

**ANNUAL STATEMENT**

**OF THE**

**SAFECO NATIONAL INSURANCE COMPANY**

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**of** **FENTON**

**in the state of** **MISSOURI**

**TO THE**

**Insurance Department**

**OF THE**

**FOR THE YEAR ENDED**

**December 31, 2009**

**PROPERTY AND CASUALTY**

**2009**

# ANNUAL STATEMENT



For the Year Ended December 31, 2009  
OF THE CONDITION AND AFFAIRS OF THE

## Safeco National Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 24759 Employer's ID Number 91-0885519  
(Current Period) (Prior Period)

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

Country of Domicile United States of America

Incorporated/Organized: September 11, 1972 Commenced Business: November 1, 1972

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

Main Administrative Office: 175 Berkeley Street  
(Street and Number)  
Boston, MA 02116 206-545-5000  
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

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

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

Internet Web Site Address: WWW.SAFECO.COM

Statutory Statement Contact: Joanne Connolly 617-357-9500 x44393  
(Name) (Area Code) (Telephone Number) (Extension)  
Statutory.Compliance@LibertyMutual.com 617-574-5955  
(E-Mail Address) (Fax Number)

### OFFICERS

#### Chairman of the Board

Gary Richard Gregg

|    | Name                         | Title  |
|----|------------------------------|--|
| 1. | <u>Gary Richard Gregg #</u>  | <u>President and Chief Executive Officer</u> |
| 2. | <u>Dexter Robert Legg</u>    | <u>Secretary</u>                             |
| 3. | <u>Michael Joseph Fallon</u> | <u>Chief Financial Officer and Treasurer</u> |

#### VICE-PRESIDENTS

| Name                              | Title                                   | Name                       | Title                                  |
|-----------------------------------|---|----------------------------|--|
| <u>Anthony Alexander Fontanes</u> | <u>Chief Investment Officer and EVP</u> | <u>Scott Rhodes Goodby</u> | <u>Chief Operating Officer and EVP</u> |
| <u>Joseph Anthony Gilles #</u>    | <u>Executive Vice President</u>         |                            |  |
|                                   |   |                            |  |
|                                   |   |                            |  |
|                                   |   |                            |  |

#### DIRECTORS OR TRUSTEES

|                           |                                      |                              |                            |
|---------------------------|--------------------------------------|------------------------------|----------------------------|
| <u>John Derek Doyle</u>   | <u>Michael Joseph Fallon</u>         | <u>Joseph Anthony Gilles</u> | <u>Scott Rhodes Goodby</u> |
| <u>Gary Richard Gregg</u> | <u>Christopher Charles Mansfield</u> |                              |                            |
|                           |                                      |                              |                            |
|                           |                                      |                              |                            |
|                           |                                      |                              |                            |
|                           |                                      |                              |                            |
|                           |                                      |                              |                            |
|                           |                                      |                              |                            |
|                           |                                      |                              |                            |
|                           |                                      |                              |                            |

State of Massachusetts

County of Suffolk ss

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

|  |  |   |
|--|--|---|
| <u>(Signature)</u><br><u>Gary Richard Gregg #</u><br><u>(Printed Name)</u><br>1.<br><u>President and Chief Executive Officer</u><br><u>(Title)</u> | <u>(Signature)</u><br><u>Dexter Robert Legg</u><br><u>(Printed Name)</u><br>2.<br><u>Secretary</u><br><u>(Title)</u> | <u>(Signature)</u><br><u>Michael Joseph Fallon</u><br><u>(Printed Name)</u><br>3.<br><u>Chief Financial Officer and Treasurer</u><br><u>(Title)</u> |
|--|--|---|

Subscribed and sworn to (or affirmed) before me on this  
1st day of February, 2010, by

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

## ASSETS

|   | Current Year |                    |                                   | Prior Year          |
|---|--------------|--------------------|-----------------------------------|---------------------|
|   | 1            | 2                  | 3                                 | 4                   |
|   | Assets       | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D)   | 60,047,133   |                    | 60,047,133                        | 153,934,483         |
| 2. Stocks (Schedule D):   |              |                    |                                   |                     |
| 2.1 Preferred stocks  | 999,900      |                    | 999,900                           | 7,019,221           |
| 2.2 Common stocks   |              |                    |                                   |                     |
| 3. Mortgage loans on real estate (Schedule B):  |              |                    |                                   |                     |
| 3.1 First liens   |              |                    |                                   |                     |
| 3.2 Other than first liens  |              |                    |                                   |                     |
| 4. Real estate (Schedule A):  |              |                    |                                   |                     |
| 4.1 Properties occupied by the company (less \$ 0 encumbrances)   |              |                    |                                   |                     |
| 4.2 Properties held for the production of income (less \$ 0 encumbrances)   |              |                    |                                   |                     |
| 4.3 Properties held for sale (less \$ 0 encumbrances)   |              |                    |                                   |                     |
| 5. Cash (\$ 6,762,939, Schedule E - Part 1), cash equivalents (\$ 2,629,369, Schedule E - Part 2), and short-term investments (\$ 2,800,019, Schedule DA) | 12,192,327   |                    | 12,192,327                        | 15,733,331          |
| 6. Contract loans (including \$ 0 premium notes)  |              |                    |                                   |                     |
| 7. Other invested assets (Schedule BA)  |              |                    |                                   |                     |
| 8. Receivables for securities   |              |                    |                                   | 26,508              |
| 9. Aggregate write-ins for invested assets  |              |                    |                                   |                     |
| 10. Subtotals, cash and invested assets (Lines 1 to 9)  | 73,239,360   |                    | 73,239,360                        | 176,713,543         |
| 11. Title plants less \$ 0 charged off (for Title insurers only)  |              |                    |                                   |                     |
| 12. Investment income due and accrued   | 680,300      |                    | 680,300                           | 2,142,599           |
| 13. Premiums and considerations:  |              |                    |                                   |                     |
| 13.1 Uncollected premiums and agents' balances in the course of collection  |              |                    |                                   | 9,953,105           |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)               |              |                    |                                   | 16,737,440          |
| 13.3 Accrued retrospective premiums   |              |                    |                                   | 46,704              |
| 14. Reinsurance:  |              |                    |                                   |                     |
| 14.1 Amounts recoverable from reinsurers  | 695,231      |                    | 695,231                           | 1,294,944           |
| 14.2 Funds held by or deposited with reinsured companies  |              |                    |                                   |                     |
| 14.3 Other amounts receivable under reinsurance contracts   |              |                    |                                   |                     |
| 15. Amounts receivable relating to uninsured plans  |              |                    |                                   |                     |
| 16.1 Current federal and foreign income tax recoverable and interest thereon  |              |                    |                                   | 89,019              |
| 16.2 Net deferred tax asset   | 1,191,400    | 1,065,400          | 126,000                           | 4,461,294           |
| 17. Guaranty funds receivable or on deposit   |              |                    |                                   | 155,809             |
| 18. Electronic data processing equipment and software   |              |                    |                                   |                     |
| 19. Furniture and equipment, including health care delivery assets (\$ 0)   |              |                    |                                   |                     |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates  |              |                    |                                   |                     |
| 21. Receivables from parent, subsidiaries and affiliates  | 265,201      |                    | 265,201                           | 4,762,954           |
| 22. Health care (\$ 0) and other amounts receivable   |              |                    |                                   |                     |
| 23. Aggregate write-ins for other than invested assets  |              |                    |                                   | 88,754              |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)  | 76,071,492   | 1,065,400          | 75,006,092                        | 216,446,165         |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts   |              |                    |                                   |                     |
| 26. Total (Lines 24 and 25)   | 76,071,492   | 1,065,400          | 75,006,092                        | 216,446,165         |

| 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 9 above)     |  |  |        |
| 2301. Other assets  |  |  | 88,754 |
| 2302.   |  |  |        |
| 2303.   |  |  |        |
| 2398. Summary of remaining write-ins for Line 23 from overflow page |  |  |        |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)    |  |  | 88,754 |

## LIABILITIES, SURPLUS AND OTHER FUNDS

|   | 1            | 2           |
|---|--------------|-------------|
|   | Current Year | Prior Year  |
| 1. Losses (Part 2A, Line 35, Column 8)  |              | 77,545,504  |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)   |              | 5,331,056   |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9)  |              | 18,076,766  |
| 4. Commissions payable, contingent commissions and other similar charges  |              | 2,872,238   |
| 5. Other expenses (excluding taxes, licenses and fees)  |              | 5,096,966   |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes)  |              | 1,462,893   |
| 7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))  | 2,139,999    |             |
| 7.2 Net deferred tax liability  |              |             |
| 8. Borrowed money \$ 0 and interest thereon \$ 0  |              |             |
| 9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 3,613,090 and including warranty reserves of \$ 0) |              | 40,403,696  |
| 10. Advance premium   |              | 634,776     |
| 11. Dividends declared and unpaid:  |              |             |
| 11.1 Stockholders   |              |             |
| 11.2 Policyholders  |              | 131,211     |
| 12. Ceded reinsurance premiums payable (net of ceding commissions)  | (615,224)    | 1,003,384   |
| 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   |              | 360,430     |
| 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  |              |             |
| 19. Payable to parent, subsidiaries and affiliates  | 1,577,457    | 5,924,822   |
| 20. Payable for securities  |              | 102         |
| 21. Liability for amounts held under uninsured plans  |              |             |
| 22. Capital notes \$ 0 and interest thereon \$ 0  |              |             |
| 23. Aggregate write-ins for liabilities   | 9,533,310    | 435,050     |
| 24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)   | 12,635,542   | 159,278,894 |
| 25. Protected cell liabilities  |              |             |
| 26. Total liabilities (Lines 24 and 25)   | 12,635,542   | 159,278,894 |
| 27. Aggregate write-ins for special surplus funds   |              |             |
| 28. Common capital stock  | 2,500,000    | 2,500,000   |
| 29. Preferred capital stock   |              |             |
| 30. Aggregate write-ins for other than special surplus funds  |              |             |
| 31. Surplus notes   |              |             |
| 32. Gross paid in and contributed surplus   | 21,000,000   | 21,000,000  |
| 33. Unassigned funds (surplus)  | 38,870,550   | 33,667,271  |
| 34. Less treasury stock, at cost:   |              |             |
| 34.1 0 shares common (value included in Line 28 \$ 0)   |              |             |
| 34.2 0 shares preferred (value included in Line 29 \$ 0)  |              |             |
| 35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)  | 62,370,550   | 57,167,271  |
| 36. Totals (Page 2, Line 26, Col. 3)  | 75,006,092   | 216,446,165 |

| DETAILS OF WRITE-IN LINES   |           |         |
|---|-----------|---------|
| 2301. Collateral held for securities loaned                         | 9,533,310 |         |
| 2302. Other liabilities   |           | 435,050 |
| 2303. ....  |           |         |
| 2398. Summary of remaining write-ins for Line 23 from overflow page |           |         |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)    | 9,533,310 | 435,050 |
| 2701. ....  |           |         |
| 2702. ....  |           |         |
| 2703. ....  |           |         |
| 2798. Summary of remaining write-ins for Line 27 from overflow page |           |         |
| 2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)    |           |         |
| 3001. ....  |           |         |
| 3002. ....  |           |         |
| 3003. ....  |           |         |
| 3098. Summary of remaining write-ins for Line 30 from overflow page |           |         |
| 3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)    |           |         |

## STATEMENT OF INCOME

|   | 1            | 2            |
|---|--------------|--------------|
|   | Current Year | Prior Year   |
| <b>UNDERWRITING INCOME</b>  |              |              |
| 1. Premiums earned (Part 1, Line 35, Column 4)  |              | 110,594,324  |
| DEDUCTIONS:   |              |              |
| 2. Losses incurred (Part 2, Line 35, Column 7)  |              | 61,396,594   |
| 3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)  |              | 12,714,946   |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)   |              | 33,536,846   |
| 5. Aggregate write-ins for underwriting deductions  |              |              |
| 6. Total underwriting deductions (Lines 2 through 5)  |              | 107,648,386  |
| 7. Net income of protected cells  |              |              |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)   |              | 2,945,938    |
| <b>INVESTMENT INCOME</b>  |              |              |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17)   | 3,558,120    | 9,952,547    |
| 10. Net realized capital gains (losses) less capital gains tax of \$ (158,299) (Exhibit of Capital Gains (Losses))                                      | (293,983)    | 500,888      |
| 11. Net investment gain (loss) (Lines 9 + 10)   | 3,264,137    | 10,453,435   |
| <b>OTHER INCOME</b>   |              |              |
| 12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)                                     |              | (663,069)    |
| 13. Finance and service charges not included in premiums  |              | 517,854      |
| 14. Aggregate write-ins for miscellaneous income  | (105)        | 324,906      |
| 15. Total other income (Lines 12 through 14)  | (105)        | 179,691      |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)     | 3,264,032    | 13,579,064   |
| 17. Dividends to policyholders  |              | 132,910      |
| 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) | 3,264,032    | 13,446,154   |
| 19. Federal and foreign income taxes incurred   | (4,872,251)  | 2,640,037    |
| 20. Net income (Line 18 minus Line 19) (to Line 22)   | 8,136,283    | 10,806,117   |
| <b>CAPITAL AND SURPLUS ACCOUNT</b>  |              |              |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)  | 57,167,270   | 98,499,348   |
| 22. Net income (from Line 20)   | 8,136,283    | 10,806,117   |
| 23. Net transfers (to) from Protected Cell accounts   |              |              |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 456,962   | 848,643      | (8,479,999)  |
| 25. Change in net unrealized foreign exchange capital gain (loss)   |              |              |
| 26. Change in net deferred income tax   | (6,114,800)  | (573,618)    |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)   | 2,973,594    | (3,129,366)  |
| 28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)  |              |              |
| 29. Change in surplus notes   |              |              |
| 30. Surplus (contributed to) withdrawn from protected cells   |              |              |
| 31. Cumulative effect of changes in accounting principles   |              | 636,995      |
| 32. Capital changes:  |              |              |
| 32.1 Paid in  |              |              |
| 32.2 Transferred from surplus (Stock Dividend)  |              |              |
| 32.3 Transferred to surplus   |              |              |
| 33. Surplus adjustments:  |              |              |
| 33.1 Paid in  |              |              |
| 33.2 Transferred to capital (Stock Dividend)  |              |              |
| 33.3 Transferred from capital   |              |              |
| 34. Net remittances from or (to) Home Office  |              |              |
| 35. Dividends to stockholders   |              | (40,000,000) |
| 36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)   |              |              |
| 37. Aggregate write-ins for gains and losses in surplus   | (640,440)    | (592,207)    |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37)   | 5,203,280    | (41,332,078) |
| 39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)  | 62,370,550   | 57,167,270   |

| <b>DETAILS OF WRITE-IN LINES</b>                                    |           |           |
|---|-----------|-----------|
| 0501.   |           |           |
| 0502.   |           |           |
| 0503.   |           |           |
| 0598. Summary of remaining write-ins for Line 05 from overflow page |           |           |
| 0599. Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)    |           |           |
| 1401. Retroactive reinsurance gain/(loss)                           |           | 324,906   |
| 1402. Other income/(expense)  | (105)     |           |
| 1403.   |           |           |
| 1498. Summary of remaining write-ins for Line 14 from overflow page |           |           |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)    | (105)     | 324,906   |
| 3701. Other changes in surplus                                      | (640,440) | (592,207) |
| 3702.   |           |           |
| 3703.   |           |           |
| 3798. Summary of remaining write-ins for Line 37 from overflow page |           |           |
| 3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)    | (640,440) | (592,207) |

## CASH FLOW

|  | 1             | 2            |
|--|---------------|--------------|
| <b>Cash from Operations</b>  | Current Year  | Prior Year   |
| 1. Premiums collected net of reinsurance   | (22,134,471)  | 108,293,935  |
| 2. Net investment income   | 5,160,845     | 10,486,373   |
| 3. Miscellaneous income  | (709,626)     | 179,691      |
| 4. Total (Lines 1 through 3)   | (17,683,252)  | 118,959,999  |
| 5. Benefit and loss related payments   | 82,276,847    | 59,022,345   |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts                         |               |              |
| 7. Commissions, expenses paid and aggregate write-ins for deductions   | 26,916,704    | 46,317,689   |
| 8. Dividends paid to policyholders   | 131,211       | 148,463      |
| 9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)                 | (7,259,568)   | 2,961,869    |
| 10. Total (Lines 5 through 9)  | 102,065,194   | 108,450,366  |
| 11. Net cash from operations (Line 4 minus Line 10)  | (119,748,446) | 10,509,633   |
| <b>Cash from Investments</b>   |               |              |
| 12. Proceeds from investments sold, matured or repaid:   |               |              |
| 12.1 Bonds   | 125,341,344   | 37,875,062   |
| 12.2 Stocks  | 7,138,600     | 33,130,806   |
| 12.3 Mortgage loans  |               |              |
| 12.4 Real estate   |               |              |
| 12.5 Other invested assets   |               |              |
| 12.6 Net gains (or losses) on cash, cash equivalents and short-term investments                                |               | 8,059        |
| 12.7 Miscellaneous proceeds  |               | 94,318       |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7)  | 132,479,944   | 71,108,245   |
| 13. Cost of investments acquired (long-term only):   |               |              |
| 13.1 Bonds   | 31,763,689    | 20,269,896   |
| 13.2 Stocks  |               | 12,317,492   |
| 13.3 Mortgage loans  |               |              |
| 13.4 Real estate   |               |              |
| 13.5 Other invested assets   |               |              |
| 13.6 Miscellaneous applications  | 102           | 1,888,112    |
| 13.7 Total investments acquired (Lines 13.1 to 13.6)   | 31,763,791    | 34,475,500   |
| 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)  | 100,716,153   | 36,632,745   |
| <b>Cash from Financing and Miscellaneous Sources</b>   |               |              |
| 16. Cash provided (applied):   |               |              |
| 16.1 Surplus notes, capital notes  |               |              |
| 16.2 Capital and paid in surplus, less treasury stock  |               |              |
| 16.3 Borrowed funds  |               |              |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities                                    |               |              |
| 16.5 Dividends to stockholders   |               | 40,000,000   |
| 16.6 Other cash provided (applied)   | 15,491,290    | 169,979      |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6) | 15,491,290    | (39,830,021) |
| <b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>                                     |               |              |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)            | (3,541,003)   | 7,312,357    |
| 19. Cash, cash equivalents and short-term investments:   |               |              |
| 19.1 Beginning of year   | 15,733,330    | 8,420,973    |
| 19.2 End of year (Line 18 plus Line 19.1)  | 12,192,327    | 15,733,330   |

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

|         |  |  |
|---------|--|--|
| 20.0001 |  |  |
| 20.0002 |  |  |
| 20.0003 |  |  |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 – PREMIUMS EARNED

| Line of Business   | 1<br>Net<br>Premiums<br>Written per<br>Column 6, Part 1B | 2<br>Unearned<br>Premiums Dec. 31<br>Prior Year-<br>per Col. 3,<br>Last Year's Part 1 | 3<br>Unearned<br>Premiums Dec. 31<br>Current Year-<br>per Col. 5<br>Part 1A | 4<br>Premiums<br>Earned<br>During Year<br>(Cols. 1 + 2 - 3) |
|--|--|---|---|---|
| 1. Fire  | (1,278,097)  | 1,278,097   |   |   |
| 2. Allied lines  | (940,802)  | 940,802   |   |   |
| 3. Farmowners multiple peril                               | (297,311)  | 297,311   |   |   |
| 4. Homeowners multiple peril                               | (6,179,633)  | 6,179,633   |   |   |
| 5. Commercial multiple peril                               | (5,736,767)  | 5,736,767   |   |   |
| 6. Mortgage guaranty                                       |  |   |   |   |
| 8. Ocean marine  |  |   |   |   |
| 9. Inland marine   | (689,880)  | 689,880   |   |   |
| 10. Financial guaranty                                     |  |   |   |   |
| 11.1 Medical professional liability—occurrence             | (13,074)   | 13,074  |   |   |
| 11.2 Medical professional liability—claims-made            | (793)  | 793   |   |   |
| 12. Earthquake   | (338,163)  | 338,163   |   |   |
| 13. Group accident and health                              |  |   |   |   |
| 14. Credit accident and health<br>(group and individual)   |  |   |   |   |
| 15. Other accident and health                              | (135,645)  | 135,645   |   |   |
| 16. Workers' compensation                                  | (1,038,775)  | 1,038,775   |   |   |
| 17.1 Other liability—occurrence                            | (1,972,923)  | 1,972,923   |   |   |
| 17.2 Other liability—claims-made                           | (327,654)  | 327,654   |   |   |
| 17.3 Excess Workers' Compensation                          |  |   |   |   |
| 18.1 Products liability—occurrence                         | (54,583)   | 54,583  |   |   |
| 18.2 Products liability—claims-made                        |  |   |   |   |
| 19.1,19.2 Private passenger auto liability                 | (7,261,454)  | 7,261,454   |   |   |
| 19.3,19.4 Commercial auto liability                        | (3,256,164)  | 3,256,164   |   |   |
| 21. Auto physical damage                                   | (5,584,645)  | 5,584,645   |   |   |
| 22. Aircraft (all perils)                                  |  |   |   |   |
| 23. Fidelity   | (7,785)  | 7,785   |   |   |
| 24. Surety   | (4,950,209)  | 4,950,209   |   |   |
| 26. Burglary and theft                                     | (2,117)  | 2,117   |   |   |
| 27. Boiler and machinery                                   |  |   |   |   |
| 28. Credit   |  |   |   |   |
| 29. International  |  |   |   |   |
| 30. Warranty   |  |   |   |   |
| 31. Reinsurance-Nonproportional<br>Assumed Property        |  |   |   |   |
| 32. Reinsurance-Nonproportional<br>Assumed Liability       |  |   |   |   |
| 33. Reinsurance-Nonproportional<br>Assumed Financial Lines |  |   |   |   |
| 34. Aggregate write-ins for other lines<br>of business     |  |   |   |   |
| 35. TOTALS   | (40,066,474)   | 40,066,474  |   |   |

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

**NONE Underwriting and Investment Exhibit - Part 1A**



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

| Line of Business   | 1<br>Direct<br>Business<br>(a) | Reinsurance Assumed     |                                 | Reinsurance Ceded     |                               | 6<br>Net Premiums<br>Written<br>Cols. 1 + 2 + 3 -<br>4 - 5 |
|--|--------------------------------|-------------------------|---------------------------------|-----------------------|-------------------------------|--|
|  |                                | 2<br>From<br>Affiliates | 3<br>From<br>Non-<br>Affiliates | 4<br>To<br>Affiliates | 5<br>To<br>Non-<br>Affiliates |  |
| 1. Fire  | 1,478                          | (1,278,097)             |                                 | 1,478                 |                               | (1,278,097)  |
| 2. Allied lines  | 959                            | (940,802)               |                                 | 959                   |                               | (940,802)  |
| 3. Farmowners multiple peril                               |                                | (297,311)               |                                 |                       |                               | (297,311)  |
| 4. Homeowners multiple peril                               | 1,130,608                      | (6,179,633)             |                                 | 1,130,608             |                               | (6,179,633)  |
| 5. Commercial multiple peril                               |                                | (5,736,767)             |                                 |                       |                               | (5,736,767)  |
| 6. Mortgage guaranty                                       |                                |                         |                                 |                       |                               |  |
| 8. Ocean marine  |                                |                         |                                 |                       |                               |  |
| 9. Inland marine   | 13,116                         | (689,880)               |                                 | 13,116                |                               | (689,880)  |
| 10. Financial guaranty                                     |                                |                         |                                 |                       |                               |  |
| 11.1 Medical professional liability--occurrence            |                                | (13,074)                |                                 |                       |                               | (13,074)   |
| 11.2 Medical professional liability--claims-made           |                                | (793)                   |                                 |                       |                               | (793)  |
| 12. Earthquake   |                                | (338,163)               |                                 |                       |                               | (338,163)  |
| 13. Group accident and health                              |                                |                         |                                 |                       |                               |  |
| 14. Credit accident and health<br>(group and individual)   |                                |                         |                                 |                       |                               |  |
| 15. Other accident and health                              |                                | (135,645)               |                                 |                       |                               | (135,645)  |
| 16. Workers' compensation                                  |                                | (1,038,774)             |                                 |                       |                               | (1,038,774)  |
| 17.1 Other liability—occurrence                            | 141                            | (1,972,923)             |                                 | 141                   |                               | (1,972,923)  |
| 17.2 Other liability—claims-made                           |                                | (327,654)               |                                 |                       |                               | (327,654)  |
| 17.3 Excess Workers' Compensation                          |                                |                         |                                 |                       |                               |  |
| 18.1 Products liability—occurrence                         |                                | (54,583)                |                                 |                       |                               | (54,583)   |
| 18.2 Products liability—claims-made                        |                                |                         |                                 |                       |                               |  |
| 19.1,19.2 Private passenger auto liability                 | 7,659,778                      | (7,261,454)             |                                 | 7,659,779             |                               | (7,261,455)  |
| 19.3,19.4 Commercial auto liability                        |                                | (3,256,164)             |                                 |                       |                               | (3,256,164)  |
| 21. Auto physical damage                                   | 4,872,595                      | (5,584,645)             |                                 | 4,872,595             |                               | (5,584,645)  |
| 22. Aircraft (all perils)                                  |                                |                         |                                 |                       |                               |  |
| 23. Fidelity   |                                | (7,785)                 |                                 |                       |                               | (7,785)  |
| 24. Surety   |                                | (4,950,209)             |                                 |                       |                               | (4,950,209)  |
| 26. Burglary and theft                                     |                                | (2,117)                 |                                 |                       |                               | (2,117)  |
| 27. Boiler and machinery                                   |                                |                         |                                 |                       |                               |  |
| 28. Credit   |                                |                         |                                 |                       |                               |  |
| 29. International  |                                |                         |                                 |                       |                               |  |
| 30. Warranty   |                                |                         |                                 |                       |                               |  |
| 31. Reinsurance-Nonproportional<br>Assumed Property        | X X X                          |                         |                                 |                       |                               |  |
| 32. Reinsurance-Nonproportional<br>Assumed Liability       | X X X                          |                         |                                 |                       |                               |  |
| 33. Reinsurance-Nonproportional<br>Assumed Financial Lines | X X X                          |                         |                                 |                       |                               |  |
| 34. Aggregate write-ins for other lines<br>of business     |                                |                         |                                 |                       |                               |  |
| 35. TOTALS   | 13,678,675                     | (40,066,473)            |                                 | 13,678,676            |                               | (40,066,474)   |

| DETAILS OF WRITE-IN LINES   |  |  |  |  |  |  |
|---|--|--|--|--|--|--|
| 3401.   |  |  |  |  |  |  |
| 3402.   |  |  |  |  |  |  |
| 3403.   |  |  |  |  |  |  |
| 3498. Sum of remaining write-ins for<br>Line 34 from overflow page  |  |  |  |  |  |  |
| 3499. Totals (Lines 3401 through 3403<br>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

| Line of Business  | Losses Paid Less Salvage |                             |                               |  | 5<br>Net Losses<br>Unpaid<br>Current Year<br>(Part 2A, Col. 8) | 6<br>Net Losses<br>Unpaid<br>Prior Year | 7<br>Losses<br>Incurred<br>Current Year<br>(Cols. 4 + 5 - 6) | 8<br>Percentage of<br>Losses Incurred<br>(Col. 7, Part 2)<br>to Premiums Earned<br>(Col. 4, Part 1) |
|---|--------------------------|-----------------------------|-------------------------------|--|--|---|--|---|
|   | 1<br>Direct<br>Business  | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Recovered | 4<br>Net Payments<br>(Cols. 1 + 2 - 3) |  |   |  |   |
| 1. Fire   | 5,003                    | 627,991                     | 5,003                         | 627,991                                |  | 627,991                                 |  |   |
| 2. Allied lines   | 422                      | 449,801                     | 422                           | 449,801                                |  | 449,801                                 |  |   |
| 3. Farmowners multiple peril                            |                          | 140,658                     |                               | 140,658                                |  | 140,658                                 |  |   |
| 4. Homeowners multiple peril                            | 1,407,858                | 4,451,390                   | 1,407,858                     | 4,451,390                              |  | 4,451,390                               |  |   |
| 5. Commercial multiple peril                            |                          | 10,518,913                  |                               | 10,518,913                             |  | 10,518,913                              |  |   |
| 6. Mortgage guaranty                                    |                          |                             |                               |  |  |   |  |   |
| 8. Ocean marine   |                          | 2,579                       |                               | 2,579                                  |  | 2,579                                   |  |   |
| 9. Inland marine  | 10,946                   | 133,792                     | 10,946                        | 133,792                                |  | 133,792                                 |  |   |
| 10. Financial guaranty                                  |                          |                             |                               |  |  |   |  |   |
| 11.1 Medical professional liability—occurrence          |                          | 33,230                      |                               | 33,230                                 |  | 33,230                                  |  |   |
| 11.2 Medical professional liability—claims-made         |                          | 15,049                      |                               | 15,049                                 |  | 15,049                                  |  |   |
| 12. Earthquake  |                          | 2,547                       |                               | 2,547                                  |  | 2,547                                   |  |   |
| 13. Group accident and health                           |                          |                             |                               |  |  |   |  |   |
| 14. Credit accident and health (group and individual)   |                          |                             |                               |  |  |   |  |   |
| 15. Other accident and health                           |                          | 165,043                     |                               | 165,043                                |  | 165,043                                 |  |   |
| 16. Workers' compensation                               |                          | 12,594,272                  |                               | 12,594,272                             |  | 12,594,272                              |  |   |
| 17.1 Other liability—occurrence                         |                          | 7,922,019                   |                               | 7,922,019                              |  | 7,922,019                               |  |   |
| 17.2 Other liability—claims-made                        |                          | 935,715                     |                               | 935,715                                |  | 935,715                                 |  |   |
| 17.3 Excess Workers' Compensation                       |                          |                             |                               |  |  |   |  |   |
| 18.1 Products liability—occurrence                      |                          | 269,906                     |                               | 269,906                                |  | 269,906                                 |  |   |
| 18.2 Products liability—claims-made                     |                          | 31                          |                               | 31                                     |  | 31                                      |  |   |
| 19.1,19.2 Private passenger auto liability              | 4,962,432                | 24,854,342                  | 4,962,432                     | 24,854,342                             |  | 24,854,342                              |  |   |
| 19.3,19.4 Commercial auto liability                     |                          | 7,989,737                   |                               | 7,989,737                              |  | 7,989,737                               |  |   |
| 21. Auto physical damage                                | 2,685,290                | 819,591                     | 2,685,290                     | 819,591                                |  | 819,591                                 |  |   |
| 22. Aircraft (all perils)                               |                          | 16,073                      |                               | 16,073                                 |  | 16,073                                  |  |   |
| 23. Fidelity  |                          | 3,199                       |                               | 3,199                                  |  | 3,199                                   |  |   |
| 24. Surety  |                          | 1,629,129                   |                               | 1,629,129                              |  | 1,629,129                               |  |   |
| 26. Burglary and theft                                  |                          | 630                         |                               | 630                                    |  | 630                                     |  |   |
| 27. Boiler and machinery                                |                          | 978                         |                               | 978                                    |  | 978                                     |  |   |
| 28. Credit  |                          |                             |                               |  |  |   |  |   |
| 29. International                                       |                          |                             |                               |  |  |   |  |   |
| 30. Warranty  |                          |                             |                               |  |  |   |  |   |
| 31. Reinsurance-Nonproportional Assumed Property        | X X X                    |                             |                               |  |  |   |  |   |
| 32. Reinsurance-Nonproportional Assumed Liability       | X X X                    | 3,971,777                   | 2,890                         | 3,968,887                              |  | 3,968,887                               |  |   |
| 33. Reinsurance-Nonproportional Assumed Financial Lines | X X X                    |                             |                               |  |  |   |  |   |
| 34. Aggregate write-ins for other lines of business     |                          |                             |                               |  |  |   |  |   |
| 35. TOTALS  | 9,071,951                | 77,548,392                  | 9,074,841                     | 77,545,502                             |  | 77,545,502                              |  |   |

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

| Line of Business   | Reported Losses |                          |  |   | Incurred But Not Reported |                          |                        | 8<br>Net Losses Unpaid<br>(Cols. 4 + 5 + 6 - 7) | 9<br>Net Unpaid Loss Adjustment Expenses |
|--|-----------------|--------------------------|--|---|---------------------------|--------------------------|------------------------|---|--|
|  | 1<br>Direct     | 2<br>Reinsurance Assumed | 3<br>Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | 4<br>Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | 5<br>Direct               | 6<br>Reinsurance Assumed | 7<br>Reinsurance Ceded |   |  |
| 1. Fire  | 2,164           |                          | 2,164  |   |                           |                          |                        |   |  |
| 2. Allied lines  |                 |                          |  |   |                           |                          |                        |   |  |
| 3. Farmowners multiple peril                                     |                 |                          |  |   |                           |                          |                        |   |  |
| 4. Homeowners multiple peril                                     | 297,500         |                          | 297,500  |   | 21,360                    |                          | 21,360                 |   |  |
| 5. Commercial multiple peril                                     |                 |                          |  |   |                           |                          |                        |   |  |
| 6. Mortgage guaranty   |                 |                          |  |   |                           |                          |                        |   |  |
| 8. Ocean marine  |                 |                          |  |   |                           |                          |                        |   |  |
| 9. Inland marine   |                 |                          |  |   | 212                       |                          | 212                    |   |  |
| 10. Financial guaranty   |                 |                          |  |   |                           |                          |                        |   |  |
| 11.1 Medical professional liability—occurrence                   |                 |                          |  |   |                           |                          |                        |   |  |
| 11.2 Medical professional liability—claims-made                  |                 |                          |  |   |                           |                          |                        |   |  |
| 12. Earthquake   |                 |                          |  |   |                           |                          |                        | (a)   |  |
| 13. Group accident and health                                    |                 |                          |  |   |                           |                          |                        | (a)   |  |
| 14. Credit accident and health (group and individual)            |                 |                          |  |   |                           |                          |                        |   |  |
| 15. Other accident and health                                    |                 |                          |  |   |                           |                          |                        |   |  |
| 16. Workers' compensation  |                 |                          |  |   |                           |                          |                        |   |  |
| 17.1 Other liability—occurrence                                  |                 |                          |  |   | 17,242                    |                          | 17,242                 |   |  |
| 17.2 Other liability—claims-made                                 |                 |                          |  |   |                           |                          |                        |   |  |
| 17.3 Excess Workers' Compensation                                |                 |                          |  |   |                           |                          |                        |   |  |
| 18.1 Products liability—occurrence                               |                 |                          |  |   |                           |                          |                        |   |  |
| 18.2 Products liability—claims-made                              |                 |                          |  |   |                           |                          |                        |   |  |
| 19.1,19.2 Private passenger auto liability                       | 5,954,634       |                          | 5,954,634  |   | 916,995                   |                          | 916,995                |   |  |
| 19.3,19.4 Commercial auto liability                              |                 |                          |  |   |                           |                          |                        |   |  |
| 21. Auto physical damage   |                 |                          |  |   | 136,291                   |                          | 136,291                |   |  |
| 22. Aircraft (all perils)  |                 |                          |  |   |                           |                          |                        |   |  |
| 23. Fidelity   |                 |                          |  |   |                           |                          |                        |   |  |
| 24. Surety   |                 |                          |  |   |                           |                          |                        |   |  |
| 26. Burglary and theft   |                 |                          |  |   |                           |                          |                        |   |  |
| 27. Boiler and machinery   |                 |                          |  |   |                           |                          |                        |   |  |
| 28. Credit   |                 |                          |  |   |                           |                          |                        |   |  |
| 29. International  |                 |                          |  |   |                           |                          |                        |   |  |
| 30. Warranty   |                 |                          |  |   |                           |                          |                        |   |  |
| 31. Reinsurance-Nonproportional Assumed Property                 | X X X           |                          |  |   | X X X                     |                          |                        |   |  |
| 32. Reinsurance-Nonproportional Assumed Liability                | X X X           |                          |  |   | X X X                     |                          |                        |   |  |
| 33. Reinsurance-Nonproportional Assumed Financial Lines          | X X X           |                          |  |   | X X X                     |                          |                        |   |  |
| 34. Aggregate write-ins for other lines of business              |                 |                          |  |   |                           |                          |                        |   |  |
| 35. TOTALS   | 6,254,298       |                          | 6,254,298  |   | 1,092,100                 |                          | 1,092,100              |   |  |
| <b>DETAILS OF WRITE-IN LINES</b>                                 |                 |                          |  |   |                           |                          |                        |   |  |
| 3401.  |                 |                          |  |   |                           |                          |                        |   |  |
| 3402.  |                 |                          |  |   |                           |                          |                        |   |  |
| 3403.  |                 |                          |  |   |                           |                          |                        |   |  |
| 3498. Sum. of remaining write-ins for Line 34 from overflow page |                 |                          |  |   |                           |                          |                        |   |  |
| 3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above) |                 |                          |  |   |                           |                          |                        |   |  |

(a) Including \$ 0 for present value of life indemnity claims.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

|  | 1                           | 2                              | 3                      | 4          |
|--|-----------------------------|--------------------------------|------------------------|------------|
|  | Loss Adjustment<br>Expenses | Other Underwriting<br>Expenses | Investment<br>Expenses | Total      |
| 1. Claim adjustment services:  |                             |                                |                        |            |
| 1.1 Direct   | 150,074                     |                                |                        | 150,074    |
| 1.2 Reinsurance assumed  |                             |                                |                        |            |
| 1.3 Reinsurance ceded  | 150,074                     |                                |                        | 150,074    |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)                                    |                             |                                |                        |            |
| 2. Commission and brokerage:   |                             |                                |                        |            |
| 2.1 Direct, excluding contingent   |                             | 1,854,819                      |                        | 1,854,819  |
| 2.2 Reinsurance assumed, excluding contingent  |                             |                                |                        |            |
| 2.3 Reinsurance ceded, excluding contingent  |                             | 1,854,819                      |                        | 1,854,819  |
| 2.4 Contingent—direct  |                             |                                |                        |            |
| 2.5 Contingent—reinsurance assumed   |                             |                                |                        |            |
| 2.6 Contingent—reinsurance ceded   |                             |                                |                        |            |
| 2.7 Policy and membership fees   |                             |                                |                        |            |
| 2.8 Net commission and brokerage (2.1+2.2-2.3+2.4+2.5-2.6+2.7)                         |                             |                                |                        |            |
| 3. Allowances to manager and agents  |                             |                                |                        |            |
| 4. Advertising   |                             |                                | 143                    | 143        |
| 5. Boards, bureaus and associations  |                             |                                | 4                      | 4          |
| 6. Surveys and underwriting reports  |                             |                                | 148                    | 148        |
| 7. Audit of assureds' records  |                             |                                |                        |            |
| 8. Salary and related items:   |                             |                                |                        |            |
| 8.1 Salaries   |                             |                                | 26,803                 | 26,803     |
| 8.2 Payroll taxes  |                             |                                | 1,533                  | 1,533      |
| 9. Employee relations and welfare  |                             |                                | 1,487                  | 1,487      |
| 10. Insurance  |                             |                                | 310                    | 310        |
| 11. Directors' fees  |                             |                                |                        |            |
| 12. Travel and travel items  |                             |                                | 489                    | 489        |
| 13. Rent and rent items  |                             |                                | 486                    | 486        |
| 14. Equipment  |                             |                                | 430                    | 430        |
| 15. Cost or depreciation of EDP equipment and software                                 |                             |                                | 220                    | 220        |
| 16. Printing and stationery  |                             |                                | 71                     | 71         |
| 17. Postage, telephone and telegraph, exchange and express                             |                             |                                | 882                    | 882        |
| 18. Legal and auditing   |                             |                                | 885                    | 885        |
| 19. Totals (Lines 3 to 18)   |                             |                                | 33,891                 | 33,891     |
| 20. Taxes, licenses and fees:  |                             |                                |                        |            |
| 20.1 State and local insurance taxes deducting guaranty<br>association credits of \$ 0 |                             |                                |                        |            |
| 20.2 Insurance department licenses and fees  |                             |                                |                        |            |
| 20.3 Gross guaranty association assessments  |                             |                                |                        |            |
| 20.4 All other (excluding federal and foreign income and real estate)                  |                             |                                |                        |            |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)                        |                             |                                |                        |            |
| 21. Real estate expenses   |                             |                                |                        |            |
| 22. Real estate taxes  |                             |                                |                        |            |
| 23. Reimbursements by uninsured plans  |                             |                                |                        |            |
| 24. Aggregate write-ins for miscellaneous expenses                                     |                             |                                | 4,807                  | 4,807      |
| 25. Total expenses incurred  |                             |                                | 38,698                 | (a) 38,698 |
| 26. Less unpaid expenses—current year  |                             |                                |                        |            |
| 27. Add unpaid expenses—prior year   | 18,076,767                  | 9,432,096                      |                        | 27,508,863 |
| 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)                                 | 18,076,767                  | 9,432,096                      | 38,698                 | 27,547,561 |

| DETAILS OF WRITE-IN LINES  |  |  |       |       |
|--|--|--|-------|-------|
| 2401. Other Expenses   |  |  | 4,807 | 4,807 |
| 2402.  |  |  |       |       |
| 2403.  |  |  |       |       |
| 2498. Sum of remaining write-ins for Line 24 from overflow page  |  |  |       |       |
| 2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above) |  |  | 4,807 | 4,807 |

(a) Includes management fees of \$ 38,698 to affiliates and \$ 0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

|   | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|---|-------------------------------|----------------------------|
| 1. U.S. Government bonds  | (a) 511,534                   | 549,660                    |
| 1.1 Bonds exempt from U.S. tax  | (a) 2,980,166                 | 1,977,876                  |
| 1.2 Other bonds (unaffiliated)  | (a) 2,672,910                 | 2,214,816                  |
| 1.3 Bonds of affiliates   | (a)                           |                            |
| 2.1 Preferred stocks (unaffiliated)                                     | (b) 478,522                   | 350,612                    |
| 2.11 Preferred stocks of affiliates                                     | (b)                           |                            |
| 2.2 Common stocks (unaffiliated)  |                               |                            |
| 2.21 Common stocks of affiliates  |                               |                            |
| 3. Mortgage loans   | (c)                           |                            |
| 4. Real estate  | (d)                           |                            |
| 5. Contract loans   |                               |                            |
| 6. Cash, cash equivalents and short-term investments                    | (e) 114,653                   | 105,834                    |
| 7. Derivative instruments   | (f)                           |                            |
| 8. Other invested assets  |                               |                            |
| 9. Aggregate write-ins for investment income                            | (1,601,979)                   | (1,601,979)                |
| 10. Total gross investment income                                       | 5,155,806                     | 3,596,819                  |
| 11. Investment expenses   |                               | (g) 38,699                 |
| 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)                              |                               | 38,699                     |
| 17. Net investment income (Line 10 minus Line 16)                       |                               | 3,558,120                  |

| DETAILS OF WRITE-IN LINES   |             |             |             |
|---|-------------|-------------|-------------|
| 0901. Miscellaneous Income / (Expense)                              |             | 5,670       | 5,670       |
| 0902. Investment Income / (Expense) - Pooling Restatement           |             | (1,607,649) | (1,607,649) |
| 0903.   |             |             |             |
| 0998. Summary of remaining write-ins for Line 09 from overflow page |             |             |             |
| 0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)    |             | (1,601,979) | (1,601,979) |
| 1501.   | <b>NONE</b> |             |             |
| 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 \$ 247,800 accrual of discount less \$ 291,539 amortization of premium and less \$ 39,647 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 4,719 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

|  | 1<br>Realized<br>Gain (Loss)<br>on Sales or<br>Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Total Realized<br>Capital Gain (Loss)<br>(Columns 1 + 2) | 4<br>Change in Unrealized<br>Capital Gain (Loss) | 5<br>Change in Unrealized<br>Foreign Exchange<br>Capital Gain (Loss) |
|--|---|---------------------------------------|---|--|--|
| 1. U.S. Government bonds                             |   |                                       |   |  |  |
| 1.1 Bonds exempt from U.S. tax                       | (155,091)   | (310,193)                             | (465,284)   |  |  |
| 1.2 Other bonds (unaffiliated)                       | (61,179)  | (64,418)                              | (125,597)   | 324,925  |  |
| 1.3 Bonds of affiliates                              |   |                                       |   |  |  |
| 2.1 Preferred stocks (unaffiliated)                  | 138,600   |                                       | 138,600   | 980,679  |  |
| 2.11 Preferred stocks of affiliates                  |   |                                       |   |  |  |
| 2.2 Common stocks (unaffiliated)                     |   |                                       |   |  |  |
| 2.21 Common stocks of affiliates                     |   |                                       |   |  |  |
| 3. Mortgage loans                                    |   |                                       |   |  |  |
| 4. Real estate                                       |   |                                       |   |  |  |
| 5. Contract loans                                    |   |                                       |   |  |  |
| 6. Cash, cash equivalents and short-term investments |   |                                       |   |  |  |
| 7. Derivative instruments                            |   |                                       |   |  |  |
| 8. Other invested assets                             |   |                                       |   |  |  |
| 9. Aggregate write-ins for capital gains (losses)    |   |                                       |   |  |  |
| 10. Total capital gains (losses)                     | (77,670)  | (374,611)                             | (452,281)   | 1,305,604  |  |

| DETAILS OF WRITE-IN LINES   |             |  |  |  |  |
|---|-------------|--|--|--|--|
| 0901.   | <b>NONE</b> |  |  |  |  |
| 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<br>Current Year<br>Total<br>Nonadmitted<br>Assets | 2<br>Prior Year<br>Total<br>Nonadmitted Assets | 3<br>Change in Total<br>Nonadmitted Assets<br>(Col. 2 - Col. 1) |
|---|---|--|---|
| 1. Bonds (Schedule D)   |   |  |   |
| 2. Stocks (Schedule D):   |   |  |   |
| 2.1 Preferred stocks  |   |  |   |
| 2.2 Common stocks   |   |  |   |
| 3. Mortgage loans on real estate (Schedule B):  |   |  |   |
| 3.1 First liens   |   |  |   |
| 3.2 Other than first liens  |   |  |   |
| 4. Real estate (Schedule A):  |   |  |   |
| 4.1 Properties occupied by the company  |   |  |   |
| 4.2 Properties held for the production of income  |   |  |   |
| 4.3 Properties held for sale  |   |  |   |
| 5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA) |   |  |   |
| 6. Contract loans   |   |  |   |
| 7. Other invested assets (Schedule BA)  |   |  |   |
| 8. Receivables for securities   |   |  |   |
| 9. Aggregate write-ins for invested assets  |   |  |   |
| 10. Subtotals, cash and invested assets (Lines 1 to 9)  |   |  |   |
| 11. Title plants (for Title insurers only)  |   |  |   |
| 12. Investment income due and accrued   |   | 96,688   | 96,688  |
| 13. Premiums and considerations:  |   |  |   |
| 13.1 Uncollected premiums and agents' balances in the course of collection                                      |   | 592,979  | 592,979   |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due                   |   | 32,500   | 32,500  |
| 13.3 Accrued retrospective premiums   |   | 5,189  | 5,189   |
| 14. Reinsurance:  |   |  |   |
| 14.1 Amounts recoverable from reinsurers  |   |  |   |
| 14.2 Funds held by or deposited with reinsured companies  |   |  |   |
| 14.3 Other amounts receivable under reinsurance contracts   |   |  |   |
| 15. Amounts receivable relating to uninsured plans  |   |  |   |
| 16.1 Current federal and foreign income tax recoverable and interest thereon                                    |   |  |   |
| 16.2 Net deferred tax asset   | 1,065,400   | 3,301,867                                      | 2,236,467   |
| 17. Guaranty funds receivable or on deposit   |   |  |   |
| 18. Electronic data processing equipment and software   |   |  |   |
| 19. Furniture and equipment, including health care delivery assets  |   |  |   |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates                                      |   |  |   |
| 21. Receivables from parent, subsidiaries and affiliates  |   |  |   |
| 22. Health care and other amounts receivable  |   |  |   |
| 23. Aggregate write-ins for other than invested assets  |   | 9,771  | 9,771   |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)  | 1,065,400   | 4,038,994                                      | 2,973,594   |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts                                     |   |  |   |
| 26. Total (Lines 24 and 25)   | 1,065,400   | 4,038,994                                      | 2,973,594   |

| DETAILS OF WRITE-IN LINES   |  |       |       |
|---|--|-------|-------|
| 0901.   |  |       |       |
| 0902.   |  |       |       |
| 0903.   |  |       |       |
| 0998. Summary of remaining write-ins for Line 09 from overflow page |  |       |       |
| 0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)    |  |       |       |
| 2301. Other assets  |  | 9,771 | 9,771 |
| 2302.   |  |       |       |
| 2303.   |  |       |       |
| 2398. Summary of remaining write-ins for Line 23 from overflow page |  |       |       |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)    |  | 9,771 | 9,771 |

## 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 New Hampshire Insurance Commissioner, the accompanying financial statements of Safeco National Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

#### C. Accounting Policies

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

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or 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. The Company does not own common stocks.
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or 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. The Company does not own any subsidiaries, controlled or affiliated entities.
8. The Company does not own any joint ventures, partnerships, and limited liability companies.
9. Derivative Securities, refer to Note 8.
10. Refer to Note 29.
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 2009.
13. The Company has no pharmaceutical rebate receivables.

### **Note 2- Accounting Changes and Correction of Errors**

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

### **Note 3- Business Combinations and Goodwill**

#### A. Statutory Purchase Method

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

#### B. Statutory Mergers

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

## NOTES TO FINANCIAL STATEMENTS

## C. Impairment Loss

Not applicable

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments**

## A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in Mortgage Loans.

## B. Troubled Debt Restructuring for Creditors

Not applicable

## C. Reverse Mortgages

The Company has no reverse mortgages.

## D. Loan-Backed Securities

1. Not used.

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

3. Not used.

4. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2009 as of December 31, 2009:

|                            | 1<br>Amortized Cost Basis<br>Before<br>Other-than-Temporary<br>Impairment | 2<br>Other-than-Temporary<br>Impairment Recognized<br>in Loss | 3<br>Fair Value<br>(C1-C2) |
|----------------------------|---|---|----------------------------|
| Aggregate Intent to Sell   |   |   |                            |
| Aggregate Intent & Ability | 695,550   | 172,216   | 523,334                    |

5. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2009:

| 1<br>CUSIP | 2<br>Book/Adj<br>Carrying Value<br>Amortized cost<br>before current<br>period OTTI | 3<br>Projected Cash<br>Flows | 4<br>Recognized<br>other-than-tempor<br>ary impairment | 5<br>Amortized cost<br>after<br>other-than-tempor<br>ary impairment | 6<br>Fair Value |
|------------|--|------------------------------|--|---|-----------------|
| 59023XAB2  | 340,351  | 297,708                      | 42,642   | 297,708   | 298,149         |
| 61749BAB9  | 355,200  | 225,626                      | 129,574  | 225,626   | 216,565         |

6. 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, 2009

|                       | 1<br>Less Than 12 Months | 2<br>Greater Than 12 Months |
|-----------------------|--------------------------|-----------------------------|
| Gross Unrealized Loss | (94,893)                 | (10,738)                    |

7. 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.

8. Not used.



## NOTES TO FINANCIAL STATEMENTS

### E. Repurchase Agreements

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

|  | Under 30<br>Days | 31 - 60<br>Days | 61 - 90<br>Days | Over 90<br>Days | Total     |
|--|------------------|-----------------|-----------------|-----------------|-----------|
| Fair value of open reinvested collateral positions | 2,855,798        | 3,019,857       | 2,479,425       | 1,178,231       | 9,533,310 |

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

### F. Real Estate

The Company does not own real estate.

### G. Investments in Low-Income Housing Tax Credits

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

### **Note 6- Joint Ventures, Partnerships & Limited Liability Companies**

- A. The Company has no investments in joint ventures, partnerships, or limited liability companies.
- B. Impairments on joint ventures, partnerships, and limited liability companies.

Not applicable

### **Note 7- Investment Income**

#### A. Accrued Investment Income

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

#### B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2009.

### **Note 8- Derivative Instruments**

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

### **Note 9 - Income Taxes**

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

|                        | December 31, 2009 |         |             | December 31, 2008 | Change      |
|------------------------|-------------------|---------|-------------|-------------------|-------------|
|                        | Ordinary          | Capital | Total       | Total             |             |
| Total gross DTAs       | 1,347,245         | 126,255 | 1,473,500   | 8,194,145         | (6,720,645) |
| Total gross DTLs       | (282,100)         | 0       | (282,100)   | (430,984)         | 148,884     |
| Net DTA (DTL)          | 1,065,145         | 126,255 | 1,191,400   | 7,763,161         | (6,571,761) |
| Net DTA non-admitted   |                   |         | (1,065,400) | (3,301,867)       | 2,236,467   |
| Net Admitted DTA (DTL) |                   |         | 126,000     | 4,461,294         | (4,335,294) |

The Company has not elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election does not differ from the prior reporting period. A statutory valuation allowance adjustment, as described in SSAP No. 10R, paragraph 6e, is not required. Accordingly, total adjusted gross DTAs equal total gross DTAs.

## NOTES TO FINANCIAL STATEMENTS

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

|   | December 31, 2009 |         |            | December 31, 2008 |
|---|-------------------|---------|------------|-------------------|
|   | Ordinary          | Capital | Total      | Total             |
| Recoverable through loss carrybacks (10a.)          | 0                 | 126,000 | 126,000    | 4,461,294         |
| Lesser of:  |                   |         |            |                   |
| Expected to be recognized within one year (10bi.)   | 0                 | 0       | 0          | 0                 |
| 10% of adjusted capital and surplus (10bii.)        |                   |         | 5,573,107  | 9,468,920         |
| Adj. gross DTAs offset against existing DTLs (10c.) | 282,100           | 0       | 282,100    | 430,984           |
| Risk-based capital level used in paragraph 10d.:    |                   |         |            |                   |
| Total adjusted capital                              |                   |         | 62,370,550 | 57,167,271        |
| Authorized control level                            |                   |         | 208,027    | 9,166,418         |

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

|                        | December 31, 2009 |
|------------------------|-------------------|
| Admitted DTAs          | 126,000           |
| Admitted assets        | 75,006,092        |
| Statutory surplus      | 62,370,550        |
| Total adjusted capital | 62,370,550        |

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

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

|   | 2009        | 2008      |
|---|-------------|-----------|
| Federal                                   | (4,872,251) | 2,640,037 |
| Foreign                                   | 0           | 0         |
| Realized capital gains                    | (158,299)   | 269,709   |
| Federal and foreign income taxes incurred | (5,030,550) | 2,909,746 |

The Company's DTAs and DTLs result primarily from the accretion of market discount on owned securities, allowance for doubtful accounts, capital loss limitation, severance and postretirement benefit obligations.

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

|   | 2009        |
|---|-------------|
| Change in net deferred income tax (without unrealized gain or loss) | (6,114,799) |
| Change in tax effect of unrealized (gains) losses                   | (456,962)   |
| Total change in net deferred income tax                             | (6,571,761) |

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, dividends received deduction and intercompany eliminations.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is none from the current year and \$1,153,050 from the preceding year.

At December, 31 2009, the Company did not have any unused net operating loss carryforwards available to offset against future net income.

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

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

|   |  |
|---|--|
| Access Insurance Services, Co.                              | Liberty Insurance Holdings, Inc.           |
| AMBCO Capital Corporation                                   | Liberty Insurance Underwriters, Inc.       |
| America First Insurance Company                             | Liberty International Europe Inc.*         |
| America First Lloyds Insurance Company                      | Liberty International Holdings Inc.        |
| American Ambassador Casualty Company<br>(merged 10/21/2009) | Liberty Life Assurance Company of Boston   |
| American Economy Insurance Company                          | Liberty Life Holdings, Inc.                |
| American Fire & Casualty Company                            | Liberty Lloyds of Texas Insurance Company  |
| American States Insurance Company                           | Liberty Management Services, Inc.          |
| American States Insurance Company of Texas                  | Liberty Mexico Holdings, Inc.              |
| American States Lloyds Insurance Company                    | Liberty Mutual Fire Insurance Company      |
| American States Preferred Insurance Company                 | Liberty Mutual Group Inc.                  |
| Avomark Insurance Company                                   | Liberty Mutual Holding Company Inc.        |
| Barrier Ridge LLC   | Liberty Mutual Insurance Company           |
| Berkeley Holding Company Associates, Inc.                   | Liberty Mutual Personal Insurance Company  |
| Berkeley Management Corporation                             | Liberty Northwest Insurance Corporation    |
| Bridgefield Casualty Insurance Company                      | Liberty Personal Insurance Company         |
| Bridgefield Employers Insurance Company                     | Liberty RE (Bermuda) Limited               |
|   | Liberty Sponsored Insurance (Vermont) Inc. |

## NOTES TO FINANCIAL STATEMENTS

|   |  |
|---|--|
| Capitol Court Corporation                               | Liberty Surplus Insurance Corporation                |
| Capitol Agency, Inc., The (Arizona corporation)         | LIH U.S. P&C Corporation                             |
| Capitol Agency, Inc., The (Ohio corporation)            | LIH-RE of America Corporation                        |
| Capitol Agency, Inc., The (Tennessee corporation)       | LIU Specialty Insurance Agency Inc.                  |
| Cascade Disability Management, Inc.                     | LM General Insurance Company                         |
| Colorado Casualty Insurance Company                     | LM Insurance Corporation                             |
| Commercial Aviation Insurance, Inc.                     | LM Personal Insurance Company                        |
| Companies Agency of New York, Inc.                      | LM Property & Casualty Insurance Company             |
| Companies Agency of Pennsylvania, Inc.                  | LMHC Massachusetts Holdings Inc.                     |
| Consolidated Insurance Company                          | LRE Properties, Inc.                                 |
| Copley Venture Capital, Inc.                            | Mid-American Agency, Inc.                            |
| Diversified Settlements, Inc.                           | Mid-American Fire & Casualty Company                 |
| Emerald City Insurance Agency, Inc.                     | North Pacific Insurance Company                      |
| Employers Insurance Company of Wausau                   | OCASCO Budget, Inc.                                  |
| Excelsior Insurance Company                             | OCI Printing, Inc.                                   |
| F.B. Beattie & Company, Inc.                            | Ohio Casualty Corporation                            |
| First National Insurance Company of America             | Ohio Casualty of New Jersey, Inc. (merged 9/30/2009) |
| First State Agency Inc.                                 | Ohio Security Insurance Company                      |
| Florida State Agency, Inc.                              | Open Seas Solutions, Inc.                            |
| General America Corporation                             | Oregon Automobile Insurance Company                  |
| General America Corporation of Texas                    | Peerless Indemnity Insurance Company                 |
| General Insurance Company of America                    | Peerless Insurance Company                           |
| Globe American Casualty Company (merged 12/30/2009)     | Pilot Insurance Services, Inc.                       |
| Golden Eagle Insurance Corporation                      | Rianoc Research Corporation                          |
| Gulf States AIF, Inc.                                   | S.C. Bellevue, Inc.                                  |
| Hawkeye-Security Insurance Company                      | Safecare Company, Inc.                               |
| Heritage-Summit HealthCare, Inc.                        | Safeco Corporation                                   |
| Indiana Insurance Company                               | Safeco General Agency, Inc.                          |
| Insurance Company of Illinois                           | Safeco Insurance Company of America                  |
| LEXCO Limited   | Safeco Insurance Company of Illinois                 |
| Liberty - USA Corporation                               | Safeco Insurance Company of Indiana                  |
| Liberty Assignment Corporation                          | Safeco Insurance Company of Oregon                   |
| Liberty Energy Canada, Inc.                             | Safeco Lloyds Insurance Company                      |
| Liberty Financial Services, Inc.                        | Safeco National Insurance Company                    |
| Liberty Hospitality Group, Inc.                         | Safeco Properties, Inc.                              |
| Liberty Insurance Company of America (merged 9/17/2009) | Safeco Surplus Lines Insurance Company               |
| Liberty Insurance Corporation                           | San Diego Insurance Company                          |
| SCIT, Inc.  | The Ohio Casualty Insurance Company                  |
| St. James Insurance Company Ltd.                        | The Ohio Life Brokerage Services, Inc.               |
| State Agency, Inc. (Indiana corporation)                | Wausau Business Insurance Company                    |
| State Agency, Inc. (Wisconsin corporation)              | Wausau General Insurance Company                     |
| Summit Consulting, Inc.                                 | Wausau Service Corporation                           |
| Summit Consulting, Inc. of Louisiana                    | (dissolved 10/21/2009)                               |
| Summit Holding Southeast, Inc.                          | Wausau Underwriters Insurance Company                |
| The First Liberty Insurance Corporation                 | West American Insurance Company                      |
| The Midwestern Indemnity Company                        | Winmar Company, Inc.                                 |
| The National Corporation                                | Winmar of the Desert, Inc.                           |
| The Netherlands Insurance Company                       | Winmar Oregon, Inc.                                  |
|   | Winmar-Metro, Inc                                    |

\* This company joined the consolidated group in 2009 and its activity from the date it joined the group is included in the consolidated return.

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

### **Note 10- Information concerning Parent, Subsidiaries and Affiliates**

- A. All of the outstanding shares of capital stock of the Company are held by Safeco Insurance Company of America ("SICA"), a Washington insurance company. SICA is wholly owned by Safeco Corporation, a company incorporated in Washington. Safeco is wholly owned by LIH US P&C Corporation, an insurance holding company incorporated in Delaware. LIH US P&C Corporation is wholly owned by Liberty Insurance Holdings, Inc., an insurance holding company incorporated in Delaware. Liberty Insurance Holdings, Inc. is owned by Liberty Mutual Insurance Company ("LMIC" 93%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company ("LMFIC" 4%), a Wisconsin insurance company; and Employers Insurance Company of Wausau ("EICOW" 3%), a Wisconsin insurance company. The ultimate parent of LMIC, LMFIC and EICOW is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Notes 10 F, 22 and 25.
- D. At December 31, 2009, the Company reported \$1,312,256 due to affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

## NOTES TO FINANCIAL STATEMENTS

- E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. Refer to Note 25 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company 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 investment management agreements with LMIC, and with Liberty Mutual Investment Advisors LLC ("LMIA"). Under these agreements, LMIC and LMIA provide investment management services to the Company.

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

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

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company has no investments in subsidiary, controlled or affiliated companies.
- J. Impairment of subsidiaries  
Refer to 10 I
- K. Investment in foreign insurance subsidiaries.  
Refer to 10 I
- L. Investment in downstream noninsurance holding companies.  
Refer to 10 I

### **Note 11- Debt**

- A. Capital Notes  
Not applicable
- B. All Other Debt

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

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

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

### **Note 13- Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

1. Common Stock  
The Company has 20,000 shares authorized, and 20,000 shares issued and outstanding as of December 31, 2009. All shares have a stated par value of \$125.
2. Preferred Stock  
Not applicable
3. Dividend Restrictions  
Not applicable
4. The Company did not pay a dividend to its parent during 2009.

## NOTES TO FINANCIAL STATEMENTS

5. The maximum amount of dividends that can be paid by New Hampshire-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is 10% of surplus. The maximum dividend payout that may be made without prior approval in 2010 is \$6,237,055.
6. The Company does not have restricted unassigned surplus.
7. The Company had no advances to surplus.
8. The Company did not hold stock for special purposes.
9. The Company does not hold special surplus funds.
10. The portion of unassigned funds (surplus) represented by cumulative unrealized loss is \$(65) after applicable deferred taxes of \$35.
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 no commitments or contingent commitments to affiliates except as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.

#### B. Assessments

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

As a result of an inter-company reinsurance arrangement (see Note 25), all guaranty fund and other assessments liabilities are ceded to Peerless Insurance Company.

#### C. Gain Contingencies

Not applicable

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

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

#### E. All other Contingencies

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

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

### **Note 15- Leases**

#### A. The Company is not involved in material lease obligations.

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

Not applicable

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

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

## NOTES TO FINANCIAL STATEMENTS

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

A. Transfers of Receivables reported as sales

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

B. Transfers and servicing of financial assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The company does not participate in term loans; therefore, the company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. 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, 2009 the total fair value of securities on loan was \$11,503,569, with corresponding collateral value of \$11,806,788 of which \$9,533,310 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, Safeco Insurance Company of America and its affiliated property and casualty insurance companies agreed to become a participating insurer of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As a participating insurer of the CEA, Safeco and its affiliates act as a third party administrator and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the Company for commissions and claims paid on behalf of the CEA. The Company also receives an administrative fee equal to 3.43% of premium and 9% of claims paid. In 2009, the Company recorded CEA administrative fees of \$1.04M.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

### **Note 20- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

- 1) Assets in the amount of \$8,404,197 and \$4,310,956 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.
- 2) Effective October 1, 2009 the Company re-domesticated from Missouri to New Hampshire.
- 3) Interrogatory 6.1

In 2009, as a member of an inter-company reinsurance pooling arrangement, the Company had the benefit of Workers' Compensation Catastrophe reinsurance with limits of \$1,038,000 part of \$1,175,000 xs \$25,000,000 purchased by Peerless Insurance Company, the lead company of the inter-company reinsurance pool, individually or with affiliates within the Liberty Mutual Group covering workers' compensation business ceded to the pool.

## NOTES TO FINANCIAL STATEMENTS

### Interrogatory 6.3

As a member of the inter-company pooling arrangement in which Peerless Insurance Company is the lead company, the Company has the benefit of \$825,000,000 xs \$500,000,000 of traditional XOL reinsurance covering its business ceded to the pool. In December 2008, Peerless Insurance Company purchased a 31.725% QS treaty for its direct and assumed from affiliates US Homeowners portfolio, which includes business assumed from the Company.

D. As a result of the PIC Amended and Restated Reinsurance Pooling Agreement (see Note 25), the Company has no net exposure to uncollectible premium receivable balances.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. Sub-Prime Lending

1. The Company has not purchased securities characterized by the market as subprime. The Company looks at 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 their investment in residential mortgage-backed securities.

| <u>Actual Cost</u> | <u>Book Adjusted<br/>Carrying Value</u> | <u>Fair Value</u> | <u>Other Than Temporary<br/>Impairments Recognized</u> |
|--------------------|---|-------------------|--|
| \$479,520          | \$479,520                               | \$394,708         | \$17,807   |

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

### **Note 21- Events Subsequent**

A. The Company evaluated subsequent events through February 24, 2010, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2009 that would require disclosure.

### **Note 22- Reinsurance**

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

B. There are no reinsurance recoverables in dispute from an individual reinsurer that 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 reinsurer or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2009.

|            | <u>Assumed Reinsurance</u> |                              | <u>Ceded Reinsurance</u> |                              | <u>Net Reinsurance</u> |                              |
|------------|----------------------------|------------------------------|--------------------------|------------------------------|------------------------|------------------------------|
|            | <u>UEP</u>                 | <u>Commission<br/>Equity</u> | <u>UEP</u>               | <u>Commission<br/>Equity</u> | <u>UEP</u>             | <u>Commission<br/>Equity</u> |
| Affiliates | -                          | -                            | 3,613,090                | 505,833                      | (3,613,090)            | (505,833)                    |
| All Other  | -                          | -                            | -                        | -                            | -                      | -                            |
| Total      | -                          | -                            | 3,613,090                | 505,833                      | (3,613,090)            | (505,833)                    |

Direct Unearned Premium Reserve of \$3,613,090

2. There are no sliding scale adjustments, or other profit sharing commissions for direct, assumed or ceded business.

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

D. The Company did not write off any uncollectible balances in 2009.

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

F. The Company does not have any retroactive reinsurance agreements.

G. The Company has not entered into any deposit type reinsurance agreements as of December 31, 2009.

## NOTES TO FINANCIAL STATEMENTS

### **Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

The Company does not have net accrued retrospective premiums (See Note 25).

### **Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses**

The Company has no net exposure to changes in incurred losses and loss adjustment expenses (see Note 25).

### **Note 25- Intercompany Pooling Arrangements**

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

|                                 |  | NAIC<br>Company<br>Number | 2009<br>Pooling<br>Percentage |
|---------------------------------|--|---------------------------|-------------------------------|
| Lead<br>Company                 | Peerless Insurance Company ("PIC")                       | 24198                     | 25.20%                        |
| Affiliated<br>Pool<br>Companies | The Ohio Casualty Insurance Company ("OCIC")             | 24074                     | 20.40%                        |
|                                 | Safeco Insurance Company of America ("SICOA")            | 24740                     | 15.20%                        |
|                                 | General Insurance Company of America ("GICA")            | 24732                     | 9.20%                         |
|                                 | American States Insurance Company ("ASIC")               | 19704                     | 7.60%                         |
|                                 | American Economy Insurance Company ("AEIC")              | 19690                     | 5.60%                         |
|                                 | Indiana Insurance Company ("IIC")                        | 22659                     | 4.80%                         |
|                                 | Golden Eagle Insurance Corporation ("GEIC")              | 10836                     | 3.00%                         |
|                                 | Peerless Indemnity Insurance Company ("PIIC")            | 18333                     | 3.00%                         |
|                                 | Safeco Insurance Company of Illinois ("SICIL")           | 39012                     | 2.00%                         |
|                                 | The Netherlands Insurance Company ("NIC")                | 24171                     | 1.80%                         |
|                                 | American States Preferred Insurance Company ("ASPCO")    | 37214                     | 0.80%                         |
|                                 | First National Insurance Company of America ("FNICA")    | 24724                     | 0.80%                         |
|                                 | American Fire and Casualty Company ("AFCIC")             | 24066                     | 0.60%                         |
|                                 | America First Insurance Company ("AFIC")                 | 12696                     | 0.00%                         |
|                                 | America First Lloyd's Insurance Company ("AFLIC")        | 11526                     | 0.00%                         |
|                                 | American States Insurance Company of Texas ("ASICT")     | 19712                     | 0.00%                         |
|                                 | American States Lloyds Insurance Company ("ASLCO")       | 31933                     | 0.00%                         |
|                                 | Avomark Insurance Company ("AVOIC")                      | 10792                     | 0.00%                         |
|                                 | Colorado Casualty Insurance Company ("CCIC")             | 41785                     | 0.00%                         |
|                                 | Consolidated Insurance Company ("CIC")                   | 22640                     | 0.00%                         |
|                                 | Excelsior Insurance Company ("EIC")                      | 11045                     | 0.00%                         |
|                                 | Hawkeye-Security Insurance Company ("HSIC")              | 36919                     | 0.00%                         |
|                                 | Insurance Company of Illinois ("ICIL")                   | 26700                     | 0.00%                         |
|                                 | Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC") | 14486                     | 0.00%                         |
|                                 | Mid-American Fire & Casualty Company ("MAFCC")           | 23507                     | 0.00%                         |
|                                 | The Midwestern Indemnity Company ("MWIC")                | 23515                     | 0.00%                         |
|                                 | Montgomery Mutual Insurance Company ("MMIC")             | 14613                     | 0.00%                         |
|                                 | National Insurance Association ("NIA")                   | 27944                     | 0.00%                         |
|                                 | Ohio Security Insurance Company ("OSIC")                 | 24082                     | 0.00%                         |
|                                 | Safeco Insurance Company of Indiana ("SICIN")            | 11215                     | 0.00%                         |
|                                 | Safeco Insurance Company of Oregon ("SICOR")             | 11071                     | 0.00%                         |
|                                 | Safeco Lloyds Insurance Company ("SLICO")                | 11070                     | 0.00%                         |
|                                 | Safeco National Insurance Company ("SNIC")               | 24759                     | 0.00%                         |
|                                 | Safeco Surplus Lines Insurance Company ("SSLIC")         | 11100                     | 0.00%                         |
|                                 | West American Insurance Company ("WAIC")                 | 44393                     | 0.00%                         |
|                                 |  |                           | 100.00%                       |
| 100% Quota<br>Share             | Bridgefield Employers Insurance Company ("BEIC")         | 10701                     | 0.00%                         |
|                                 | Bridgefield Casualty Insurance Company ("BCIC")          | 10335                     | 0.00%                         |
| Affiliated<br>Companies         | Liberty Northwest Insurance Corporation ("LNW")          | 41939                     | 0.00%                         |
|                                 | North Pacific Insurance Company ("NPIC")                 | 23892                     | 0.00%                         |
|                                 | Oregon Automobile Insurance Company ("OAIC")             | 23922                     | 0.00%                         |

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

- (a) Each Affiliated Pool Company cedes its net underwriting activity to the Lead Company.
- (b) Each 100% Quota Share Affiliated Company cedes its net underwriting activity to the Lead Company.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.



## NOTES TO FINANCIAL STATEMENTS

- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement that have a contractual right of direct recovery from the non-affiliated reinsurer per the terms of such reinsurance agreements.
- (f) There were no discrepancies between entries regarding pooled business on the assumed and ceded reinsurance schedules of the Lead Company and corresponding entries on the assumed and ceded reinsurance schedules of other pooled participants.
- (g) The write-off of uncollectible reinsurance is pooled and the Provision for Reinsurance is recognized by the entity placing the outbound external reinsurance.
- (h) Amount due from affiliated entity participating in the Peerless inter-company pool as at December 31, 2009:

| Affiliate:                 | Amount:     |
|----------------------------|-------------|
| Peerless Insurance Company | \$1,310,455 |

During 2009, American Ambassador Insurance Company, Globe American Insurance Company and Ohio Casualty of New Jersey merged with Peerless Indemnity Insurance Company, The Midwestern Indemnity Company, and Ohio Casualty Insurance Company, respectively. Peerless Indemnity Insurance Company, The Midwestern Indemnity Company and Ohio Casualty Insurance Company were the surviving entities.

During 2009, ICIL merged with an affiliate, Liberty Insurance Company of America (LICA). ICIL became the surviving entity. Concurrent with the merger, ICIL entered into a Quota Share Reinsurance Agreement with Liberty Mutual Insurance Company (LMIC), covering the business written by LICA. ICIL continued as a participant in the Peerless Amended and Restated Reinsurance Agreement. Effective January 1, 2010, ICIL terminated the Quota Share Reinsurance Agreement with LMIC and became a participant in the Liberty Mutual inter-company Pool, with a 0.00% participation in the Pool. As a participant in the Liberty Mutual inter-company Reinsurance Agreement, ICIL cedes the business of LICA to the Pool. Concurrent with entering into the Liberty Mutual inter-company Reinsurance Agreement, ICIL terminated its participation in the Peerless Amended and Restated Reinsurance Agreement and entered into a Quota Share Reinsurance Agreement with PIC, covering the business written by ICIL.

Effective January 1, 2010, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company canceled their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Reinsurance Agreements with Liberty Mutual Insurance Company.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2010, the Peerless Insurance Company Pool structure was revised as follows:

|                                 |  | NAIC<br>Company<br>Number | 2010<br>Pooling<br>Percentage |
|---------------------------------|--|---------------------------|-------------------------------|
| Lead<br>Company                 | Peerless Insurance Company ("PIC")                       | 24198                     | 25.20%                        |
| Affiliated<br>Pool<br>Companies | The Ohio Casualty Insurance Company ("OCIC")             | 24074                     | 20.40%                        |
|                                 | Safeco Insurance Company of America ("SICOA")            | 24740                     | 15.20%                        |
|                                 | General Insurance Company of America ("GICA")            | 24732                     | 9.20%                         |
|                                 | American States Insurance Company ("ASIC")               | 19704                     | 7.60%                         |
|                                 | American Economy Insurance Company ("AEIC")              | 19690                     | 5.60%                         |
|                                 | Indiana Insurance Company ("IIC")                        | 22659                     | 4.80%                         |
|                                 | Golden Eagle Insurance Corporation ("GEIC")              | 10836                     | 3.00%                         |
|                                 | Peerless Indemnity Insurance Company ("PIIC")            | 18333                     | 3.00%                         |
|                                 | Safeco Insurance Company of Illinois ("SICIL")           | 39012                     | 2.00%                         |
|                                 | The Netherlands Insurance Company ("NIC")                | 24171                     | 1.80%                         |
|                                 | American States Preferred Insurance Company ("ASPCO")    | 37214                     | 0.80%                         |
|                                 | First National Insurance Company of America ("FNICA")    | 24724                     | 0.80%                         |
|                                 | American Fire and Casualty Company ("AFCIC")             | 24066                     | 0.60%                         |
|                                 | America First Insurance Company ("AFIC")                 | 12696                     | 0.00%                         |
|                                 | America First Lloyd's Insurance Company ("AFLIC")        | 11526                     | 0.00%                         |
|                                 | American States Insurance Company of Texas ("ASICT")     | 19712                     | 0.00%                         |
|                                 | American States Lloyds Insurance Company ("ASLCO")       | 31933                     | 0.00%                         |
|                                 | Avomark Insurance Company ("AVOIC")                      | 10792                     | 0.00%                         |
|                                 | Colorado Casualty Insurance Company ("CCIC")             | 41785                     | 0.00%                         |
|                                 | Consolidated Insurance Company ("CIC")                   | 22640                     | 0.00%                         |
|                                 | Excelsior Insurance Company ("EIC")                      | 11045                     | 0.00%                         |
|                                 | Hawkeye-Security Insurance Company ("HSIC")              | 36919                     | 0.00%                         |
|                                 | Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC") | 14486                     | 0.00%                         |
|                                 | Mid-American Fire & Casualty Company ("MAFCC")           | 23507                     | 0.00%                         |
|                                 | The Midwestern Indemnity Company ("MWIC")                | 23515                     | 0.00%                         |
|                                 | Montgomery Mutual Insurance Company ("MMIC")             | 14613                     | 0.00%                         |
|                                 | National Insurance Association ("NIA")                   | 27944                     | 0.00%                         |
|                                 | Ohio Security Insurance Company ("OSIC")                 | 24082                     | 0.00%                         |
|                                 | Safeco Insurance Company of Indiana ("SICIN")            | 11215                     | 0.00%                         |
|                                 | Safeco Insurance Company of Oregon ("SICOR")             | 11071                     | 0.00%                         |
|                                 | Safeco Lloyds Insurance Company ("SLICO")                | 11070                     | 0.00%                         |
|                                 | Safeco National Insurance Company ("SNIC")               | 24759                     | 0.00%                         |

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**NOTES TO FINANCIAL STATEMENTS**


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|            |  |       |         |
|------------|--|-------|---------|
|            | Safeco Surplus Lines Insurance Company (“SSLIC”) | 11100 | 0.00%   |
|            | West American Insurance Company (“WAIC”)         | 44393 | 0.00%   |
|            |  |       | 100.00% |
| 100% Quota | Liberty Northwest Insurance Corporation (“LNW”)  | 41939 | 0.00%   |
| Share      | North Pacific Insurance Company (“NPIC”)         | 23892 | 0.00%   |
| Affiliated | Oregon Automobile Insurance Company (“OAIC”)     | 23922 | 0.00%   |
| Companies  |  |       |         |

**Note 26- Structured Settlements**

A. The Company has no net exposure to contingent liabilities from the purchase of annuities (see Note 25).

B. Not applicable

**Note 27 - Health Care Receivables**

Not applicable

**Note 28 - Participating Policies**

Not applicable

**Note 29 – Premium Deficiency Reserves**

As of December 31, 2009, the Company had no liabilities related to premium deficiency reserves.

**Note 30- High Dollar Deductible Policies**

The Company does not have any high deductible policies.

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

The Company has no net loss and loss adjustment expense reserves.

**Note 32 - Asbestos/Environmental Reserves**

The Company has no net exposure to asbestos and environmental claims (see Note 25).

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop Insurance**

Not applicable

**Note 35 – Financial Guarantee Insurance Contracts**

Not applicable

# GENERAL INTERROGATORIES

## PART 1 – COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State Regulating? New Hampshire
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: 10/01/2009
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2005
- 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). 10/04/2007
- 3.4 By what department or departments?  
 Missouri Department of Insurance  
 .....  
 .....  
 .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
| .....               | 00000                  | .....                  |
| .....               | 00000                  | .....                  |
| .....               | 00000                  | .....                  |

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

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....  
 .....  
 .....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control.

\_\_\_\_\_

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

| 1<br>Nationality | 2<br>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<br>Affiliate<br>Name | 2<br>Location<br>(City, State) | 3<br>FRB | 4<br>OCC | 5<br>OTS | 6<br>FDIC | 7<br>SEC |
|------------------------|--------------------------------|----------|----------|----------|-----------|----------|
| .....                  | .....                          | .....    | .....    | .....    | .....     | .....    |

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

Ernst & Young, LLP  
 200 Clarendon Street  
 Boston, MA 02116

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

William M Finn, FCAS, MAAA  
 62 Maple Avenue Keene, NH 03431  
 Vice President & Chief Actuary of Liberty Mutual Agency Markets

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ ] No [X]

11.11 Name of real estate holding company

\_\_\_\_\_

11.12 Number of parcels involved

0

11.13 Total book/adjusted carrying value

\$ \_\_\_\_\_ 0

11.2 If yes, provide explanation:

.....  
 .....  
 .....

## GENERAL INTERROGATORIES

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

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

.....  
 .....  
 .....

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

Yes  No

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

Yes  No

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

Yes  No  N/A

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

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

Yes  No

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

.....  
 .....  
 .....

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

Yes  No

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

Safeco companies changed from Safeco Code of Conduct to Liberty Mutual Group Code of Conduct as of 1/1/2009

.....  
 .....

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

Yes  No

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

.....  
 .....  
 .....

## BOARD OF DIRECTORS

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

Yes  No

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

Yes  No

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

Yes  No

## FINANCIAL

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

Yes  No

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

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

## GENERAL INTERROGATORIES

- 18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |   |    |   |
|---|----|---|
| 18.21 To directors or other officers              | \$ | 0 |
| 18.22 To stockholders not officers                | \$ | 0 |
| 18.23 Trustees, supreme or grand (Fraternal only) | \$ | 0 |
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes  No
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |                            |    |   |
|----------------------------|----|---|
| 19.21 Rented from others   | \$ | 0 |
| 19.22 Borrowed from others | \$ | 0 |
| 19.23 Leased from others   | \$ | 0 |
| 19.24 Other                | \$ | 0 |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes  No
- 20.2 If answer is yes:
- |  |    |   |
|--|----|---|
| 20.21 Amount paid as losses or risk adjustment | \$ | 0 |
| 20.22 Amount paid as expenses                  | \$ | 0 |
| 20.23 Other amounts paid                       | \$ | 0 |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes  No
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

## INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes  No
- 22.2 If no, give full and complete information relating thereto:  
 .....  
 .....  
 .....
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)  
 Please reference Note 17B .....  
 .....  
 .....
- 22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes  No  N/A
- 22.5 If answer to 22.4 is yes, report amount of collateral. \$ 11,806,788
- 22.6 If answer to 22.4 is no, report amount of collateral. \$ 0
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.) Yes  No
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |  |    |           |
|--|----|-----------|
| 23.21 Subject to repurchase agreements                 | \$ | 0         |
| 23.22 Subject to reverse repurchase agreements         | \$ | 0         |
| 23.23 Subject to dollar repurchase agreements          | \$ | 0         |
| 23.24 Subject to reverse dollar repurchase agreements  | \$ | 0         |
| 23.25 Pledged as collateral                            | \$ | 0         |
| 23.26 Placed under option agreements                   | \$ | 0         |
| 23.27 Letter stock or securities restricted as to sale | \$ | 0         |
| 23.28 On deposit with state or other regulatory body   | \$ | 8,404,197 |
| 23.29 Other  | \$ | 0         |

## GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
| .....                      | .....            | 0           |
| .....                      | .....            | 0           |
| .....                      | .....            | 0           |

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

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

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

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

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

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

| 1<br>Name of Custodian(s) | 2<br>Custodian's Address                            |
|---------------------------|---|
| JP MORGAN CHASE .....     | 3 Chase Metro Tech Center, Brooklyn, NY 11245 ..... |
| .....                     | .....   |

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

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
| .....        | .....            | .....                        |
| .....        | .....            | .....                        |

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

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

| 1<br>Old Custodian                | 2<br>New Custodian    | 3<br>Date of Change | 4<br>Reason                                |
|-----------------------------------|-----------------------|---------------------|--|
| The Bank of New York Mellon ..... | JP Morgan Chase ..... | 01/02/2009 .....    | Transfer to Liberty Mutual Custodian ..... |
| .....                             | .....                 | .....               | .....                                      |

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

| 1<br>Central Registration Depository Number(s) | 2<br>Name(s)                                 | 3<br>Address                            |
|--|--|---|
| N/A .....                                      | Liberty Mutual Insurance Company .....       | 175 Berkeley St. Boston, MA 02116 ..... |
| N/A .....                                      | Liberty Mutual Investment Advisors, LL ..... | 175 Berkeley St. Boston, MA 02116 ..... |

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

## GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

| 1<br>CUSIP #         | 2<br>Name of Mutual Fund | 3<br>Book/Adjusted Carrying Value |
|----------------------|--------------------------|-----------------------------------|
| .....                | .....                    | 0                                 |
| .....                | .....                    | 0                                 |
| .....                | .....                    | 0                                 |
| <b>27.2999 TOTAL</b> |                          | <b>0</b>                          |

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

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

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

|                       | 1<br>Statement (Admitted)<br>Value | 2<br>Fair Value | 3<br>Excess of Statement<br>over Fair Value (-),<br>or Fair Value over<br>Statement (+) |
|-----------------------|------------------------------------|-----------------|---|
| 28.1 Bonds            | 65,476,521                         | 67,674,080      | 2,197,559   |
| 28.2 Preferred stocks | 999,900                            | 999,900         | 0   |
| 28.3 Totals           | 66,476,421                         | 68,673,980      | 2,197,559   |

28.4 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. Lastly, management determines fair value based on quoted market prices of similar financial instruments or by using industry recognized valuation techniques.

29.1 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]

29.2 If 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]

29.3 If 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 furthered reviewed by management on a monthly basis. All prices determined internally by the insurer are reviewed and signed off by the Chief Investment Officer

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No [ ]

30.2 If no, list exceptions:

.....  
 .....  
 .....

### OTHER

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

\$ \_\_\_\_\_ 0



## GENERAL INTERROGATORIES

31.2 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<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | 0                |
|           | 0                |
|           | 0                |

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

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

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           | 0                |
|           | 0                |
|           | 0                |

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

33.2 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<br>Name | 2<br>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            |  | 2                     |  |
|-----------------------------|--------------|--|-----------------------|--|
|                             | Current Year |  | Prior Year            |  |
| 2.1 Premium Numerator       | \$ <u>0</u>  |  | \$ <u>0</u>           |  |
| 2.2 Premium Denominator     | \$ <u>0</u>  |  | \$ <u>110,594,324</u> |  |
| 2.3 Premium Ratio (2.1/2.2) | <u>0.00</u>  |  | <u>0.00</u>           |  |
| 2.4 Reserve Numerator       | \$ <u>0</u>  |  | \$ <u>300,687</u>     |  |
| 2.5 Reserve Denominator     | \$ <u>0</u>  |  | \$ <u>100,953,326</u> |  |
| 2.6 Reserve Ratio (2.4/2.5) | <u>0.00</u>  |  | <u>0.00</u>           |  |

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

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

3.21 Participating policies \$ 0

3.22 Non-participating policies \$ 0

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]

5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]

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

.....

.....

.....

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

5.5 If yes, give full information

.....

.....

.....

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 20C

.....

.....

.....

## 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 v9.0 from RMS and AIR Clasic/2 v11.0. For WC, Liberty Mutual utilizes RiskLink v9.0 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 20C
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes  No
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes  No
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. \_\_\_\_\_ 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
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes  No
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes  No
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes  No
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes  No
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
 (a) The entity does not utilize reinsurance; or, Yes  No   
 (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes  No   
 (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes  No

## GENERAL INTERROGATORIES

### PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ ] No [ ] N/A [X]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]
- 11.2 If yes, give full information  
 .....  
 .....
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |             |
|---|-------------|
| 12.11 Unpaid losses   | \$ <u>0</u> |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ <u>0</u> |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [ ] N/A [X]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |             |
|------------|-------------|
| 12.41 From | <u>0.00</u> |
| 12.42 To   | <u>0.00</u> |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ ] No [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |             |
|----------------------------------|-------------|
| 12.61 Letters of Credit          | \$ <u>0</u> |
| 12.62 Collateral and other funds | \$ <u>0</u> |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 0
- 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 [X] No [ ]
- 14.5 If the answer to 14.4 is no, please explain:  
 .....  
 .....
- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]
- 15.2 If yes, give full information  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]  
 If yes, disclose the following information for each of the following types of warranty coverage:
- |                  | 1                         | 2                       | 3                         | 4                          | 5                        |
|------------------|---------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
|                  | Direct Losses<br>Incurred | Direct Losses<br>Unpaid | Direct Written<br>Premium | Direct Premium<br>Unearned | Direct Premium<br>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<br>excluded from Schedule F – Part 5 | \$ <u>0</u> |
| 17.12 Unfunded portion of Interrogatory 17.11  | \$ <u>0</u> |
| 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11                              | \$ <u>0</u> |
| 17.14 Case reserves portion of Interrogatory 17.11   | \$ <u>0</u> |
| 17.15 Incurred but not reported portion of Interrogatory 17.11   | \$ <u>0</u> |
| 17.16 Unearned premium portion of Interrogatory 17.11  | \$ <u>0</u> |
| 17.17 Contingent commission portion of Interrogatory 17.11   | \$ <u>0</u> |

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

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

18.1 Do you act as a custodian for health savings accounts?

Yes [ ] No [X]

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

\$ 0

18.3 Do you act as an administrator for health savings accounts?

Yes [ ] No [X]

18.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$ 0

**FIVE – YEAR HISTORICAL DATA**

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

|   | 1             | 2           | 3           | 4           | 5           |
|---|---------------|-------------|-------------|-------------|-------------|
|   | 2009          | 2008        | 2007        | 2006        | 2005        |
| <b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>   |               |             |             |             |             |
| 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)  | (6,265,500)   | 54,296,196  | 61,844,622  | 65,923,694  | 68,576,125  |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26)  | (3,945,556)   | 34,447,767  | 38,210,504  | 41,958,842  | 45,606,668  |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)  | (11,083,103)  | 27,626,532  | 30,275,085  | 29,717,673  | 30,626,728  |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)   | (5,093,639)   | 9,018,824   | 7,801,033   | 6,556,240   | 5,598,950   |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33)  |               | 213         | 22          | 28          | 286         |
| 6. Total (Line 35)  | (26,387,798)  | 125,389,532 | 138,131,266 | 144,156,477 | 150,408,757 |
| <b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>   |               |             |             |             |             |
| 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)  | (13,925,420)  | 44,514,507  | 48,341,867  | 48,582,602  | 49,992,579  |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26)  | (8,833,704)   | 27,007,342  | 28,080,245  | 28,936,438  | 31,658,620  |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)  | (12,213,711)  | 26,278,166  | 28,899,727  | 28,200,619  | 29,029,066  |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)  | (5,093,639)   | 9,018,824   | 7,801,033   | 6,556,240   | 5,598,950   |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33)   |               | 213         | 22          | 28          | 286         |
| 12. Total (Line 35)   | (40,066,474)  | 106,819,052 | 113,122,894 | 112,275,927 | 116,279,501 |
| <b>Statement of Income (Page 4)</b>   |               |             |             |             |             |
| 13. Net underwriting gain (loss) (Line 8)   |               | 2,945,938   | 7,263,936   | 13,003,791  | 10,611,381  |
| 14. Net investment gain (loss) (Line 11)  | 3,264,137     | 10,453,435  | 10,308,618  | 9,647,497   | 9,470,883   |
| 15. Total other income (Line 15)  | (105)         | 179,691     | 355,084     | (4,971)     | 172,474     |
| 16. Dividends to policyholders (Line 17)  |               | 132,910     | 94,891      | 132,800     | 56,992      |
| 17. Federal and foreign income taxes incurred (Line 19)   | (4,872,251)   | 2,640,037   | 4,428,559   | 5,785,626   | 7,145,531   |
| 18. Net income (Line 20)  | 8,136,283     | 10,806,117  | 13,404,188  | 16,727,891  | 13,052,215  |
| <b>Balance Sheet Lines (Pages 2 and 3)</b>  |               |             |             |             |             |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)   | 75,006,092    | 216,446,165 | 257,720,731 | 252,767,361 | 242,267,664 |
| 20. Premiums and considerations (Page 2, Col. 3)  |               |             |             |             |             |
| 20.1 In course of collection (Line 13.1)  |               | 9,953,105   | 13,626,560  | 12,307,299  | 10,480,705  |
| 20.2 Deferred and not yet due (Line 13.2)   |               | 16,737,440  | 14,783,642  | 16,440,722  | 19,147,651  |
| 20.3 Accrued retrospective premiums (Line 13.3)   |               | 46,704      | 40,746      | 48,264      | 47,969      |
| 21. Total liabilities excluding protected cell business (Page 3, Line 24)   | 12,635,542    | 159,278,894 | 159,221,383 | 159,979,141 | 163,387,641 |
| 22. Losses (Page 3, Line 1)   |               | 77,545,504  | 76,408,786  | 75,472,212  | 78,815,232  |
| 23. Loss adjustment expenses (Page 3, Line 3)   |               | 18,076,766  | 18,192,060  | 19,269,637  | 19,382,814  |
| 24. Unearned premiums (Page 3, Line 9)  |               | 40,403,696  | 44,153,576  | 42,841,570  | 43,097,565  |
| 25. Capital paid up (Page 3, Lines 28 & 29)   | 2,500,000     | 2,500,000   | 2,500,000   | 2,500,000   | 2,500,000   |
| 26. Surplus as regards policyholders (Page 3, Line 35)  | 62,370,550    | 57,167,271  | 98,499,348  | 92,788,220  | 78,880,023  |
| <b>Cash Flow (Page 5)</b>   |               |             |             |             |             |
| 27. Net cash from operations (Line 11)  | (119,748,446) | 10,509,633  | 15,110,211  | 14,191,319  | 17,228,279  |
| <b>Risk-Based Capital Analysis</b>  |               |             |             |             |             |
| 28. Total adjusted capital  | 62,370,550    | 57,167,271  | 98,499,348  | 92,788,220  | 78,880,023  |
| 29. Authorized control level risk-based capital   | 208,027       | 9,166,418   | 10,176,598  | 10,196,537  | 10,086,232  |
| <b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b><br>(Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0                  |               |             |             |             |             |
| 30. Bonds (Line 1)  | 82.0          | 87.1        | 79.6        | 81.9        | 85.7        |
| 31. Stocks (Lines 2.1 & 2.2)  | 1.4           | 4.0         | 16.6        | 18.0        | 14.3        |
| 32. Mortgage loans on real estate (Lines 3.1 and 3.2)   |               |             |             |             |             |
| 33. Real estate (Lines 4.1, 4.2 & 4.3)  |               |             |             |             |             |
| 34. Cash, cash equivalents and short-term investments (Line 5)  | 16.6          | 8.9         | 3.9         |             |             |
| 35. Contract loans (Line 6)   |               |             |             |             |             |
| 36. Other invested assets (Line 7)  |               |             |             |             |             |
| 37. Receivables for securities (Line 8)   |               | 0.0         | 0.0         | 0.0         | 0.0         |
| 38. Aggregate write-ins for invested assets (Line 9)  |               |             |             |             |             |
| 39. Cash, cash equivalents and invested assets (Line 10)  | 100.0         | 100.0       | 100.0       | 100.0       | 100.0       |
| <b>Investments in Parent, Subsidiaries and Affiliates</b>   |               |             |             |             |             |
| 40. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)  |               |             |             |             |             |
| 41. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)  |               |             |             |             |             |
| 42. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)   |               |             |             |             |             |
| 43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)   |               |             |             |             |             |
| 44. Affiliated mortgage loans on real estate  |               |             |             |             |             |
| 45. All other affiliated  |               |             |             |             |             |
| 46. Total of above Lines 40 to 45   |               |             |             |             |             |
| 47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0) |               |             |             |             |             |

## FIVE – YEAR HISTORICAL DATA

(Continued)

|  | 1          | 2            | 3           | 4           | 5           |
|--|------------|--------------|-------------|-------------|-------------|
|  | 2009       | 2008         | 2007        | 2006        | 2005        |
| <b>Capital and Surplus Accounts (Page 4)</b>   |            |              |             |             |             |
| 48. Net unrealized capital gains (losses) (Line 24)  | 848,643    | (8,479,999)  | 40,820      | 2,109,266   | (602,323)   |
| 49. Dividends to stockholders (Line 35)  |            | (40,000,000) | (7,000,000) | (7,000,000) | (5,000,000) |
| 50. Change in surplus as regards policyholders for the year (Line 38)  | 5,203,280  | (41,332,077) | 5,711,128   | 13,908,197  | 6,581,325   |
| <b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>   |            |              |             |             |             |
| 51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)  | 59,576,733 | 33,048,038   | 40,565,833  | 38,691,071  | 38,541,128  |
| 52. Property lines (Lines 1, 2, 9, 12, 21 & 26)  | 4,736,013  | 19,721,579   | 22,238,552  | 24,047,546  | 24,256,334  |
| 53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)  | 16,538,449 | 19,733,339   | 13,807,369  | 13,388,260  | 13,646,138  |
| 54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)   | 1,797,371  | 456,225      | (62,648)    | 520,863     | 1,370,548   |
| 55. Nonproportional reinsurance lines (Lines 31, 32 & 33)  | 3,971,777  | 422,550      | 277,636     | (10,083)    | 211,813     |
| 56. Total (Line 35)  | 86,620,343 | 73,381,731   | 76,826,742  | 76,637,657  | 78,025,961  |
| <b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>  |            |              |             |             |             |
| 57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3)  | 54,614,301 | 25,542,097   | 29,257,506  | 26,654,163  | 26,349,434  |
| 58. Property lines (Lines 1, 2, 9, 12, 21 & 26)  | 2,034,352  | 15,359,929   | 15,573,896  | 16,303,637  | 16,633,886  |
| 59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)  | 15,130,591 | 17,499,087   | 13,430,583  | 12,809,146  | 12,591,124  |
| 60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)   | 1,797,371  | 456,225      | (62,648)    | 520,863     | 1,370,548   |
| 61. Nonproportional reinsurance lines (Lines 31, 32 & 33)  | 3,968,887  | 422,550      | 277,636     | (10,083)    | 211,813     |
| 62. Total (Line 35)  | 77,545,502 | 59,279,888   | 58,476,973  | 56,277,726  | 57,156,805  |
| <b>Operating Percentages (Page 4)</b><br>(Item divided by Page 4, Line 1) x 100.0  |            |              |             |             |             |
| 63. Premiums earned (Line 1)   | 100.0      | 100.0        | 100.0       | 100.0       | 100.0       |
| 64. Losses incurred (Line 2)   |            | 55.5         | 53.1        | 47.1        | 49.7        |
| 65. Loss expenses incurred (Line 3)  |            | 11.5         | 9.7         | 11.4        | 12.7        |
| 66. Other underwriting expenses incurred (Line 4)  |            | 30.3         | 30.7        | 30.0        | 28.6        |
| 67. Net underwriting gain (loss) (Line 8)  |            | 2.7          | 6.5         | 11.6        | 9.1         |
| <b>Other Percentages</b>   |            |              |             |             |             |
| 68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)   |            | 31.2         | 30.0        | 30.0        | 28.4        |
| 69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)   |            | 67.0         | 62.9        | 58.5        | 62.3        |
| 70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)   | (64.2)     | 186.9        | 114.8       | 121.0       | 147.4       |
| <b>One Year Loss Development (000 omitted)</b>   |            |              |             |             |             |
| 71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)  |            | (3,115)      | (2,938)     | (2,790)     | (2,044)     |
| 72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)                 |            | (3.2)        | (3.2)       | (3.5)       | (2.8)       |
| <b>Two Year Loss Development (000 omitted)</b>   |            |              |             |             |             |
| 73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)                           |            | (4,470)      | (6,163)     | (2,556)     | (2,598)     |
| 74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0) |            | (4.8)        | (7.8)       | (3.5)       | (4.3)       |

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

**NONE Schedule P - Part 1 - Summary**



**NONE    Schedule P - Part 2, 3, 4 - Summary**

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

### Allocated By States and Territories

| States, Etc.                 | 1             | Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken |                        | 4  | 5                                      | 6                      | 7                    | 8  | 9   |
|------------------------------|---------------|--|------------------------|--|--|------------------------|----------------------|--|---|
|                              |               | 2  | 3                      |  |  |                        |                      |  |   |
|                              | Active Status | Direct Premiums Written  | Direct Premiums Earned | Dividends Paid or Credited to Policyholders on Direct Business | Direct Losses Paid (Deducting Salvage) | Direct Losses Incurred | Direct Losses Unpaid | Finance and Service Charges Not Included in Premiums | Direct Premium Written for Federal Purchasing Groups (Included in Col. 2) |
| 1. Alabama                   | AL            | L  |                        |  | (194)                                  | (2,241)                | 122                  |  |   |
| 2. Alaska                    | AK            | N  |                        |  |  | (30)                   |                      |  |   |
| 3. Arizona                   | AZ            | L  |                        |  | (4,519)                                | 29,521                 |                      |  |   |
| 4. Arkansas                  | AR            | L  |                        |  |  |                        |                      |  |   |
| 5. California                | CA            | N  |                        |  |  |                        |                      |  |   |
| 6. Colorado                  | CO            | L  |                        |  |  | 2,602                  |                      |  |   |
| 7. Connecticut               | CT            | N  |                        |  |  |                        |                      |  |   |
| 8. Delaware                  | DE            | N  |                        |  |  |                        |                      |  |   |
| 9. District of Columbia      | DC            | N  |                        |  |  |                        |                      |  |   |
| 10. Florida                  | FL            | L  |                        |  | (1,642)                                | 13,037                 |                      |  |   |
| 11. Georgia                  | GA            | L  | 13,183,428             | 13,474,354   | 7,619,477                              | 7,524,017              | 4,882,705            | 167,079  |   |
| 12. Hawaii                   | HI            | N  |                        |  |  |                        |                      |  |   |
| 13. Idaho                    | ID            | L  |                        |  |  |                        |                      |  |   |
| 14. Illinois                 | IL            | L  |                        |  | 769,316                                | (366,891)              | 950,338              |  |   |
| 15. Indiana                  | IN            | L  |                        | (439,895)  |  | 286                    |                      |  |   |
| 16. Iowa                     | IA            | L  |                        |  |  |                        |                      |  |   |
| 17. Kansas                   | KS            | L  |                        |  |  | (320)                  |                      |  |   |
| 18. Kentucky                 | KY            | L  |                        |  |  | (3,770)                | 109                  |  |   |
| 19. Louisiana                | LA            | L  |                        |  |  |                        |                      |  |   |
| 20. Maine                    | ME            | N  |                        |  |  |                        |                      |  |   |
| 21. Maryland                 | MD            | L  |                        |  |  | 4                      |                      |  |   |
| 22. Massachusetts            | MA            | N  |                        |  |  |                        |                      |  |   |
| 23. Michigan                 | MI            | N  |                        |  |  |                        |                      |  |   |
| 24. Minnesota                | MN            | N  |                        |  |  |                        |                      |  |   |
| 25. Mississippi              | MS            | N  |                        |  |  |                        |                      |  |   |
| 26. Missouri                 | MO            | L  |                        |  | 58,715                                 | (103,462)              | 45,115               |  |   |
| 27. Montana                  | MT            | L  |                        |  |  | (264)                  |                      |  |   |
| 28. Nebraska                 | NE            | L  |                        |  |  | (5,272)                | 94                   |  |   |
| 29. Nevada                   | NV            | L  |                        |  |  |                        |                      |  |   |
| 30. New Hampshire            | NH            | L  |                        |  |  |                        |                      |  |   |
| 31. New Jersey               | NJ            | N  |                        |  |  |                        |                      |  |   |
| 32. New Mexico               | NM            | L  |                        |  |  |                        |                      |  |   |
| 33. New York                 | NY            | L  | 495,865                | 527,228  | 273,735                                | (127,910)              | 207,379              | 6,284  |   |
| 34. North Carolina           | NC            | N  |                        |  |  |                        |                      |  |   |
| 35. North Dakota             | ND            | L  | (3,367)                | 161,811  | 326,373                                | 127,633                | 1,067,700            | (43)   |   |
| 36. Ohio                     | OH            | L  |                        | 19   | 7,636                                  | 85,048                 | 69,028               |  |   |
| 37. Oklahoma                 | OK            | L  |                        |  |  |                        |                      |  |   |
| 38. Oregon                   | OR            | L  |                        |  | (135)                                  | 55,076                 |                      |  |   |
| 39. Pennsylvania             | PA            | N  |                        |  |  |                        |                      |  |   |
| 40. Rhode Island             | RI            | N  |                        |  |  |                        |                      |  |   |
| 41. South Carolina           | SC            | N  |                        |  |  |                        |                      |  |   |
| 42. South Dakota             | SD            | L  |                        |  |  |                        |                      |  |   |
| 43. Tennessee                | TN            | L  |                        |  | 3,618                                  | (106,714)              | 63,768               |  |   |
| 44. Texas                    | TX            | N  |                        |  |  |                        |                      |  |   |
| 45. Utah                     | UT            | L  |                        |  |  |                        |                      |  |   |
| 46. Vermont                  | VT            | N  |                        |  |  |                        |                      |  |   |
| 47. Virginia                 | VA            | L  | 2,744                  | 44,758   | 22,564                                 | (30,733)               | 45,455               | 35   |   |
| 48. Washington               | WA            | E  | 4                      | 5  |  | (87,068)               | 14,584               |  |   |
| 49. West Virginia            | WV            | L  |                        |  |  |                        |                      |  |   |
| 50. Wisconsin                | WI            | L  |                        |  | (2,995)                                | (3,675)                |                      |  |   |
| 51. Wyoming                  | WY            | L  |                        |  |  |                        |                      |  |   |
| 52. American Samoa           | AS            | N  |                        |  |  |                        |                      |  |   |
| 53. Guam                     | GU            | N  |                        |  |  |                        |                      |  |   |
| 54. Puerto Rico              | PR            | N  |                        |  |  |                        |                      |  |   |
| 55. U.S. Virgin Islands      | VI            | N  |                        |  |  |                        |                      |  |   |
| 56. Northern Mariana Islands | MP            | N  |                        |  |  |                        |                      |  |   |
| 57. Canada                   | CN            | N  |                        |  |  |                        |                      |  |   |
| 58. Aggregate Other Alien    | OT            | X X X  |                        |  |  |                        |                      |  |   |
| 59. Totals                   | (a) 32        |  | 13,678,674             | 13,768,280   | 9,071,949                              | 6,998,874              | 7,346,397            | 173,355  |   |

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

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

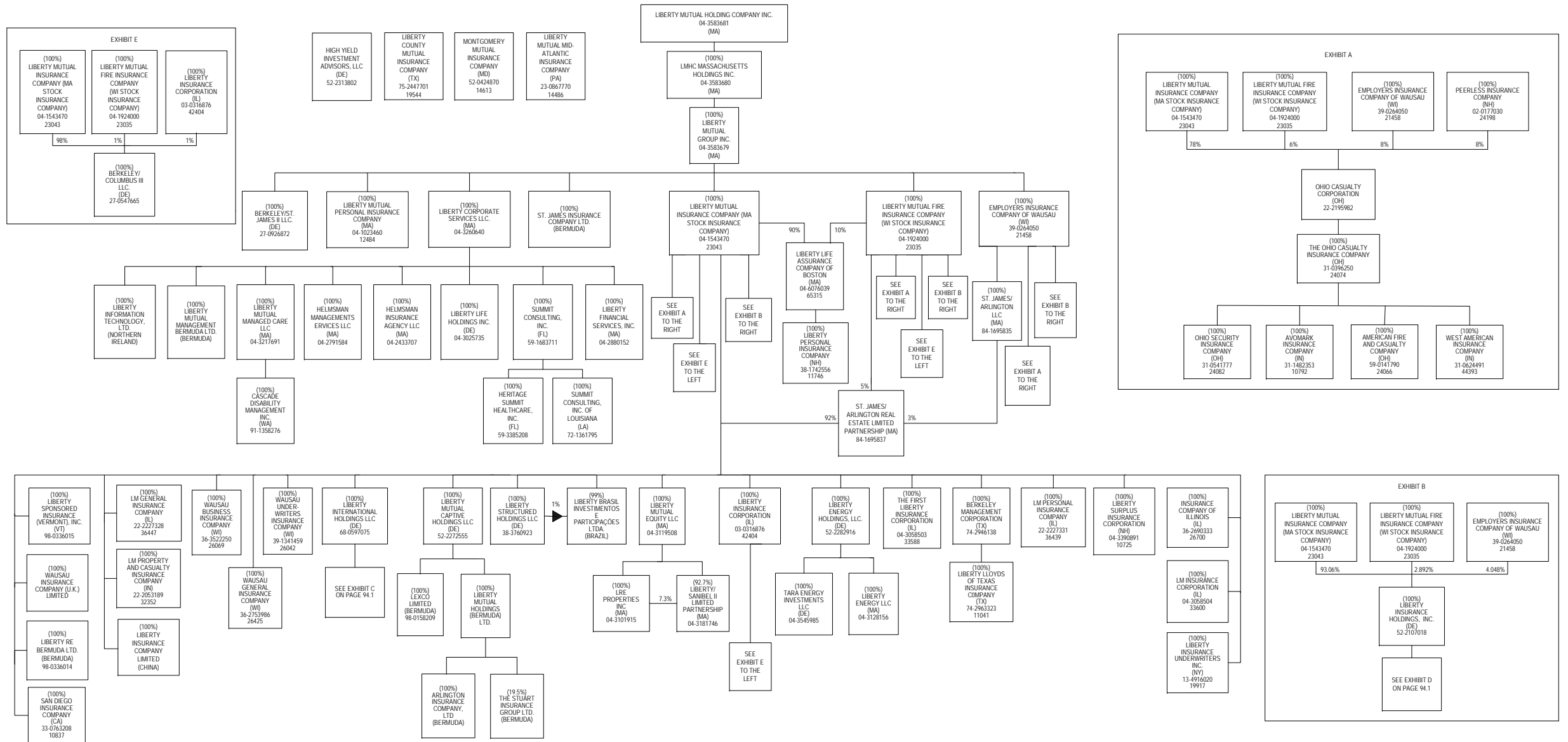
\*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery  
 \*State of employee's main work place - Worker's Compensation  
 \*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage  
 \*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty  
 \*Point of origin of shipment or principal location of assured - Inland Marine  
 \*State in which employees regularly work - Group Accident and Health

\*Location of Court - Surety  
 \*Address of Assured - Other Accident and Health  
 \*Location of Properties covered - Burglary and Theft  
 \*Principal Location of Assured - Ocean Marine, Credit  
 \*Primary Residence of Assured - Aircraft (all perils)

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

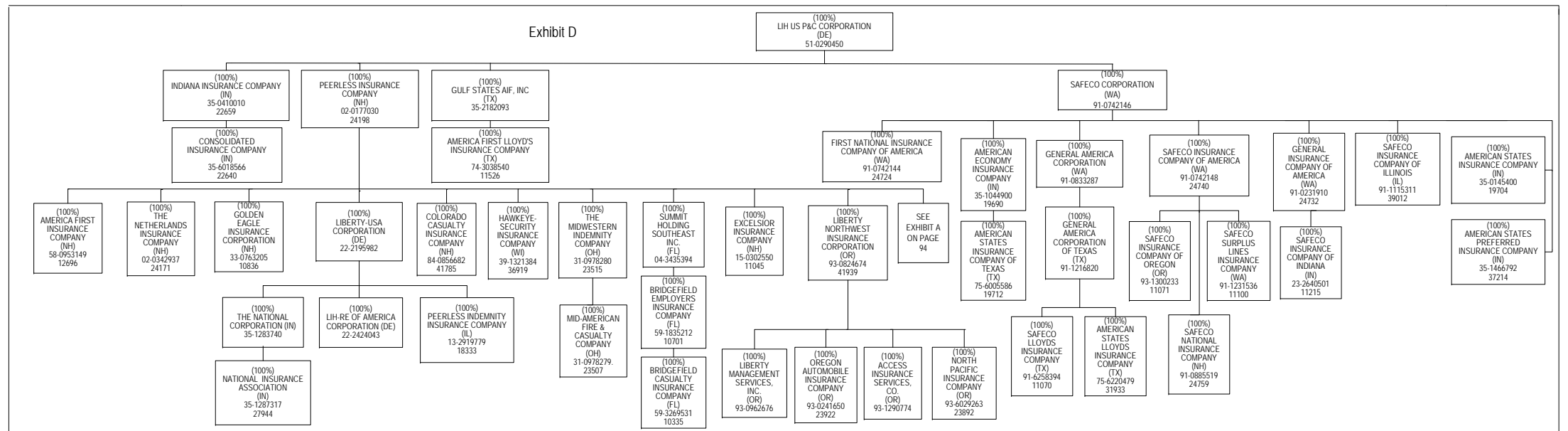
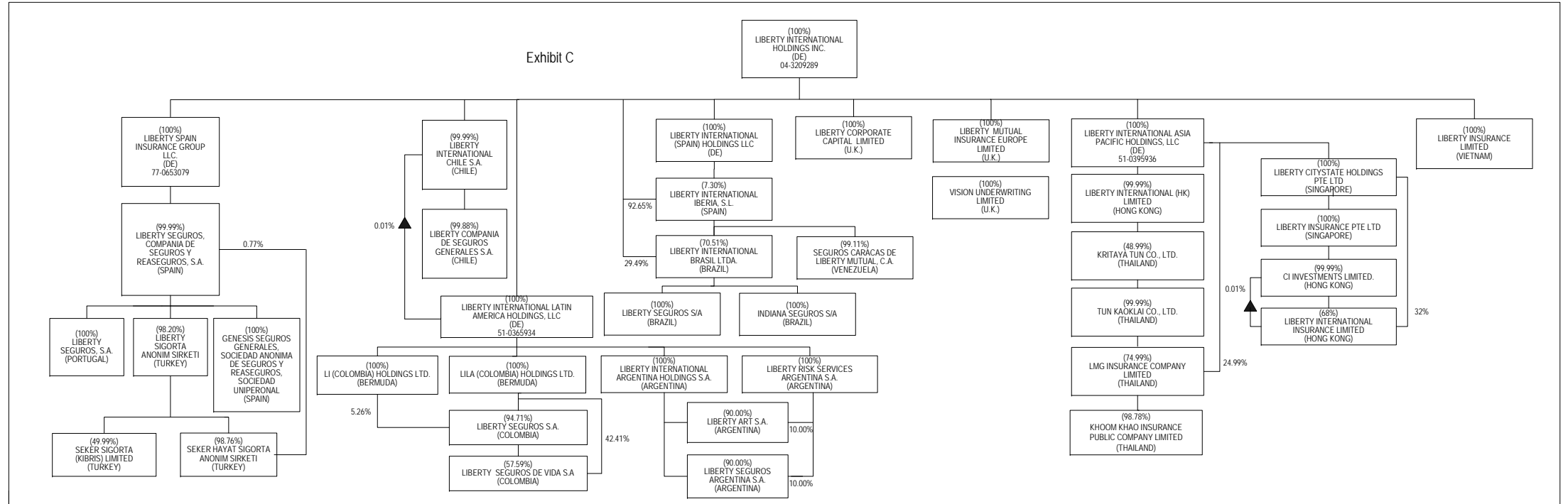
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



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

**PART 1 - ORGANIZATIONAL CHART**



**OVERFLOW PAGE FOR WRITE-INS**

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## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

|   |      |  |      |
|---|------|--|------|
| Assets  | 2    | Schedule E – Part 2 – Cash Equivalents   | E26  |
| Cash Flow   | 5    | Schedule E – Part 3 – Special Deposits   | E27  |
| Exhibit of Capital Gains (Losses)                 | 12   | Schedule E – Verification Between Years  | SI16 |
| Exhibit of Net Investment Income                  | 12   | Schedule F – Part 1  | 20   |
| Exhibit of Nonadmitted Assets                     | 13   | Schedule F – Part 2  | 21   |
| Exhibit of Premiums and Losses (State Page)       | 19   | Schedule F – Part 3  | 22   |
| Five-Year Historical Data                         | 17   | Schedule F – Part 4  | 23   |
| General Interrogatories                           | 15   | Schedule F – Part 5  | 24   |
| Jurat Page  | 1    | Schedule F – Part 6  | 25   |
| Liabilities, Surplus and Other Funds              | 3    | Schedule F – Part 7  | 26   |
| Notes To Financial Statements                     | 14   | Schedule F – Part 8  | 27   |
| Overflow Page For Write-ins                       | 97   | Schedule H – Accident and Health Exhibit – Part 1                              | 28   |
| Schedule A – Part 1                               | E01  | Schedule H – Part 2, Part 3 and Part 4   | 29   |
| Schedule A – Part 2                               | E02  | Schedule H – Part 5 – Health Claims  | 30   |
| Schedule A – Part 3                               | E03  | Schedule P – Part 1 – Analysis of Losses and Loss Expenses                     | 31   |
| Schedule A – Verification Between Years           | SI02 | Schedule P – Part 1A – Homeowners/Farmowners                                   | 33   |
| Schedule B – Part 1                               | E04  | Schedule P – Part 1B – Private Passenger Auto Liability/Medical                | 34   |
| Schedule B – Part 2                               | E05  | Schedule P – Part 1C – Commercial Auto/Truck Liability/Medical                 | 35   |
| Schedule B – Part 3                               | E06  | Schedule P – Part 1D – Workers' Compensation                                   | 36   |
| Schedule B – Verification Between Years           | SI02 | Schedule P – Part 1E – Commercial Multiple Peril                               | 37   |
| Schedule BA – Part 1                              | E07  | Schedule P – Part 1F – Section 1 – Medical Professional Liability              |      |
| Schedule BA – Part 2                              | E08  | – Occurrence   | 38   |
| Schedule BA – Part 3                              | E09  | Schedule P – Part 1F – Section 2 – Medical Professional Liability              |      |
| Schedule BA – Verification Between Years          | SI03 | – Claims-Made  | 39   |
| Schedule D – Part 1                               | E10  | Schedule P – Part 1G - Special Liability (Ocean, Marine, Aircraft (All         |      |
| Schedule D – Part 1A – Section 1                  | SI05 | Perils), Boiler and Machinery)   | 40   |
| Schedule D – Part 1A – Section 2                  | SI08 | Schedule P – Part 1H – Section 1 – Other Liability – Occurrence                | 41   |
| Schedule D – Part 2 – Section 1                   | E11  | Schedule P – Part 1H – Section 2 – Other Liability – Claims-Made               | 42   |
| Schedule D – Part 2 – Section 2                   | E12  | Schedule P – Part 1I – Special Property (Fire, Allied Lines, Inland Marine,    |      |
| Schedule D – Part 3                               | E13  | Earthquake, Burglary & Theft)  | 43   |
| Schedule D – Part 4                               | E14  | Schedule P – Part 1J – Auto Physical Damage                                    | 44   |
| Schedule D – Part 5                               | E15  | Schedule P – Part 1K – Fidelity/Surety   | 45   |
| Schedule D – Part 6 – Section 1                   | E16  | Schedule P – Part 1L – Other (Including Credit, Accident and Health)           | 46   |
| Schedule D – Part 6 – Section 2                   | E16  | Schedule P – Part 1M – International   | 47   |
| Schedule D – Summary By Country                   | SI04 | Schedule P – Part 1N – Reinsurance   | 48   |
| Schedule D – Verification Between Years           | SI03 | Schedule P – Part 1O – Reinsurance   | 49   |
| Schedule DA – Part 1                              | E17  | Schedule P – Part 1P – Reinsurance   | 50   |
| Schedule DA – Verification Between Years          | SI11 | Schedule P – Part 1R – Section 1 – Products Liability – Occurrence             | 51   |
| Schedule DB – Part A – Section 1                  | E18  | Schedule P – Part 1R – Section 2 – Products Liability – Claims – Made          | 52   |
| Schedule DB – Part A – Section 2                  | E18  | Schedule P – Part 1S – Financial Guaranty/Mortgage Guaranty                    | 53   |
| Schedule DB – Part A – Section 3                  | E19  | Schedule P – Part 1T – Warranty  | 54   |
| Schedule DB – Part A – Verification Between Years | SI12 | Schedule P – Part 2, Part 3 and Part 4 - Summary                               | 32   |
| Schedule DB – Part B – Section 1                  | E19  | Schedule P – Part 2A – Homeowners/Farmowners                                   | 55   |
| Schedule DB – Part B – Section 2                  | E20  | Schedule P – Part 2B – Private Passenger Auto Liability/Medical                | 55   |
| Schedule DB – Part B – Section 3                  | E20  | Schedule P – Part 2C – Commercial Auto/Truck Liability/Medical                 | 55   |
| Schedule DB – Part B – Verification Between Years | SI12 | Schedule P – Part 2D – Workers' Compensation                                   | 55   |
| Schedule DB – Part C – Section 1                  | E21  | Schedule P – Part 2E – Commercial Multiple Peril                               | 55   |
| Schedule DB – Part C – Section 2                  | E21  | Schedule P – Part 2F – Section 1 – Medical Professional Liability              |      |
| Schedule DB – Part C – Section 3                  | E22  | – Occurrence   | 56   |
| Schedule DB – Part C – Verification Between Years | SI13 | Schedule P – Part 2F - Medical Professional Liability - Claims - Made          | 56   |
| Schedule DB – Part D – Section 1                  | E22  | Schedule P – Part 2G – Special Liability (Ocean Marine, Aircraft (All Perils), |      |
| Schedule DB – Part D – Section 2                  | E23  | Boiler and Machinery)  | 56   |
| Schedule DB – Part D – Section 3                  | E23  | Schedule P – Part 2H – Section 1 – Other Liability – Occurrence                | 56   |
| Schedule DB – Part D – Verification Between Years | SI13 | Schedule P – Part 2H – Section 2 – Other Liability – Claims – Made             | 56   |
| Schedule DB – Part E – Section 1                  | E24  | Schedule P – Part 2I – Special Property (Fire, Allied Lines, Inland Marine,    |      |
| Schedule DB – Part E – Verification               | SI13 | Earthquake, Burglary, and Theft)   | 57   |
| Schedule DB – Part F – Section 1                  | SI14 | Schedule P – Part 2J – Auto Physical Damage                                    | 57   |
| Schedule DB – Part F – Section 2                  | SI15 | Schedule P – Part 2K – Fidelity, Surety  | 57   |
| Schedule E – Part 1 – Cash                        | E25  | Schedule P – Part 2L – Other (Including Credit, Accident and Health)           | 57   |

## ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

|  |    |  |      |
|--|----|--|------|
| Schedule P – Part 2M – International   | 57 | Schedule P – Part 4K – Fidelity/Surety   | 67   |
| Schedule P – Part 2N – Reinsurance   | 58 | Schedule P – Part 4L – Other (Including Credit, Accident and Health)                         | 67   |
| Schedule P – Part 2O – Reinsurance   | 58 | Schedule P – Part 4M – International   | 67   |
| Schedule P – Part 2P – Reinsurance   | 58 | Schedule P – Part 4N – Reinsurance   | 68   |
| Schedule P – Part 2R – Section 1 – Products Liability – Occurrence   | 59 | Schedule P – Part 4O – Reinsurance   | 68   |
| Schedule P – Part 2R – Section 2 – Products Liability – Claims-Made  | 59 | Schedule P – Part 4P – Reinsurance   | 68   |
| Schedule P – Part 2S – Financial Guaranty/Mortgage Guaranty  | 59 | Schedule P – Part 4R – Section 1 – Products Liability – Occurrence                           | 69   |
| Schedule P – Part 2T – Warranty  | 59 | Schedule P – Part 4R – Section 2 – Products Liability – Claims-Made                          | 69   |
| Schedule P – Part 3A – Homeowners/Farmowners   | 60 | Schedule P – Part 4S – Financial Guaranty/Mortgage Guaranty                                  | 69   |
| Schedule P – Part 3B – Private Passenger Auto Liability/Medical  | 60 | Schedule P – Part 4T – Warranty  | 69   |
| Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical   | 60 | Schedule P – Part 5A – Homeowners/Farmowners   | 70   |
| Schedule P – Part 3D – Workers' Compensation   | 60 | Schedule P – Part 5B – Private Passenger Auto Liability/Medical                              | 71   |
| Schedule P – Part 3E – Commercial Multiple Peril   | 60 | Schedule P – Part 5C – Commercial Auto/Truck Liability/Medical                               | 72   |
| Schedule P – Part 3F – Section 1 – Medical Professional Liability – Occurrence                               | 61 | Schedule P – Part 5D – Workers' Compensation   | 73   |
| Schedule P – Part 3F – Section 2 – Medical Professional Liability – Claims-Made                              | 61 | Schedule P – Part 5E – Commercial Multiple Peril   | 74   |
| Schedule P – Part 3G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)         | 61 | Schedule P – Part 5F – Medical Professional Liability – Claims-Made                          | 76   |
| Schedule P – Part 3H – Section 1 – Other Liability – Occurrence  | 61 | Schedule P – Part 5F – Medical Professional Liability – Occurrence                           | 75   |
| Schedule P – Part 3H – Section 2 – Other Liability – Claims-Made   | 61 | Schedule P – Part 5H – Other Liability – Claims-Made   | 78   |
| Schedule P – Part 3I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft) | 62 | Schedule P – Part 5H – Other Liability – Occurrence  | 77   |
| Schedule P – Part 3J – Auto Physical Damage  | 62 | Schedule P – Part 5R – Products Liability – Claims-Made                                      | 80   |
| Schedule P – Part 3K – Fidelity/Surety   | 62 | Schedule P – Part 5R – Products Liability – Occurrence                                       | 79   |
| Schedule P – Part 3L – Other (Including Credit, Accident and Health)   | 62 | Schedule P – Part 5T – Warranty  | 81   |
| Schedule P – Part 3M – International   | 62 | Schedule P – Part 6C – Commercial Auto/Truck Liability/Medical                               | 82   |
| Schedule P – Part 3N – Reinsurance   | 63 | Schedule P – Part 6D – Workers' Compensation   | 82   |
| Schedule P – Part 3O – Reinsurance   | 63 | Schedule P – Part 6E – Commercial Multiple Peril   | 83   |
| Schedule P – Part 3P – Reinsurance   | 63 | Schedule P – Part 6H – Other Liability – Claims-Made   | 84   |
| Schedule P – Part 3R – Section 1 – Products Liability – Occurrence   | 64 | Schedule P – Part 6H – Other Liability – Occurrence  | 83   |
| Schedule P – Part 3R – Section 2 – Products Liability – Claims-Made  | 64 | Schedule P – Part 6M – International   | 84   |
| Schedule P – Part 3S – Financial Guaranty/Mortgage Guaranty  | 64 | Schedule P – Part 6N – Reinsurance   | 85   |
| Schedule P – Part 3T – Warranty  | 64 | Schedule P – Part 6O – Reinsurance   | 85   |
| Schedule P – Part 4A – Homeowners/Farmowners   | 65 | Schedule P – Part 6R – Products Liability – Claims-Made                                      | 86   |
| Schedule P – Part 4B – Private Passenger Auto Liability/Medical  | 65 | Schedule P – Part 6R – Products Liability – Occurrence                                       | 86   |
| Schedule P – Part 4C – Commercial Auto/Truck Liability/Medical   | 65 | Schedule P – Part 7A – Primary Loss Sensitive Contracts                                      | 87   |
| Schedule P – Part 4D – Workers' Compensation   | 65 | Schedule P – Part 7B – Reinsurance Loss Sensitive Contracts                                  | 89   |
| Schedule P – Part 4E – Commercial Multiple Peril   | 65 | Schedule P Interrogatories   | 91   |
| Schedule P – Part 4F – Section 1 – Medical Professional Liability – Occurrence                               | 66 | Schedule T – Exhibit of Premiums Written   | 92   |
| Schedule P – Part 4F – Section 2 – Medical Professional Liability – Claims-Made                              | 66 | Schedule T – Part 2 – Interstate Compact   | 93   |
| Schedule P – Part 4G – Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery)         | 66 | Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group | 94   |
| Schedule P – Part 4H – Section 1 – Other Liability – Occurrence  | 66 | Schedule Y – Part 2 – Summary of Insurer's Transactions With Any Affiliates                  | 95   |
| Schedule P – Part 4H – Section 2 – Other Liability – Claims-Made   | 66 | Statement of Income  | 4    |
| Schedule P – Part 4I – Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)  | 67 | Summary Investment Schedule  | SI01 |
| Schedule P – Part 4J – Auto Physical Damage  | 67 | Supplemental Exhibits and Schedules Interrogatories  | 96   |
|  |    | Underwriting and Investment Exhibit Part 1   | 6    |
|  |    | Underwriting and Investment Exhibit Part 1A  | 7    |
|  |    | Underwriting and Investment Exhibit Part 1B  | 8    |
|  |    | Underwriting and Investment Exhibit Part 2   | 9    |
|  |    | Underwriting and Investment Exhibit Part 2A  | 10   |
|  |    | Underwriting and Investment Exhibit Part 3   | 11   |