ANNUAL STATEMENT

OF THE

SAFECO INSURANCE COMPANY OF AMERICA

of SEATTLE

in the state of WASHINGTON

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2010

PROPERTY AND CASUALTY

2010

24740201020100100

ANNUAL STATEMENT

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

Safeco Insurance Company of America

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 24740 **Employer's ID Number** 91-0742148

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

Country of Domicile United States of America

Incorporated/Organized: September 2, 1953 **Commenced Business** October 1, 1953

Statutory Home Office 1001 Fourth Avenue, Safeco Plaza (Street and Number), Seattle, WA 98154 (City or Town, State and Zip Code)

Main Administrative Office: 1001 Fourth Avenue, Safeco Plaza (Street and Number)
Seattle, WA 98154 (City or Town, State and Zip Code) 206-545-5000 (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.SAFECO.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

John Derek Doyle	Michael Joseph Fallon	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)	2,318,009,624		2,318,009,624	2,928,288,834
2. Stocks (Schedule D):				
2.1 Preferred stocks	27,090,756		27,090,756	53,009,802
2.2 Common stocks	457,221,343		457,221,343	127,831,429
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	76,702,697		76,702,697	30,292,503
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)				
4.2 Properties held for the production of income (less $ 0 encumbrances)				
4.3 Properties held for sale (less $ 0 encumbrances)				
5. Cash ($ 57,010,946, Schedule E - Part 1), cash equivalents ($ 22,645,681, Schedule E - Part 2), and short-term investments ($ 84,087,653, Schedule DA)	163,744,280		163,744,280	328,466,595
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)	3,249,396	1,008,000	2,241,396	78,516,945
9. Receivables for securities	1,787		1,787	
10. Securities lending reinvested collateral assets	32,767,990		32,767,990	
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	3,078,787,873	1,008,000	3,077,779,873	3,546,406,108
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	28,237,369		28,237,369	38,227,938
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	61,147,407	6,582,763	54,564,644	60,221,355
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (3,818,117) earned but unbilled premiums)	438,847,411	10,177	438,837,234	427,601,133
15.3 Accrued retrospective premiums	1,546,921	154,471	1,392,450	2,482,113
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	84,021,997		84,021,997	81,169,230
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	7,215,497		7,215,497	12,325,682
18.2 Net deferred tax asset	151,439,400	39,739,417	111,699,983	133,154,300
19. Guaranty funds receivable or on deposit	2,568,318		2,568,318	2,814,086
20. Electronic data processing equipment and software	25,514,110	23,627,864	1,886,246	8,201,700
21. Furniture and equipment, including health care delivery assets ($ 0)	57,275,281	57,275,281		
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	16,460,685	1,064	16,459,621	1,884,616
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	15,376,322	2,055,424	13,320,898	12,916,313
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	3,968,438,591	130,454,461	3,837,984,130	4,327,404,574
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	3,968,438,591	130,454,461	3,837,984,130	4,327,404,574

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	8,836,189		8,836,189	8,613,619
2502. Equities and deposits in pools and associations	4,020,850		4,020,850	3,608,336
2503. Other assets	2,519,283	2,055,424	463,859	694,358
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	15,376,322	2,055,424	13,320,898	12,916,313

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	1,357,442,949	1,428,845,322
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	91,080,912	92,116,680
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	302,962,873	340,182,924
4.	Commissions payable, contingent commissions and other similar charges	40,999,937	40,489,072
5.	Other expenses (excluding taxes, licenses and fees)	11,999,519	48,066,199
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	13,711,488	14,570,798
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money $ 0 and interest thereon $ 0		
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 859,328,997 and including warranty reserves of $ 0)	737,679,970	699,372,386
10.	Advance premium	4,999,758	4,978,188
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	142,479	1,290,476
12.	Ceded reinsurance premiums payable (net of ceding commissions)	125,007,844	122,040,162
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14.	Amounts withheld or retained by company for account of others	456,871	(662,266)
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	49,753,890	49,946,080
19.	Payable to parent, subsidiaries and affiliates	147,504,732	206,947,023
20.	Derivatives		
21.	Payable for securities	28,665,806	10,807,518
22.	Payable for securities lending	32,767,990	
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	47,901,283	121,302,113
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	2,993,078,301	3,180,292,675
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	2,993,078,301	3,180,292,675
29.	Aggregate write-ins for special surplus funds	24,314,698	23,709,935
30.	Common capital stock	5,000,000	5,000,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	580,930,179	346,118,108
35.	Unassigned funds (surplus)	234,660,952	772,283,856
36.	Less treasury stock, at cost:		
	36.1 0 shares common (value included in Line 30 $ 0)		
	36.2 0 shares preferred (value included in Line 31 $ 0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	844,905,829	1,147,111,899
38.	Totals (Page 2, Line 28, Col. 3)	3,837,984,130	4,327,404,574

	DETAILS OF WRITE-IN LINES		
2501.	Other liabilities	29,751,538	72,743,884
2502.	Retroactive reinsurance reserves	14,500,958	13,690,406
2503.	Accrued return retrospective premiums	1,850,476	1,885,696
2598.	Summary of remaining write-ins for Line 25 from overflow page	1,798,311	32,982,127
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	47,901,283	121,302,113
2901.	SSAP10R incremental change	21,027,092	20,679,659
2902.	Special surplus from retroactive reinsurance	3,287,606	3,030,276
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	24,314,698	23,709,935
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)	1,567,755,359	1,592,432,536
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	878,428,917	807,604,342
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	185,075,525	189,069,582
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	526,865,808	528,724,861
5. Aggregate write-ins for underwriting deductions	(85,760)	248,433
6. Total underwriting deductions (Lines 2 through 5)	1,590,284,490	1,525,647,218
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(22,529,131)	66,785,318
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	132,469,091	148,103,660
10. Net realized capital gains (losses) less capital gains tax of $ 778,570 (Exhibit of Capital Gains (Losses))	1,445,916	(23,372,620)
11. Net investment gain (loss) (Lines 9 + 10)	133,915,007	124,731,040
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 91,484 amount charged off $ 6,679,002)	(6,587,518)	(7,048,852)
13. Finance and service charges not included in premiums	13,833,992	13,576,651
14. Aggregate write-ins for miscellaneous income	(20,410,058)	(13,034,078)
15. Total other income (Lines 12 through 14)	(13,163,584)	(6,506,279)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	98,222,292	185,010,079
17. Dividends to policyholders	(535,689)	6,813,398
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)	98,757,981	178,196,681
19. Federal and foreign income taxes incurred	5,461,380	73,806,207
20. Net income (Line 18 minus Line 19) (to Line 22)	93,296,601	104,390,474
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	1,147,111,899	769,825,439
22. Net income (from Line 20)	93,296,601	104,390,474
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 15,348,964	43,087,700	21,223,709
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(17,956,336)	(4,014,529)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	43,018,787	74,431,106
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		177,619,584
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in	234,812,072	
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders	(753,000,000)	
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	54,535,106	3,636,116
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(302,206,070)	377,286,460
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	844,905,829	1,147,111,899

DETAILS OF WRITE-IN LINES		
0501. Private passenger auto escrow	(85,760)	248,433
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)	(85,760)	248,433
1401. Other income/(expense)	(995,436)	(12,828,774)
1402. Retroactive reinsurance gain/(loss)	(19,414,622)	(205,304)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(20,410,058)	(13,034,078)
3701. Other changes in surplus	54,187,673	(17,043,543)
3702. SSAP10R incremental change	347,433	20,679,659
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	54,535,106	3,636,116

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	1,607,817,285	1,355,222,562
2.	Net investment income	153,190,016	156,551,543
3.	Miscellaneous income	(24,948,174)	(5,012,612)
4.	Total (Lines 1 through 3)	1,736,059,127	1,506,761,493
5.	Benefit and loss related payments	953,912,016	677,927,592
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	784,351,287	713,557,649
8.	Dividends paid to policyholders	612,309	7,687,907
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	1,129,765	56,554,944
10.	Total (Lines 5 through 9)	1,740,005,377	1,455,728,092
11.	Net cash from operations (Line 4 minus Line 10)	(3,946,250)	51,033,401
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	1,683,371,487	867,108,769
	12.2 Stocks	88,915,008	154,839,487
	12.3 Mortgage loans	1,340,734	93,851
	12.4 Real estate		
	12.5 Other invested assets	74,567,870	12,432,127
	12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		(12,758)
	12.7 Miscellaneous proceeds	(159,954)	1,921
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	1,848,035,145	1,034,463,397
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	1,042,950,805	1,439,516,552
	13.2 Stocks	369,288,146	31,082,579
	13.3 Mortgage loans	47,809,340	30,386,354
	13.4 Real estate		
	13.5 Other invested assets	34,152,141	87,095,533
	13.6 Miscellaneous applications	(17,858,285)	(10,807,521)
	13.7 Total investments acquired (Lines 13.1 to 13.6)	1,476,342,147	1,577,273,497
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)	371,692,998	(542,810,100)
	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	234,812,072	
	16.3 Borrowed funds		
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		
	16.5 Dividends to stockholders	753,000,000	
	16.6 Other cash provided (applied)	(14,281,135)	552,879,545
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(532,469,063)	552,879,545
	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)	(164,722,315)	61,102,846
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	328,466,595	267,363,749
	19.2 End of year (Line 18 plus Line 19.1)	163,744,280	328,466,595

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

20.0001	12.1 Proceeds - Bonds	719,947,341	
20.0002	12.2 Proceeds - Stocks	45,093,670	
20.0003	16.5 Dividends to stockholders	624,505,597	

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	28,045,921	14,443,200	15,160,128	27,328,993
2. Allied lines	23,734,100	11,619,111	12,587,940	22,765,271
3. Farmowners multiple peril	11,746,963	5,636,290	5,899,475	11,483,778
4. Homeowners multiple peril	229,753,305	114,084,437	121,745,539	222,092,203
5. Commercial multiple peril	281,944,920	148,396,339	144,285,343	286,055,916
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	25,728,954	12,651,742	12,369,312	26,011,384
10. Financial guaranty				
11.1 Medical professional liability—occurrence	117,543	61,458	54,923	124,078
11.2 Medical professional liability—claims-made	16,326	5,971	6,347	15,950
12. Earthquake	5,200,446	2,731,594	2,642,574	5,289,466
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health	(12,103)	12,103		
16. Workers' compensation	137,275,861	57,391,667	57,835,499	136,832,029
17.1 Other liability—occurrence	83,108,548	42,484,490	40,586,874	85,006,164
17.2 Other liability—claims-made	3,496,451	1,508,166	1,624,598	3,380,019
17.3 Excess Workers' Compensation		74,665		74,665
18.1 Products liability—occurrence	2,140,734	1,468,405	1,131,360	2,477,779
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	299,276,218	86,400,020	107,812,089	277,864,149
19.3,19.4 Commercial auto liability	128,281,969	65,362,017	62,112,792	131,531,194
21. Auto physical damage	231,524,250	76,194,456	88,854,448	218,864,258
22. Aircraft (all perils)				
23. Fidelity	994,131	833,202	813,534	1,013,799
24. Surety	110,061,158	65,651,725	66,243,607	109,469,276
26. Burglary and theft	47,050	29,073	22,673	53,450
27. Boiler and machinery	28,973	5,151	12,587	21,537
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	1,602,511,718	707,045,282	741,801,642	1,567,755,358

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	15,160,005	123			15,160,128
2. Allied lines	12,587,798	142			12,587,940
3. Farmowners multiple peril	5,899,475				5,899,475
4. Homeowners multiple peril	121,745,539				121,745,539
5. Commercial multiple peril	142,323,771	2,375	1,950,635	8,562	144,285,343
6. Mortgage guaranty					
8. Ocean marine					
9. Inland marine	12,320,862	48,450			12,369,312
10. Financial guaranty					
11.1 Medical professional liability—occurrence	54,923				54,923
11.2 Medical professional liablity—claims-made	6,329	18			6,347
12. Earthquake	2,642,574				2,642,574
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	55,936,648		1,595,296	303,554	57,835,498
17.1 Other liability—occurrence	40,209,419	151,244	234,772	(8,562)	40,586,873
17.2 Other liability—claims-made	1,593,237	27,937	3,425		1,624,599
17.3 Excess Workers' Compensation					
18.1 Products liability—occurrence	1,097,221	150	33,989		1,131,360
18.2 Products liability—claims-made					
19.1,19.2 Private passenger auto liability	107,812,089				107,812,089
19.3,19.4 Commercial auto liability	61,517,549	595,243			62,112,792
21. Auto physical damage	88,732,739	121,709			88,854,448
22. Aircraft (all perils)					
23. Fidelity	296,496	517,038			813,534
24. Surety	35,318,280	30,925,327			66,243,607
26. Burglary and theft	22,673				22,673
27. Boiler and machinery	12,587				12,587
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	705,290,214	32,389,756	3,818,117	303,554	741,801,641
36. Accrued retrospective premiums based on experience					(303,554)
37. Earned but unbilled premiums					(3,818,117)
38. Balance (Sum of Lines 35 through 37)					737,679,970

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	111,245,518	28,045,921		111,245,518		28,045,921
2. Allied lines	83,618,960	23,734,100		83,618,960		23,734,100
3. Farmowners multiple peril		11,746,963				11,746,963
4. Homeowners multiple peril	585,545,443	229,753,305		585,545,443		229,753,305
5. Commercial multiple peril	26,149,407	281,944,920		26,149,407		281,944,920
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	33,605,678	25,728,954		33,605,678		25,728,954
10. Financial guaranty						
11.1 Medical professional liability--occurrence	27,530	117,543		27,530		117,543
11.2 Medical professional liability--claims-made		16,326				16,326
12. Earthquake	6,206,201	5,200,446		6,206,201		5,200,446
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health		(12,103)				(12,103)
16. Workers' compensation	624,689	137,275,861		624,689		137,275,861
17.1 Other liability—occurrence	69,753,663	83,108,548		69,753,663		83,108,548
17.2 Other liability—claims-made	30	3,496,451		30		3,496,451
17.3 Excess Workers' Compensation						
18.1 Products liability—occurrence		2,140,734				2,140,734
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	384,423,077	299,276,218		384,423,077		299,276,218
19.3,19.4 Commercial auto liability	4,780,591	128,281,969		4,780,591		128,281,969
21. Auto physical damage	273,216,465	231,524,250		273,216,465		231,524,250
22. Aircraft (all perils)						
23. Fidelity		994,131				994,131
24. Surety	312,251,185	110,061,158		312,251,185		110,061,158
26. Burglary and theft	23,378	47,050		23,378		47,050
27. Boiler and machinery	1,161	28,973		1,161		28,973
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X					
32. Reinsurance-Nonproportional Assumed Liability	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	1,891,472,976	1,602,511,718		1,891,472,976		1,602,511,718

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

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

If yes: 1. The amount of such installment premiums $ 0

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

	Losses Paid Less Salvage				5	6	7	8
Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1. Fire	44,006,772	11,141,528	44,006,772	11,141,528	4,953,272	4,703,121	11,391,679	41.683
2. Allied lines	52,649,753	14,551,362	52,649,753	14,551,362	4,143,529	3,930,943	14,763,948	64.853
3. Farmowners multiple peril	(32)	7,677,880	(32)	7,677,880	3,527,612	3,709,278	7,496,214	65.277
4. Homeowners multiple peril	323,358,445	120,080,652	323,358,445	120,080,652	59,412,780	44,249,827	135,243,605	60.895
5. Commercial multiple peril	15,982,384	151,200,033	15,982,384	151,200,033	260,757,124	245,342,458	166,614,699	58.246
6. Mortgage guaranty								
8. Ocean marine		645		645	(126)	2,223	(1,704)	
9. Inland marine	14,383,956	9,099,537	14,383,956	9,099,537	2,164,133	4,025,249	7,238,421	27.828
10. Financial guaranty								
11.1 Medical professional liability—occurrence	46,458	6,619	46,458	6,619	359,353	330,667	35,305	28.454
11.2 Medical professional liability—claims-made		7,295		7,295	73,444	73,635	7,104	44.539
12. Earthquake	(18,423)	(2,858)	(18,423)	(2,858)	5,995	9,143	(6,006)	(0.114)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		192,591		192,591	6,885,715	1,169,663	5,908,643	
16. Workers' compensation	4,830,777	207,752,399	4,830,777	207,752,399	423,610,350	521,127,274	110,235,475	80.563
17.1 Other liability—occurrence	20,405,998	34,832,904	20,405,998	34,832,904	146,380,244	135,153,726	46,059,422	54.184
17.2 Other liability—claims-made		1,591,404		1,591,404	7,958,974	4,294,697	5,255,681	155.493
17.3 Excess Workers' Compensation						66,397	(66,397)	(88.927)
18.1 Products liability—occurrence	951	1,221,031	951	1,221,031	3,228,298	4,413,603	35,726	1.442
18.2 Products liability—claims-made						117	(117)	
19.1,19.2 Private passenger auto liability	212,635,173	166,475,889	212,635,173	166,475,889	211,869,598	223,404,926	154,940,561	55.761
19.3,19.4 Commercial auto liability	677,805	72,678,396	677,805	72,678,396	143,325,407	147,493,843	68,509,960	52.086
21. Auto physical damage	150,917,663	126,248,787	150,917,663	126,248,787	8,854,562	10,916,773	124,186,576	56.741
22. Aircraft (all perils)		28,678		28,678	11,979	(103,095)	143,752	
23. Fidelity	(319)	153,952	(319)	153,952	123,046	342,328	(65,330)	(6.444)
24. Surety	69,313,725	21,626,755	69,313,725	21,626,755	40,033,335	45,638,299	16,021,791	14.636
26. Burglary and theft		11,343		11,343	536	24,599	(12,720)	(23.798)
27. Boiler and machinery					7,897	7,896	1	0.005
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	XXX							
32. Reinsurance-Nonproportional Assumed Liability	XXX	3,254,469		3,254,469	29,755,893	28,517,735	4,492,627	
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	909,191,086	949,831,291	909,191,086	949,831,291	1,357,442,950	1,428,845,325	878,428,916	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

	Reported Losses				Incurred But Not Reported			8	9
Line of Business	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	12,026,448	3,148,322	12,026,448	3,148,322	9,139,139	1,804,951	9,139,139	4,953,273	410,114
2. Allied lines	7,282,912	3,551,845	7,282,912	3,551,845	1,766,385	591,684	1,766,385	4,143,529	182,090
3. Farmowners multiple peril		2,977,541		2,977,541		550,071		3,527,612	689,170
4. Homeowners multiple peril	96,204,240	38,939,347	96,204,240	38,939,347	63,588,614	20,473,433	63,588,614	59,412,780	8,670,946
5. Commercial multiple peril	11,666,760	158,553,840	11,666,760	158,553,840	4,115,892	102,203,285	4,115,892	260,757,125	122,138,584
6. Mortgage guaranty									
8. Ocean marine		723		723		(849)		(126)	1
9. Inland marine	2,271,346	1,382,579	2,271,346	1,382,579	954,296	781,554	954,296	2,164,133	1,016,043
10. Financial guaranty									
11.1 Medical professional liablity—occurrence	424,777	64,566	424,777	64,566	292,947	294,787	292,947	359,353	192,087
11.2 Medical professional liablity—claims-made						73,444		73,444	20,355
12. Earthquake		5,995		5,995				5,995	(1,399)
13. Group accident and health								(a)	(388)
14. Credit accident and health (group and individual)									
15. Other accident and health		1,610,671		1,610,671		5,275,044		(a) 6,885,715	774,749
16. Workers' compensation	54,146,755	279,645,978	54,146,755	279,645,978	18,027,813	143,964,371	18,027,813	423,610,349	48,106,394
17.1 Other liability—occurrence	31,603,035	45,326,610	31,603,035	45,326,610	75,790,039	101,053,633	75,790,039	146,380,243	37,833,691
17.2 Other liability—claims-made	100,000	2,995,870	100,000	2,995,870	689,005	4,963,104	689,005	7,958,974	3,548,319
17.3 Excess Workers' Compensation									53
18.1 Products liability—occurrence	53,570	1,579,821	53,570	1,579,821	1,096,716	1,648,476	1,096,716	3,228,297	1,604,824
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	208,563,133	178,608,775	208,563,133	178,608,775	44,501,866	33,260,823	44,501,866	211,869,598	40,423,731
19.3,19.4 Commercial auto liability	2,057,105	91,487,657	2,057,105	91,487,657	1,650,210	51,837,750	1,650,210	143,325,407	22,347,385
21. Auto physical damage	82,253	5,119,088	82,253	5,119,088	490,552	3,735,474	490,552	8,854,562	1,662,870
22. Aircraft (all perils)		11,979		11,979				11,979	
23. Fidelity		46,277		46,277	363,822	76,769	363,822	123,046	131,473
24. Surety	(46,691,150)	(12,498,605)	(46,691,150)	(12,498,605)	131,568,063	52,531,941	131,568,063	40,033,336	12,541,790
26. Burglary and theft		90		90	(2,139)	446	(2,139)	536	2,133
27. Boiler and machinery		(988)		(988)		8,885		7,897	8,371
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-Nonproportional Assumed Property	XXX				XXX				
32. Reinsurance-Nonproportional Assumed Liability	XXX	13,907,300		13,907,300	XXX	15,848,592		29,755,892	659,484
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX				XXX				
34. Aggregate write-ins for other lines of business									
35. TOTALS	379,791,184	816,465,281	379,791,184	816,465,281	354,033,220	540,977,668	354,033,220	1,357,442,949	302,962,870

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	65,465,373			65,465,373
1.2 Reinsurance assumed	61,246,410			61,246,410
1.3 Reinsurance ceded	65,465,373			65,465,373
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	61,246,410			61,246,410
2. Commission and brokerage:				
2.1 Direct, excluding contingent		295,484,719		295,484,719
2.2 Reinsurance assumed, excluding contingent		238,300,072		238,300,072
2.3 Reinsurance ceded, excluding contingent		295,484,719		295,484,719
2.4 Contingent—direct		5,978,437		5,978,437
2.5 Contingent—reinsurance assumed		27,292,564		27,292,564
2.6 Contingent—reinsurance ceded		5,978,437		5,978,437
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)		265,592,636		265,592,636
3. Allowances to manager and agents	21,749	112,885	55	134,689
4. Advertising	2,091,272	10,449,419	28,639	12,569,330
5. Boards, bureaus and associations	621,742	3,196,042	944	3,818,728
6. Surveys and underwriting reports	1,822,602	9,091,952	32,939	10,947,493
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	74,556,222	85,655,245	3,283,044	163,494,511
8.2 Payroll taxes	1,502,674	9,654,356	232,463	11,389,493
9. Employee relations and welfare	6,478,718	32,970,546	249,005	39,698,269
10. Insurance	5,140,649	1,139,153	27,668	6,307,470
11. Directors' fees	1,094	5,713	2	6,809
12. Travel and travel items	4,578,679	7,322,497	72,310	11,973,486
13. Rent and rent items	3,138,234	11,582,540	84,421	14,805,195
14. Equipment	2,844,098	10,881,331	91,258	13,816,687
15. Cost or depreciation of EDP equipment and software	1,586,659	7,254,217	59,820	8,900,696
16. Printing and stationery	848,803	1,866,654	11,178	2,726,635
17. Postage, telephone and telegraph, exchange and express	2,578,242	9,990,527	110,692	12,679,461
18. Legal and auditing	643,753	1,464,286	275,878	2,383,917
19. Totals (Lines 3 to 18)	108,455,190	202,637,363	4,560,316	315,652,869
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 495,498		36,184,168		36,184,168
20.2 Insurance department licenses and fees		4,456,145		4,456,145
20.3 Gross guaranty association assessments		(508,581)		(508,581)
20.4 All other (excluding federal and foreign income and real estate)		4,104,422		4,104,422
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		44,236,154		44,236,154
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	15,373,923	14,399,654	735,605	30,509,182
25. Total expenses incurred	185,075,523	526,865,807	5,295,921	(a) 717,237,251
26. Less unpaid expenses—current year	302,962,873	66,710,944		369,673,817
27. Add unpaid expenses—prior year	340,182,924	103,126,069		443,308,993
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)	222,295,574	563,280,932	5,295,921	790,872,427

DETAILS OF WRITE-IN LINES				
2401. Other expenses	10,997,114	14,399,654	735,605	26,132,373
2402. Change in unallocated expense reserves	4,376,809			4,376,809
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	15,373,923	14,399,654	735,605	30,509,182

(a) Includes management fees of $ 5,177,384 to affiliates and $ 118,535 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 15,444,802	14,748,668
1.1	Bonds exempt from U.S. tax	(a) 62,995,260	51,638,807
1.2	Other bonds (unaffiliated)	(a) 61,694,054	64,137,588
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 2,229,880	1,836,015
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	919,082	1,008,710
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c) 3,225,590	3,466,744
4.	Real estate	(d)	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 889,140	570,708
7.	Derivative instruments	(f)	
8.	Other invested assets	121,249	121,249
9.	Aggregate write-ins for investment income	236,522	236,522
10.	Total gross investment income	147,755,579	137,765,011
11.	Investment expenses		(g) 5,295,920
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		5,295,920
17.	Net investment income (Line 10 minus Line 16)		132,469,091

	DETAILS OF WRITE-IN LINES		
0901.	Miscellaneous Income/(Expense)	236,522	236,522
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)	236,522	236,522
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 $ 5,364,651 accrual of discount less $ 15,936,839 amortization of premium and less $ 5,058,522 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 $ 55,840 paid for accrued interest on purchases.
(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 48,988 accrual of discount less $ 5,576 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	8,966,489		8,966,489		
1.1	Bonds exempt from U.S. tax	17,949,035	(3,765,523)	14,183,512	478,841	
1.2	Other bonds (unaffiliated)	20,466,787	(3,894,684)	16,572,103	512,716	
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)	1,122,938		1,122,938	(168,316)	
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	4,145,349		4,145,349	3,415,278	
2.21	Common stocks of affiliates				14,582,480	
3.	Mortgage loans	(58,412)		(58,412)		
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets	(42,707,494)		(42,707,494)	39,615,664	
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	9,884,692	(7,660,207)	2,224,485	58,436,663	

	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)	1,008,000	1,008,000	
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)	1,008,000	1,008,000	
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	6,582,763	9,557,506	2,974,743
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	10,177	(265,343)	(275,520)
15.3 Accrued retrospective premiums	154,471	339,329	184,858
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	39,739,417	51,590,400	11,850,983
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software	23,627,864	33,445,155	9,817,291
21. Furniture and equipment, including health care delivery assets	57,275,281	69,893,506	12,618,225
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates	1,064	1,064	
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	2,055,424	8,251,064	6,195,640
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	130,454,461	173,820,681	43,366,220
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	130,454,461	173,820,681	43,366,220

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	2,055,424	8,251,064	6,195,640
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,055,424	8,251,064	6,195,640

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

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

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

C. Accounting Policies

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

In addition, the Company applies the following accounting policies, where applicable:

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

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

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

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

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

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

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

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

9. Derivative Securities, refer to Note 8.

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

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

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

13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

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

Note 3 - Business Combinations and Goodwill

A. Statutory Purchase Method

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

NOTES TO FINANCIAL STATEMENTS

B. Statutory Mergers

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

C. Impairment Loss

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

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) No loans had interest more than 180 days past due.
(5) There were $5,545 in taxes, assessments and any amounts advanced and not included in the mortgage loan.
(6) There was no recorded investment in impaired loans as of December 31, 2010.
(7) There was no recorded investment in impaired loans
(8) There was no average recorded investment in impaired loans 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) There was no allowance for credit losses in 2010 or 2009.
b) There were $62,480 of additions to the allowance charged to operations in 2010 and $0 in 2009.
c) There were $62,480 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 $0 in 2010 and $0 in 2009.

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

B. Troubled Debt Restructuring for Creditors

(1) There was no recorded investment in 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.

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

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

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
30605AAX1	$1,734,190	$792,898	$941,292	$792,898	$778,145	3/31/2010
59023XAB2	730,659	639,116	91,544	639,116	640,061	3/31/2009
59023XAB2	484,519	420,536	63,982	420,536	334,769	12/31/2009
59023XAB2	225,695	175,372	50,323	175,372	155,940	12/31/2009
59023XAB2	320,497	312,882	7,615	312,882	244,796	3/31/2010
59023XAB2	130,685	127,138	3,547	127,138	114,029	3/31/2010

NOTES TO FINANCIAL STATEMENTS

61749BAB9	762,539	724,311	38,228	724,311	464,920	12/31/2009
61749BAB9	637,091	631,463	5,628	631,463	515,200	3/31/2010
61749BAB9	514,264	511,773	2,491	511,773	475,530	12/31/2010
07324SCZ3	$359,749	$241,039	$118,710	$241,039	$241,038	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	(3,491,863)	(3,218,366)
Fair Value of Securities with Unrealized Losses	159,710,402	12,698,272

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	$ 32,772,857
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	32,772,857
Securities Received	-
Total Collateral Received	$ 32,772,857

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	$ 17,546,524	$ 17,546,920
31 to 60 Days	14,097,057	14,097,714
61 to 90 Days	1,127,836	1,128,223
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	32,771,416	32,772,857
Securities Received	-	-
Total Collateral Reinvested	$ 32,771,416	$ 32,772,857

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

F. Real Estate

The Company does not have real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies.

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 did not realize any impairment losses during the year.

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2010.

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	152,148,021	23,617,429	175,765,450	176,459,224	24,412,076	200,871,300	(24,311,203)	(794,647)	(25,105,850)
Statutory Valuation Allowance Adjustment	0	0	0	0	0	0	0	0	0
Adjusted Gross Deferred Tax Assets	152,148,021	23,617,429	175,765,450	176,459,224	24,412,076	200,871,300	(24,311,203)	(794,647)	(25,105,850)
Deferred Tax Liabilities	(21,420,475)	(2,905,575)	(24,326,050)	(15,941,800)	(184,800)	(16,126,600)	(5,478,675)	(2,720,775)	(8,199,450)
Net DTA (DTL)	130,727,546	20,711,854	151,439,400	160,517,424	24,227,276	184,744,700	(29,789,878)	(3,515,422)	(33,305,300)
Deferred Tax Assets Nonadmitted	(39,739,417)	0	(39,739,417)	(51,590,400)	0	(51,590,400)	11,850,983	0	11,850,983
Net Admitted DTA (DTL)	90,988,129	20,711,854	111,699,983	108,927,024	24,227,276	133,154,300	(17,938,895)	(3,515,422)	(21,454,317)

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.)	60,938,703	8,919,837	69,858,540	58,141,000	10,390,000	68,531,000	2,797,703	(1,470,163)	1,327,540
Lesser of:									
Expected to be recognized within one year (10bi.)	8,636,718	12,177,633	20,814,351	30,106,365	13,837,276	43,943,641	(21,469,647)	(1,659,643)	(23,129,290)
10% of adjusted capital and surplus (10bii.)			66,155,112			98,148,255			
Adj. gross DTAs offset against existing DTLs (10c.)	21,420,475	2,905,575	24,326,050	15,941,800	184,800	16,126,600	5,478,675	2,720,775	8,199,450
Total	90,995,896	24,003,045	114,998,941	104,189,165	24,412,076	128,601,241	(13,193,269)	(409,031)	(13,602,300)

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.)	60,938,703	8,919,837	69,858,540	58,141,000	10,390,000	68,531,000	2,797,703	(1,470,163)	1,327,540
Lesser of:									
Expected to be recognized within three years (10eiia.)	29,663,810	12,177,633	41,841,443	50,786,024	13,837,276	64,623,300	(21,122,214)	(1,659,643)	(22,781,857)
15% of adjusted capital and surplus (10eiib.)			99,232,668			147,222,383			
Adj. gross DTAs offset against existing DTLs (10eiii.)	21,420,475	2,905,575	24,326,050	15,941,800	184,800	16,126,600	5,478,675	2,720,775	8,199,450
Total	112,022,988	24,003,045	136,026,033	124,868,824	24,412,076	149,280,900	(12,845,836)	(409,031)	(13,254,867)

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2010	December 31, 2009	Change
Total Adjusted Capital	823,878,737	1,126,432,241	(302,553,504)
Authorized Control Level	170,328,451	146,149,259	24,179,192

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	69,961,037	20,711,854	90,672,891	88,247,365	24,227,276	112,474,641	(18,286,328)	(3,515,422)	(21,801,750)
Admitted Assets			3,816,957,038			4,306,724,915			(489,767,877)
Adjusted Statutory Surplus			823,878,737			1,126,432,241			(302,553,504)
Total Adjusted Capital from DTAs			823,878,737			1,126,432,241			(302,553,504)

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	21,027,092	0	21,027,092	20,679,659	0	20,679,659	347,433	0	347,433
Admitted Assets			3,837,984,130			4,327,404,574			(489,420,444)
Adjusted Statutory Surplus			844,905,829			1,147,111,899			(302,206,070)
Total Adjusted Capital from DTAs			844,905,829			1,147,111,899			(302,206,070)

	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%	11%	11%

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	5,461,380	73,806,207
Foreign	0	0
Realized capital gains	778,570	(12,585,257)
Federal and foreign income taxes incurred	6,239,950	61,220,950

The Company's deferred tax assets and liabilities result primarily from limits on unearned premium reserves, discounting of unpaid loss and LAE reserves, accrued benefits, depreciation, accrual of market discount on owned securities, investment impairments, statutory non-admitted assets 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)	(17,956,336)
Change in tax effect of unrealized (gains) losses	(15,348,964)
Total change in net deferred income tax	(33,305,300)

Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, proration, unearned premium reserves, discounting of unpaid losses and LAE reserves, accrued benefits, return to provision adjustments and deferred intercompany transactions.

D. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $41,921,950 from the current year and $33,933,289 from the preceding year.

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

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

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

Access Insurance Services, Co.
America First Insurance Company
American Economy Insurance Company
American States Insurance Company
American States Lloyds Insurance Company
Avomark Insurance Company (merged 2/23/2010)
Berkeley Holding Company Associates, Inc.
Bridgefield Casualty Insurance Company
Capitol Court Corporation
Capitol Agency, Inc., The (Ohio corporation) Dissolved 11/17/2010
Cascade Disability Management, Inc.
Commercial Aviation Insurance, Inc.
Companies Agency of Pennsylvania, Inc. (Dissolved 9/9/2010)
Copley Venture Capital, Inc.

AMBCO Capital Corporation
America First Lloyds Insurance Company
American Fire & Casualty Company
American States Insurance Company of Texas
American States Preferred Insurance Company
Barrier Ridge LLC
Berkeley Management Corporation
Bridgefield Employers Insurance Company
Capitol Agency, Inc., The (Arizona corporation)
Capitol Agency, Inc., The (Tennessee corporation) (Dissolved 7/1/2010)
Colorado Casualty Insurance Company
Companies Agency of New York, Inc. (Dissolved 3/3/2010)
Consolidated Insurance Company
Diversified Settlements, Inc.
Employers Insurance Company of Wausau

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 Safeco Corporation (“Safeco”), a company incorporated in Washington. Safeco is wholly owned by Liberty Mutual Agency Corporation, an insurance holding company incorporated in Delaware. Liberty Mutual Agency Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is wholly owned by Liberty Mutual Insurance Company (“LMIC”), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.

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

C. As of December 31, 2010, the Company received capital contributions of $10,000,000 from its parent, Safeco.

The Company received a capital contribution of Safeco Insurance Company of Illinois (“SICIL”) in March from its parent, Safeco Corporation. SICIL was contributed at statutory book value at the date of transfer, in the amount of $224,812,072.

D. At December 31, 2010, the Company reported a net $131,045,111 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 Peerless Insurance Company (“PIC”) and other affiliates. The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

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 is party to Amended and Restated Short Term Borrowing Agreement with Safeco Corporation and affiliates (11/07).

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

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.

B. Federal Home Loan Bank Agreements

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

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

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 $6,765,602. The CBP pension costs are subject to the inter-company pooling agreement described in Note 26. These costs amounted to $1,058,078 and $216,753 in 2010 and 2009, respectively. Also, a CBP additional minimum liability of $0 and $754,530, 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 20,000 shares authorized, issued and outstanding as of December 31, 2010. All shares have a stated par value of $250.

NOTES TO FINANCIAL STATEMENTS

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

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

	Ordinary	Extraordinary	Total Dividends
March	$114,711,190	$310,288,810	$425,000,000
August		328,000,000	328,000,000
Total	$114,711,190	$638,288,810	$753,000,000

5. The maximum amount of dividends that can be paid by Washington-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus or (b) net income, subject to the availability of accumulated undistributed earnings. The maximum dividend payout that may be made without prior approval in 2011 is $93,296,604.

6. As of December 31, 2010, the Company has restricted surplus of $21,027,092 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 $3,287,606 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 $45,805,579 after applicable deferred taxes of $(1,814,975).

11. Surplus Notes

    Not applicable

12. Quasi re-organization (dollar impact)

    Not applicable

13. Quasi re-organization (effective date)

    Not applicable

Note 14 - Contingencies

A. Contingent Commitments

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

B. Assessments

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

   The Company has accrued a liability for guaranty funds and other assessments of $6,923,884 that is offset by future premium tax credits of $1,266,910. 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

NOTES TO FINANCIAL STATEMENTS

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	$1,192,397

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

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

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

E. All Other Contingencies

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

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

Note 15 - Leases

A. Lessee Leasing Arrangements

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

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

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2011	$ 862,227	$ 6,068,507
2012	862,227	5,991,658
2013	862,227	4,037,913
2014	71,852	3,787,372
2015	0	2,110,844
2016 & thereafter	0	3,017,046
Total	$ 2,658,533	$ 25,013,340

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.

NOTES TO FINANCIAL STATEMENTS

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 $31,957,446, with corresponding collateral value of $32,772,857 of which $32,772,857 represents cash collateral.

C. Wash Sales

1. The details by NAIC designation 3 or below of securities sold during the year ended December 31, 2010 and required within 30 days of the sale date are:

	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Realized Gain (Loss)
Bonds:				
a. NAIC 4	14	$ 3,860,165	$ 2,153,030	$ 174,648

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 $161,120.

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.

NOTES TO FINANCIAL STATEMENTS

- 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	-	$ 28,720,098	$ 7,633,607	$ 36,353,705
Residential Mortgage-Backed Securities	-	$ 1,128,689	-	$ 1,128,689
Commercial Mortgage-Backed Securities	-	$ 8,848,620	-	$ 8,848,620
Total Bonds	-	$ 38,697,407	$ 7,633,607	$ 46,331,014
Preferred Stocks	-	-	-	-
Industrial and Miscellaneous (Unaffiliated)	-	$ 23,590,756	-	$ 23,590,756
Total Preferred Stocks	-	$ 23,590,756	-	$ 23,590,756
Common Stocks				
Industrial and Miscellaneous (Unaffiliated)	$ 114,723,925	-	$ 783,358	$ 115,507,283
Money Market Mutual Fund	$ 482,264	-	-	$ 482,264
Total Common Stocks	$ 115,206,189	-	$ 783,358	$ 115,989,547
Total assets at fair value	$ 115,206,189	$ 62,288,163	$ 8,416,965	$ 185,911,317
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	$ 8,841,952	-	-	$ 135,562	$ 23,196	$ (1,367,103)	$ 7,633,607
Preferred Stock	-	-	-	-	-	-	-
Common Stock	$ 958,187	-	-	-	$ (174,829)	-	$ 783,358
Total	$ 9,800,139	-	-	$ 135,562	$ (151,633)	$ (1,367,103)	$ 8,416,965

3. Policy on Transfers Into and Out of Level 3

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

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

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

NOTES TO FINANCIAL STATEMENTS

U.S. government and agency

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

Mortgage-Backed Securities

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

Asset-Backed Securities

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

Municipals

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

Corporate debt and other

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

Foreign government securities

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

Equity Securities

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

Other Investments

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

NOTES TO FINANCIAL STATEMENTS

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 $116,091,986 and $113,067,489 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 $68,564 at December 31, 2010.

3) Interrogatory 6.1

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

Interrogatory 6.3

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

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

(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	$225,000	$225,000
Historical Rehabilitation Credit	CT	$256,000	$256,000
Historical Rehabilitation Credit	OK	$391,300	$391,300
Total		$872,300	$872,300

(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.

NOTES TO FINANCIAL STATEMENTS

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities. The Company's only exposure to subprime was inherited through past acquisitions of insurance companies.

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

3. The Company has direct exposure through investments in residential mortgage-backed securities.

Actual Cost	Book Adjusted Carrying Value	Fair Value	Other Then Temporary Impairments Recognized
$1,023,734	$982,297	$883,781	$263,358

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

Note 22 - Events Subsequent

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

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

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

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

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	$737,679,970	$110,651,996	$859,328,997	$128,899,350	$(121,649,027)	$(18,247,354)
All Other	-	-	-	-	-	-
Total	$737,679,970	$110,651,996	$859,328,997	$128,899,350	$(121,649,027)	$(18,247,354)

Direct Unearned Premium Reserve: $859,328,997

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

Description	Direct	Assumed	Ceded	Net
Contingent commissions	$7,216,099	$39,576,264	$(7,216,099)	$39,576,264
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	-	-	-	-

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

NOTES TO FINANCIAL STATEMENTS

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	$72,172,125	-
	2. Adjustments – Prior Year(s)	(58,481,719)	-
	3. Adjustments – Current Year	810,552	-
	4. Total	$14,500,958	-
b.	Consideration Paid or Received:		
	1. Initial	$59,389,802	-
	2. Adjustments – Prior Year(s)	2,263,726	-
	3. Adjustments – Current Year	-	-
	4. Total	$61,653,528	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	$73,279,583	-
	3. Adjustments – Current Year	(245,678)	-
	4. Total	$73,033,905	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	$(15,007,395)	-
	2. Adjustments – Prior Year(s)	(12,534,139)	-
	3. Adjustments – Current Year	(564,874)	-
	4. Current Year Special Surplus	3,287,606	-
	5. Cumulative Total Transferred to Unassigned Funds	$(31,394,014)	-
e.	All cedents and reinsurers included in the above transactions:		
	Peerless Insurance Company, 24198	$14,500,958	-
	Total	$14,500,958	-

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

G. Reinsurance Accounted for as a Deposit

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

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

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

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing case-base loss development with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium.

B. Accrued retrospective premiums are recorded as a component of written premiums.

C. For detail of net premium written subject to retrospective rating features refer to Schedule P, Part 7A.

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

a.	Total accrued retro premium	$1,546,921
b.	Unsecured amount	
c.	Less: Non-admitted amount (10%)	154,471
d.	Less: Non-admitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e.	Admitted amount (a) - (c) - (d)	$1,392,451

NOTES TO FINANCIAL STATEMENTS

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased $18,471,351 during 2010. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $4,579,890, Fidelity/Surety $14,820,786 and Private Passenger Auto Liability $16,950,932 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 $8,714,472, Other -Including Credit, Accident and Health $5,885,619, and Nonproportional Assumed Liability $4,599,110 lines. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company (“PIC”)	24198	25.20%	All Lines
Affiliated Pool Companies:	The Ohio Casualty Insurance Company (“OCIC”)	24074	20.40%	All Lines
	Safeco Insurance Company of America (“SICOA”)	24740	15.20%	All Lines
	General Insurance Company of America (“GICA”)	24732	9.20%	All Lines
	American States Insurance Company (“ASIC”)	19704	7.60%	All Lines
	American Economy Insurance Company (“AEIC”)	19690	5.60%	All Lines
	Indiana Insurance Company (“IIC”)	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation (“GEIC”)	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company (“PIIC”)	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois (“SICIL”)	39012	2.00%	All Lines
	The Netherlands Insurance Company (“NIC”)	24171	1.80%	All Lines
	American States Preferred Insurance Company (“ASPCO”)	37214	0.80%	All Lines
	First National Insurance Company of America (“FNICA”)	24724	0.80%	All Lines
	American Fire and Casualty Company (“AFCIC”)	24066	0.60%	All Lines
	America First Insurance Company (“AFIC”)	12696	0.00%	All Lines
	America First Lloyd’s Insurance Company (“AFLIC”)	11526	0.00%	All Lines
	American States Insurance Company of Texas (“ASICT”)	19712	0.00%	All Lines
	American States Lloyds Insurance Company (“ASLCO”)	31933	0.00%	All Lines
	Colorado Casualty Insurance Company (“CCIC”)	41785	0.00%	All Lines
	Consolidated Insurance Company (“CIC”)	22640	0.00%	All Lines
	Excelsior Insurance Company (“EIC”)	11045	0.00%	All Lines
	Hawkeye-Security Insurance Company (“HSIC”)	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company (“MAFCC”)	23507	0.00%	All Lines
	The Midwestern Indemnity Company (“MWIC”)	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company (“MMIC”)	14613	0.00%	All Lines
	National Insurance Association (“NIA”)	27944	0.00%	All Lines
	Ohio Security Insurance Company (“OSIC”)	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana (“SICIN”)	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon (“SICOR”)	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company (“SLICO”)	11070	0.00%	All Lines
	Safeco National Insurance Company (“SNIC”)	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company (“SSLIC”)	11100	0.00%	All Lines
	West American Insurance Company (“WAIC”)	44393	0.00%	All Lines
			100.0%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation (“LNW”)	41939	0.00%	All Lines
	North Pacific Insurance Company (“NPIC”)	23892	0.00%	All Lines
	Oregon Automobile Insurance Company (“OAIC”)	23922	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (“LMMAIC”)	14486	0.00%	All Lines

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of $18,522,867 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 $18,522,867 as of December 31, 2010.

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

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 30 - Premium Deficiency Reserves

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

Note 31 - High Dollar Deductible Policies

The Company does not have any high deductible policies.

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

For Workers' Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers' compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2010 liabilities subject to discount were carried at a value representing a discount of $20,634,371 net of all reinsurance.

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

Note 33 - Asbestos/Environmental Reserves

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

Asbestos:

	2006	2007	2008	2009	2010
Direct Basis					
Beginning Reserves	$ 22,544,014	$ 26,065,083	$ 24,589,577	$ 25,442,117	$ 23,803,220
Incurred losses and LAE	5,363,361	1,423,653	3,749,128	324,927	(1,970)
Calendar year payments	1,842,292	2,595,155	2,896,588	1,963,824	2,381,385
Ending Reserves	$ 26,065,083	$ 24,893,581	$ 25,442,117	$ 23,803,220	$ 21,419,865
Assumed Reinsurance Basis					
Beginning Reserves	$ 16,594,458	$ 16,369,332	$ 20,216,847	$ 17,305,476	$ 24,108,437
Incurred losses and LAE	717,008	4,658,094	(686,944)	8,554,471	(8,477)
Calendar year payments	942,134	1,568,280	2,224,427	1,751,509	3,064,811
Ending Reserves	$ 16,369,332	$ 19,459,146	$ 17,305,476	$ 24,108,438	$ 21,035,149
Net of Ceded Reinsurance Basis					
Beginning Reserves	$ 32,229,742	$ 34,279,518	$ 36,306,237	$ 34,828,860	$ 41,010,571
Incurred losses and LAE	4,578,832	5,029,217	1,830,418	9,658,536	19,300
Calendar year payments	2,529,056	3,466,415	3,307,795	3,476,825	4,957,328
Ending Reserves	$ 34,279,518	$ 35,842,320	$ 34,828,860	$ 41,010,571	$ 36,072,543

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	$ 12,871,616
Assumed Reinsurance Basis	11,981,022
Net of Ceded Reinsurance Basis	$ 23,086,790
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	$ 6,789,787
Assumed Reinsurance Basis	112,017
Net of Ceded Reinsurance Basis	$ 5,633,198

Environmental:	2006	2007	2008	2009	2010
Direct Basis					
Beginning Reserves	$ 30,509,920	$ 29,724,948	$ 28,261,901	$ 24,144,722	$ 20,567,297
Incurred losses and LAE	2,806,796	7,820,539	622,270	(1,048,064)	(109,999)
Calendar year payments	3,591,768	5,651,491	4,739,448	2,529,361	2,047,294
Ending Reserves	$ 29,724,948	$ 31,893,996	$ 24,144,723	20,567,297	$ 18,410,004
Assumed Reinsurance Basis					
Beginning Reserves	$ 6,184,593	$ 5,582,923	$ 5,426,315	$ 5,217,784	$ 3,755,885
Incurred losses and LAE	123,026	81,546	305	(1,329,808)	69,133
Calendar year payments	724,696	142,365	208,836	132,091	388,085
Ending Reserves	$ 5,582,923	$ 5,522,104	$ 5,217,784	$ 3,755,885	$ 3,436,933
Net of Ceded Reinsurance Basis					
Beginning Reserves	$ 33,393,231	$ 31,093,405	$ 31,091,829	$ 26,517,043	$ 21,213,082
Incurred losses and LAE	1,666,107	8,628,730	(547,474)	(2,802,147)	11,819
Calendar year payments	3,965,934	4,795,541	4,027,312	2,501,814	2,335,575
Ending Reserves	$ 31,093,404	$ 34,926,594	$ 26,517,043	$ 21,213,082	$ 18,889,326

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	$ 10,742,608
Assumed Reinsurance Basis	2,121,395
Net of Ceded Reinsurance Basis	$ 10,787,503

NOTES TO FINANCIAL STATEMENTS

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

Direct Basis	$ 4,485,061
Assumed Reinsurance Basis	16,938
Net of Ceded Reinsurance Basis	$ 4,212,255

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? Washington

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. 12/31/2009

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2005

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/12/2007

3.4 By what department or departments?
Washington State Office of the Insurance Commissioner

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 [X] No [ ] N/A [ ]

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. $ 32,767,990

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	$ 116,091,986
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 [X] No [ ]

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

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
N/A	Bank of New York Mellon	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	2,424,742,958	2,472,644,255	47,901,297
29.2 Preferred stocks	27,090,756	27,446,770	356,014
29.3 Totals	2,451,833,714	2,500,091,025	48,257,311

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

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

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

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

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

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

31.2 If no, list exceptions:

OTHER

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

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

1 Name	2 Amount Paid
	0
	0
	0

33.1 Amount of payments for legal expenses, if any? $ 519,024

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? $ 37,084

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	$ 1,079,171
2.2	Premium Denominator	$ 1,567,755,359	$ 1,592,432,536
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 7,660,076	$ 1,181,756
2.5	Reserve Denominator	$ 2,398,085,792	$ 2,560,517,312
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	$ 25,740,844
3.22	Non-participating policies	$ 1,865,732,131

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

5.5 If yes, give full information

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

See Note 21C

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

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

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

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

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

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

8.2 If yes, give full information

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

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

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

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

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

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

GENERAL INTERROGATORIES

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 $ 6,258,035

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 782,399

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? $ 182,400

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 $ 127,330,385

12.62 Collateral and other funds $ 37,617,526

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 54,697,200

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)	1,113,323,230	830,980,985	2,242,988,983	2,440,949,274	2,452,299,816
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	822,196,921	641,215,111	1,511,408,587	1,683,941,321	1,588,927,702
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	1,135,170,172	814,387,274	1,486,835,741	1,478,338,249	1,441,409,188
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	423,294,371	480,208,732	473,211,643	427,531,094	363,567,199
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)		16	10,672	1,575	1,780
6. Total (Line 35)	3,493,984,694	2,766,792,118	5,714,455,626	6,030,761,513	5,846,205,685
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)	653,713,650	750,274,595	734,489,362	797,640,802	801,612,939
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	314,280,721	283,963,841	445,621,177	463,324,041	477,451,233
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	523,474,161	506,785,770	433,589,745	476,845,500	465,310,209
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	111,043,186	97,356,750	148,810,566	128,717,049	108,177,959
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)		16	3,522	363	462
12. Total (Line 35)	1,602,511,718	1,638,380,972	1,762,514,372	1,866,527,755	1,852,552,802
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(22,529,131)	66,785,318	48,607,927	119,854,947	214,562,522
14. Net investment gain (loss) (Line 11)	133,915,007	124,731,040	144,513,610	189,293,143	177,961,936
15. Total other income (Line 15)	(13,163,584)	(6,506,279)	2,964,953	5,888,524	(103,196)
16. Dividends to policyholders (Line 17)	(535,689)	6,813,398	2,193,020	1,565,709	2,191,199
17. Federal and foreign income taxes incurred (Line 19)	5,461,380	73,806,207	30,076,708	65,084,793	101,388,753
18. Net income (Line 20)	93,296,601	104,390,474	163,816,762	248,386,112	288,841,310
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	3,837,984,130	4,327,404,574	3,952,233,208	4,067,248,117	4,522,038,349
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	54,564,644	60,221,355	280,278,446	380,951,206	354,707,622
20.2 Deferred and not yet due (Line 15.2)	438,837,234	427,601,133	276,167,757	243,930,098	271,271,918
20.3 Accrued retrospective premiums (Line 15.3)	1,392,450	2,482,113	770,606	672,317	796,362
21. Total liabilities excluding protected cell business (Page 3, Line 26)	2,993,078,301	3,180,292,675	3,182,407,771	3,228,637,423	3,366,636,926
22. Losses (Page 3, Line 1)	1,357,442,949	1,428,845,322	1,279,500,807	1,260,744,966	1,245,291,499
23. Loss adjustment expenses (Page 3, Line 3)	302,962,873	340,182,924	298,266,655	300,168,984	317,949,016
24. Unearned premiums (Page 3, Line 9)	737,679,970	699,372,386	666,660,985	728,534,002	706,885,898
25. Capital paid up (Page 3, Lines 30 & 31)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
26. Surplus as regards policyholders (Page 3, Line 37)	844,905,829	1,147,111,899	769,825,437	838,610,694	1,155,401,423
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	(3,946,250)	51,033,401	216,440,421	207,841,398	304,872,790
Risk-Based Capital Analysis					
28. Total adjusted capital	844,905,829	1,147,111,899	769,825,437	838,610,694	1,155,401,423
29. Authorized control level risk-based capital	170,218,613	146,163,549	168,373,602	169,567,368	167,821,458
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)	75.3	82.6	80.2	81.2	82.7
31. Stocks (Lines 2.1 & 2.2)	15.7	5.1	9.5	16.2	14.7
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	2.5	0.9			
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	5.3	9.3	9.1	1.7	2.4
35. Contract loans (Line 6)					
36. Derivatives (Line 7)		XXX	XXX	XXX	XXX
37. Other invested assets (Line 8)	0.1	2.2	1.2	0.8	0.2
38. Receivables for securities (Line 9)			0.0	0.0	0.1
39. Securities lending reinvested collateral assets (Line 10)	1.1	XXX	XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)	341,231,797	101,837,244	95,383,472	36,971,000	35,286,000
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		1,008,000	1,068,000		
48. Total of above Lines 42 to 47	341,231,797	102,845,244	96,451,472	36,971,000	35,286,000
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	40.4	9.0	12.5	4.4	3.1

FIVE – YEAR HISTORICAL DATA
(Continued)

		1	2	3	4	5
		2010	2009	2008	2007	2006
	Capital and Surplus Accounts (Page 4)					
50.	Net unrealized capital gains (losses) (Line 24)	43,087,700	21,223,709	(126,609,775)	(27,037,006)	24,050,522
51.	Dividends to stockholders (Line 35)	(753,000,000)		(158,000,000)	(465,000,000)	(255,000,000)
52.	Change in surplus as regards policyholders for the year (Line 38)	(302,206,070)	377,286,460	(68,785,255)	(316,790,729)	(42,473,063)
	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)	723,163,099	1,976,962,218	1,331,349,779	1,499,134,455	1,362,872,021
54.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	422,989,420	465,028,005	805,155,673	828,633,791	822,593,425
55.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	618,328,685	884,772,230	881,795,580	679,718,355	645,832,524
56.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	91,286,704	36,835,851	30,385,250	(5,669,475)	10,817,561
57.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	3,254,469	174,043,403	21,127,486	13,881,778	8,220,114
58.	Total (Line 35)	1,859,022,377	3,537,641,707	3,069,813,768	3,015,698,904	2,850,335,645
	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)	484,565,937	240,535,052	421,444,618	482,748,854	439,800,529
60.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	161,049,699	175,526,221	253,438,828	256,969,292	269,010,014
61.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	278,987,888	198,064,665	288,732,055	221,604,622	211,350,907
62.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	21,973,298	7,098,766	7,530,585	(1,033,695)	8,594,236
63.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	3,254,469	37,035,119	6,972,070	4,580,987	(166,365)
64.	Total (Line 35)	949,831,291	658,259,823	978,118,156	964,870,060	928,589,321
	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	55.5	53.1	47.1
67.	Loss expenses incurred (Line 3)	11.8	11.9	11.5	9.7	11.4
68.	Other underwriting expenses incurred (Line 4)	33.6	33.2	30.3	30.7	30.0
69.	Net underwriting gain (loss) (Line 8)	(1.4)	4.2	2.7	6.5	11.6
	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	33.7	32.7	31.2	30.0	30.0
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	67.0	62.9	58.5
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)	189.7	142.8	229.0	222.6	160.3
	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)	(18,457)	(117,240)	(51,398)	(48,484)	(46,030)
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)	(1.6)	(15.2)	(6.1)	(4.2)	(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)	(93,716)	(168,945)	(73,754)	(101,682)	(42,175)
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)	(12.2)	(20.1)	(6.4)	(8.5)	(4.0)

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

If no, please explain:
Not applicable.

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	21,039	2,119	5,829	168	1,274	195	515	25,660	X X X
2. 2001	1,274,403	79,124	1,195,279	816,065	57,057	60,254	3,239	99,833	3,160	45,235	912,696	X X X
3. 2002	1,385,757	136,231	1,249,526	761,870	75,388	57,046	5,248	97,982	4,813	44,924	831,449	X X X
4. 2003	1,512,891	126,356	1,386,535	737,146	63,530	51,203	3,723	110,669	5,071	45,614	826,694	X X X
5. 2004	1,628,118	89,829	1,538,289	755,455	30,309	46,575	1,683	108,548	2,265	57,135	876,321	X X X
6. 2005	1,696,131	68,698	1,627,433	769,146	30,489	47,993	1,807	113,745	1,660	54,011	896,928	X X X
7. 2006	1,693,884	75,650	1,618,234	760,352	17,160	44,452	2,121	114,228	2,453	46,091	897,298	X X X
8. 2007	1,728,894	84,436	1,644,458	752,740	16,507	39,005	1,773	112,785	1,515	47,453	884,735	X X X
9. 2008	1,725,497	64,150	1,661,347	803,307	24,092	31,446	1,486	123,978	1,155	41,968	931,998	X X X
10. 2009	1,618,893	101,245	1,517,648	607,782	41,877	16,621	1,913	106,122	732	35,967	686,003	X X X
11. 2010	1,600,109	32,356	1,567,753	435,881	2,113	6,343	128	98,661	99	21,983	538,545	X X X
12. Totals	X X X	X X X	X X X	7,220,783	360,641	406,767	23,289	1,087,825	23,118	440,896	8,308,327	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	181,064	64,197	107,609	13,036	6,524	1,454	20,872	2,440	16,734	372	5,694	251,304	X X X
2. 2001	17,354	2,996	4,964	1,284	296	16	2,181	212	1,285	36	790	21,536	X X X
3. 2002	20,242	3,749	5,238	1,053	432	36	2,186	178	1,370	31	844	24,421	X X X
4. 2003	15,974	3,434	6,975	899	456	4	3,227	165	1,610	23	1,010	23,717	X X X
5. 2004	19,165	4,081	11,042	1,155	465	3	3,564	193	1,730	34	2,849	30,500	X X X
6. 2005	25,437	2,209	13,731	1,557	834	3	6,153	296	2,602	27	3,455	44,665	X X X
7. 2006	44,181	2,620	16,159	2,825	1,242	4	9,508	518	4,208	26	7,644	69,305	X X X
8. 2007	77,789	2,144	27,913	4,758	2,258	5	15,037	735	7,751	26	6,116	123,080	X X X
9. 2008	110,668	1,756	62,866	8,087	3,680	13	27,829	1,415	11,091	52	14,113	204,811	X X X
10. 2009	153,802	3,635	109,651	7,487	3,272	112	38,408	2,221	18,729	39	20,559	310,368	X X X
11. 2010	242,969	1,353	219,142	2,170	2,549	1	54,068	138	41,642		33,723	556,708	X X X
12. Totals	908,645	92,174	585,290	44,311	22,008	1,651	183,033	8,511	108,752	666	96,797	1,660,415	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	211,440	39,864
2. 2001	1,002,232	68,000	934,232	78.643	85.941	78.160			15.200	18,038	3,498
3. 2002	946,366	90,496	855,870	68.292	66.428	68.496			15.200	20,678	3,743
4. 2003	927,260	76,849	850,411	61.291	60.819	61.334			15.200	18,616	5,101
5. 2004	946,544	39,723	906,821	58.137	44.221	58.950			15.200	24,971	5,529
6. 2005	979,641	38,048	941,593	57.757	55.384	57.858			15.200	35,402	9,263
7. 2006	994,330	27,727	966,603	58.701	36.652	59.732			15.200	54,895	14,410
8. 2007	1,035,278	27,463	1,007,815	59.881	32.525	61.286			15.200	98,800	24,280
9. 2008	1,174,865	38,056	1,136,809	68.088	59.323	68.427			15.200	163,691	41,120
10. 2009	1,054,387	58,016	996,371	65.130	57.303	65.652			15.200	252,331	58,037
11. 2010	1,101,255	6,002	1,095,253	68.824	18.550	69.861			15.200	458,588	98,120
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	1,357,450	302,965

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End ($000 OMITTED)										DEVELOPMENT	
	1 2001	2 2002	3 2003	4 2004	5 2005	6 2006	7 2007	8 2008	9 2009	10 2010	11 One Year	12 Two Year
1. Prior	770,453	802,001	851,018	857,226	883,371	896,861	902,576	891,059	925,945	946,101	20,156	55,042
2. 2001	834,663	830,171	835,741	838,332	838,731	835,933	839,899	832,626	838,581	837,556	(1,025)	4,930
3. 2002	X X X	800,135	796,053	788,861	772,184	769,396	763,167	758,049	762,701	762,541	(160)	4,492
4. 2003	X X X	X X X	788,080	773,636	754,363	750,462	755,645	749,833	747,091	744,079	(3,012)	(5,754)
5. 2004	X X X	X X X	X X X	886,284	864,781	853,524	816,388	811,421	802,062	799,895	(2,167)	(11,526)
6. 2005	X X X	X X X	X X X	X X X	924,860	889,672	845,688	840,303	830,063	827,840	(2,223)	(12,463)
7. 2006	X X X	X X X	X X X	X X X	X X X	910,207	891,641	868,355	848,943	851,722	2,779	(16,633)
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	975,617	949,738	890,358	889,902	(456)	(59,836)
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	1,055,982	1,007,953	1,004,014	(3,939)	(51,968)
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	901,453	873,043	(28,410)	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	955,417	X X X	X X X
										12. Totals	(18,457)	(93,716)

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 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2001	2 2002	3 2003	4 2004	5 2005	6 2006	7 2007	8 2008	9 2009	10 2010		
1. Prior	000	237,491	388,209	480,829	545,364	591,757	626,491	656,121	675,540	700,121	X X X	X X X
2. 2001	413,881	599,026	684,459	738,769	769,179	787,171	797,699	806,474	811,597	816,023	X X X	X X X
3. 2002	X X X	364,643	533,779	614,308	670,573	699,338	715,990	726,522	732,204	738,280	X X X	X X X
4. 2003	X X X	X X X	367,956	529,873	607,502	658,141	692,331	707,257	716,243	721,096	X X X	X X X
5. 2004	X X X	X X X	X X X	381,774	573,344	662,693	715,764	747,111	762,603	770,038	X X X	X X X
6. 2005	X X X	X X X	X X X	X X X	390,844	580,332	671,064	730,033	766,972	784,843	X X X	X X X
7. 2006	X X X	X X X	X X X	X X X	X X X	398,044	591,372	675,557	743,528	785,523	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	413,627	614,381	706,617	773,465	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	479,592	709,180	809,175	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	400,588	580,610	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	439,983	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 2001	2 2002	3 2003	4 2004	5 2005	6 2006	7 2007	8 2008	9 2009	10 2010
1. Prior	282,144	212,668	192,169	149,113	133,493	121,486	107,253	106,171	117,184	124,053
2. 2001	192,405	90,326	50,272	36,551	25,991	22,993	15,749	12,499	11,173	6,895
3. 2002	X X X	242,990	123,526	70,314	40,620	29,799	20,200	13,386	12,383	7,372
4. 2003	X X X	X X X	220,367	109,743	62,759	43,460	31,630	23,179	15,749	9,991
5. 2004	X X X	X X X	X X X	276,686	137,694	90,922	49,021	36,049	19,502	14,311
6. 2005	X X X	X X X	X X X	X X X	309,077	153,706	77,719	48,186	27,444	18,938
7. 2006	X X X	X X X	X X X	X X X	X X X	278,778	140,347	85,564	41,207	23,400
8. 2007	X X X	X X X	X X X	X X X	X X X	X X X	288,219	150,349	70,843	38,539
9. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	313,395	137,887	82,260
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	274,719	139,106
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	271,270

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.		1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken: 2 Direct Premiums Written	3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	21,188,440	20,664,641		12,314,031	8,490,607	5,581,553	269,067	
2. Alaska	AK	L	17,006,788	18,092,274		4,432,622	5,861,415	(1,431,063)	215,965	
3. Arizona	AZ	L	60,039,281	54,435,242		28,107,473	33,267,512	21,102,620	762,425	
4. Arkansas	AR	L	13,471,590	13,007,198		8,701,644	7,985,298	3,629,654	171,073	
5. California	CA	L	566,319,820	532,524,848		236,087,430	228,580,982	240,213,564	7,191,565	
6. Colorado	CO	L	107,742,098	100,291,683		69,625,871	61,684,197	33,508,653	1,368,192	
7. Connecticut	CT	L	40,006,136	41,930,151		21,638,951	13,972,078	19,058,435	508,029	
8. Delaware	DE	L	981,022	942,090			23,880	447,445	12,458	
9. District of Columbia	DC	L	3,044,885	3,869,520			(90,998)	1,264,998	38,666	
10. Florida	FL	L	20,034,236	22,519,900		32,089,043	26,926,131	10,303,478	254,410	
11. Georgia	GA	L	30,333,719	30,256,757		14,792,786	11,177,622	10,888,795	385,201	
12. Hawaii	HI	L	2,249,188	2,855,578		(7,027,193)	(1,064,465)	1,278,306	28,562	
13. Idaho	ID	L	7,019,124	7,141,125		6,129,530	2,178,557	5,313,360	89,134	
14. Illinois	IL	L	12,982,382	14,170,056		424,674	(1,325,002)	6,051,222	164,860	
15. Indiana	IN	L	13,146,610	13,073,522		3,316,186	1,852,969	3,075,662	166,946	
16. Iowa	IA	L	12,095,467	11,189,415		6,713,269	7,125,898	5,276,384	153,598	
17. Kansas	KS	L	66,806,413	62,765,386		28,376,067	27,774,901	17,699,349	848,359	
18. Kentucky	KY	L	23,447,097	21,284,011		8,196,385	7,860,652	5,897,222	297,749	
19. Louisiana	LA	L	40,920,411	38,221,358		11,182,249	4,853,428	7,732,417	519,639	
20. Maine	ME	L	1,284,351	718,586		(129)	50,509	295,962	16,310	
21. Maryland	MD	L	36,461,328	34,873,142		20,256,936	21,602,519	16,455,327	463,014	
22. Massachusetts	MA	L	14,905,259	14,322,837		164,930	527,715	3,717,273	189,278	
23. Michigan	MI	L	21,755,747	23,268,652		32,897,770	16,773,870	19,411,428	276,271	
24. Minnesota	MN	L	15,732,187	14,430,637	818	6,237,255	5,943,093	8,264,106	199,779	
25. Mississippi	MS	L	42,123,576	39,918,635		21,726,214	23,421,061	8,726,619	534,918	
26. Missouri	MO	L	55,668,659	54,077,695		18,067,806	23,897,335	19,048,788	706,924	
27. Montana	MT	L	33,654,894	33,093,672		43,176,396	54,395,013	25,144,586	427,376	
28. Nebraska	NE	L	4,899,286	4,854,396		2,980,991	2,905,849	1,435,232	62,215	
29. Nevada	NV	L	14,692,592	18,093,362		4,473,490	4,460,677	6,426,214	186,578	
30. New Hampshire	NH	L	10,085,401	7,602,759		3,553,104	3,250,156	2,460,842	128,072	
31. New Jersey	NJ	L	10,327,384	11,615,491		2,112,800	(790,605)	3,677,534	131,145	
32. New Mexico	NM	L	51,922,058	45,046,633		23,387,158	24,286,312	18,498,847	659,346	
33. New York	NY	L	29,956,954	36,411,185		20,236,123	2,053,576	542,312	380,416	
34. North Carolina	NC	L	12,886,540	13,044,433		4,552,422	4,234,949	3,490,145	163,643	
35. North Dakota	ND	L	8,047,588	7,616,966		2,983,762	3,006,468	1,352,560	102,194	
36. Ohio	OH	L	7,106,164	7,575,536		1,459,392	925,030	4,927,019	90,240	
37. Oklahoma	OK	L	47,622,370	41,391,479		28,096,385	30,257,468	12,939,766	604,746	
38. Oregon	OR	L	7,337,380	7,179,787		7,184,823	(5,263,446)	13,700,509	93,176	
39. Pennsylvania	PA	L	17,112,039	17,520,443		(441,292)	4,734,577	14,334,799	217,302	
40. Rhode Island	RI	L	789,948	1,219,595		14,301	69,249	498,660	10,031	
41. South Carolina	SC	L	21,672,201	21,871,457		10,962,678	14,129,386	4,851,021	275,210	
42. South Dakota	SD	L	11,325,107	10,546,353		5,960,019	5,598,653	2,832,540	143,815	
43. Tennessee	TN	L	30,637,481	29,755,141		15,075,666	14,463,241	10,566,707	389,058	
44. Texas	TX	L	64,983,751	68,435,873	3,592,964	24,024,392	11,282,384	35,048,932	825,214	
45. Utah	UT	L	9,357,341	8,470,770		1,783,432	1,194,679	2,983,307	118,827	
46. Vermont	VT	L	3,057,856	2,517,269		1,176,883	1,080,941	494,595	38,831	
47. Virginia	VA	L	9,922,011	10,239,370		2,252,979	(168,318)	4,410,914	125,997	
48. Washington	WA	L	181,951,968	178,463,491		84,804,187	87,537,558	70,613,760	2,310,566	
49. West Virginia	WV	L	32,806,961	28,842,773		21,475,076	23,797,942	12,226,530	416,608	
50. Wisconsin	WI	L	8,288,340	8,677,589		6,837,509	6,937,333	4,206,938	105,252	
51. Wyoming	WY	L	11,454,979	12,030,942		6,616,618	7,268,121	3,116,693	145,464	
52. American Samoa	AS	N								
53. Guam	GU	L	1,209,848	547,145			165,374	165,374	15,364	
54. Puerto Rico	PR	N	(1,582)	(1,163)						
55. U.S. Virgin Islands	VI	N	13,742	14,412					175	
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N	329	84			4,165	6,559		
58. Aggregate Other Alien	OT	X X X	1,586,233	695,317			59,941	59,941		
59. Totals		(a) 52	1,891,472,978	1,824,217,499	3,593,782	909,191,094	841,228,437	733,824,393	23,999,253	

DETAILS OF WRITE-INS									
5801. Other alien	X X X	1,586,233	695,317			59,941	59,941		
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	1,586,233	695,317			59,941	59,941		

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

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

*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery

*States employee's main work place - Worker's Compensation
*Location of Court - Surety

*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
*Address of Assured - Other Accident and Health

*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty
*Location of Properties covered - Burglary and Theft

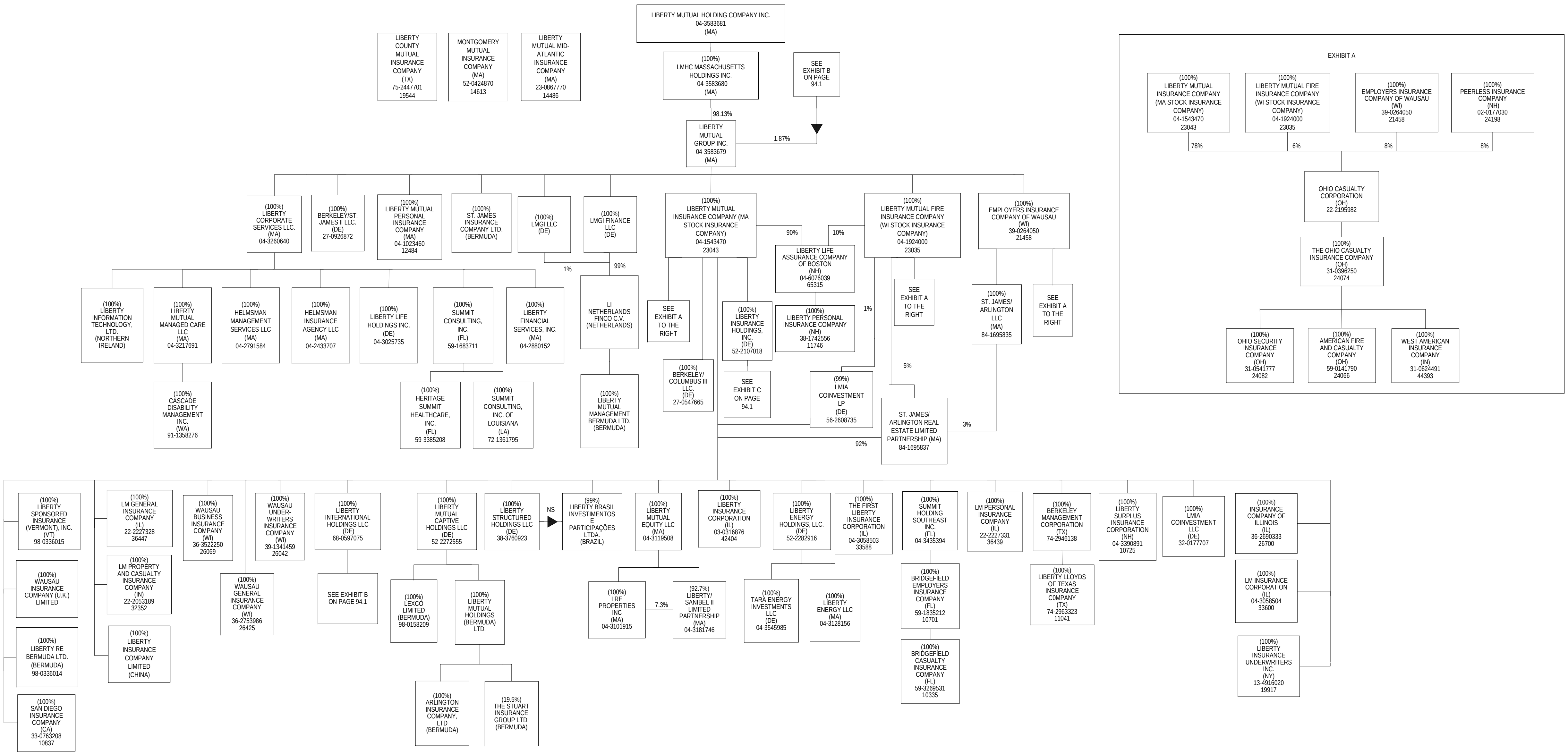
*Point of origin of shipment or principal location of assured - Inland Marine
*Principal Location of Assured - Ocean Marine, Credit

*State in which employees regularly work - Group Accident and Health
*Primary residence of Assured - Aircraft (all perils)

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

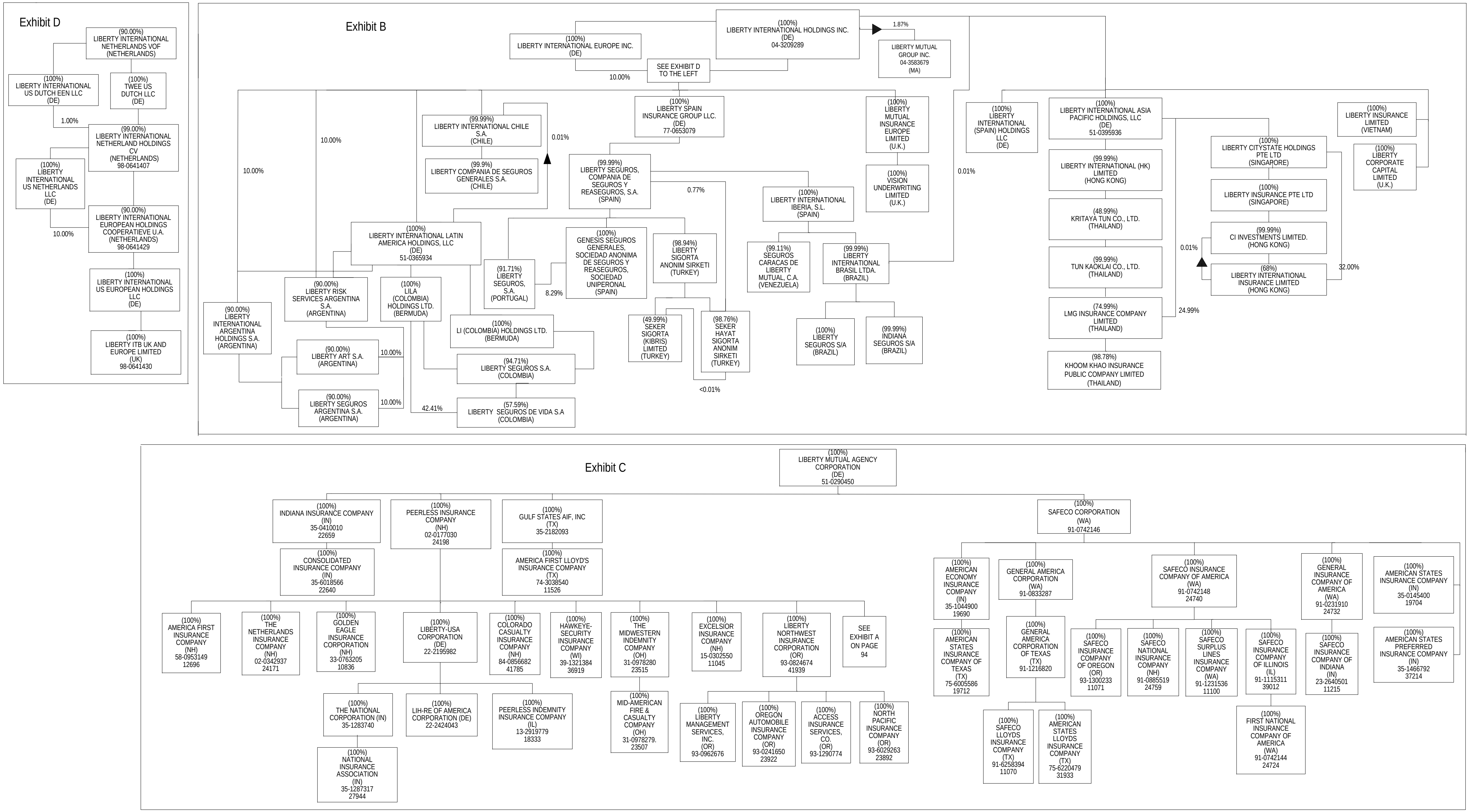
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Year	2 Prior Year
2504. Amounts held under uninsured plans	1,635,638	11,020,446
2505. Private passenger auto escrow	162,673	248,433
2506. Collateral held for securities loaned		21,713,248
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	1,798,311	32,982,127

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT