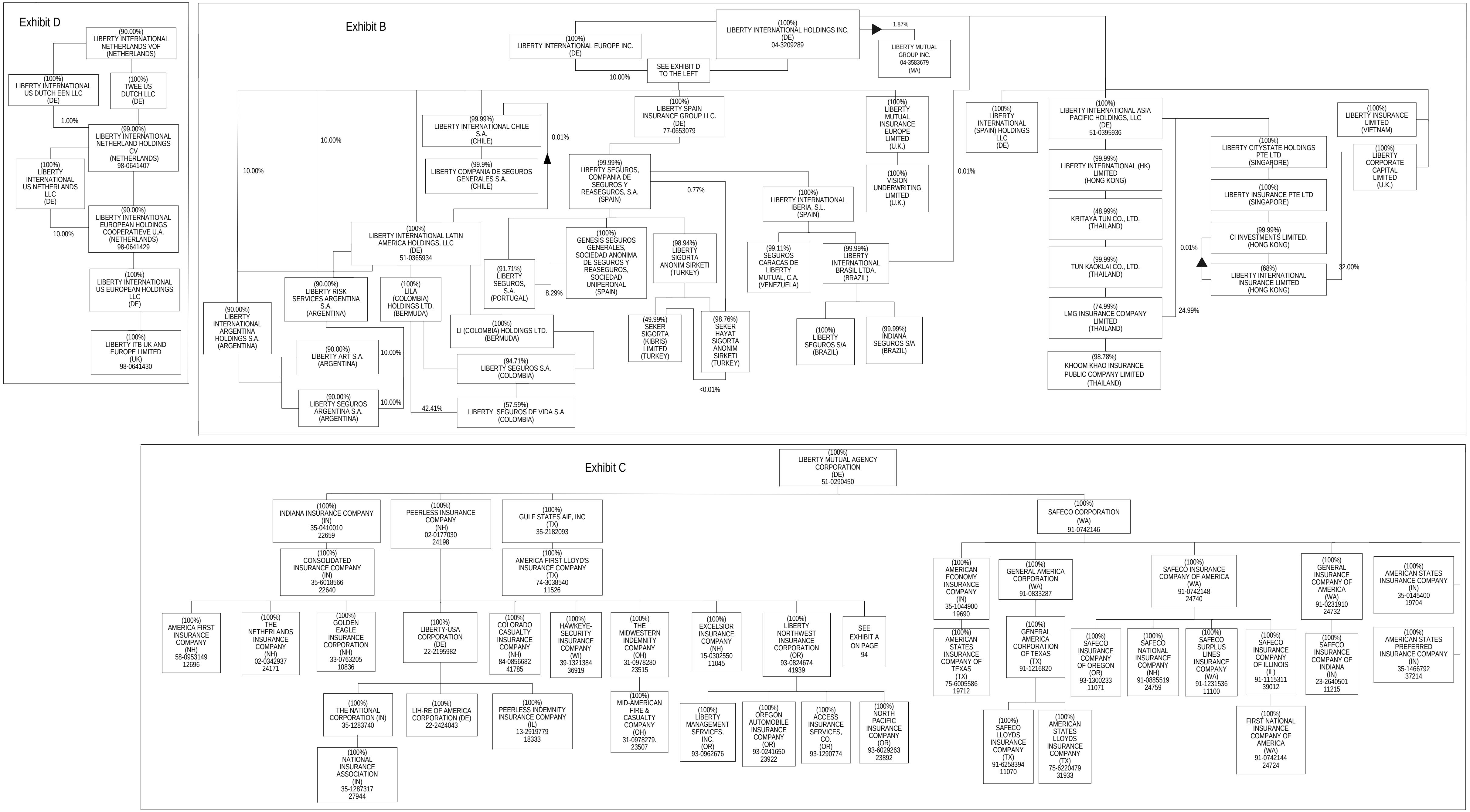
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 2 - Continuation

	Current Year			Prior Year
	1	2	3	4
REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR OTHER THAN INVESTED ASSETS	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
2504. OneBeacon Intangible	3,712,477	3,712,477		
2597. Totals (Lines 2504 through 2596) (Page 2, Line 2598)	3,712,477	3,712,477		

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	2,711,717	18,270,739
2505. Private passenger auto escrow	269,695	411,876
2506. Collateral held for securities loaned		112,524,426
2507. Restructure liability - OneBeacon		3,446
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	2,981,412	131,210,487

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT