

**ANNUAL STATEMENT**

**OF THE**

**WAUSAU UNDERWRITERS INSURANCE COMPANY**

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**of** **WAUSAU**

**in the state of** **WISCONSIN**

**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



26042200920100100

## Wausau Underwriters Insurance Company

**NAIC Group Code** 0111 0111 **NAIC Company Code** 26042 **Employer's ID Number** 39-1341459  
(Current Period) (Prior Period)

**Organized under the Laws of** Wisconsin, **State of Domicile or Port of Entry** Wisconsin  
**Country of Domicile** United States of America

**Incorporated/Organized:** September 27, 1979 **Commenced Business:** January 1, 1980

**Statutory Home Office:** 2000 Westwood Drive, Wausau, WI 54401  
(Street and Number) (City or Town, State and Zip Code)

**Main Administrative Office:** 2000 Westwood Drive  
(Street and Number)  
Wausau, WI 54401 715-845-5211  
(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.LibertyMutualGroup.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

	Name	Title
1.	<u>Edmund Francis Kelly #</u>	<u>Chairman of the Board, President &amp; CEO</u>
2.	<u>Dexter Robert Legg #</u>	<u>Vice President &amp; Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President &amp; Treasurer</u>

### VICE-PRESIDENTS

Name	Title	Name	Title
<u>James Paul Condrin, III #</u>	<u>Executive Vice President</u>	<u>Anthony Alexander Fontanes #</u>	<u>EVP &amp; Chief Investment Officer</u>
<u>Gary Richard Gregg #</u>	<u>Executive Vice President</u>	<u>David Henry Long #</u>	<u>Executive Vice President</u>
<u>Timothy Michael Sweeney #</u>	<u>Executive Vice President</u>	<u>James Martin McGlennon #</u>	<u>SVP &amp; Chief Information Officer</u>
<u>Paul Garvin Alexander #</u>	<u>Senior Vice President</u>	<u>Christopher Charles Mansfield #</u>	<u>SVP &amp; General Counsel</u>
<u>Robert Thomas Muleski #</u>	<u>SVP &amp; Corporate Actuary</u>	<u>Helen Elizabeth Russell Sayles #</u>	<u>Senior Vice President</u>
<u>John Derek Doyle #</u>	<u>Vice President &amp; Comptroller</u>	<u>George Walker Doonan #</u>	<u>SVP &amp; Chief Financial Officer</u>
<u>Gary Jay Ostrow #</u>	<u>Vice President</u>		

### DIRECTORS OR TRUSTEES

<u>Anthony Alexander Fontanes</u>	<u>Timothy Michael Sweeney #</u>	<u>Dexter Robert Legg</u>	<u>Edmund Francis Kelly</u>
<u>Dennis James Langwell</u>	<u>Christopher Charles Mansfield</u>	<u>James Paul Condrin, III</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> <u>Edmund Francis Kelly #</u> <u>(Printed Name)</u> 1. <u>Chairman of the Board, President &amp; CEO</u> <u>(Title)</u>	<u>(Signature)</u> <u>Dexter Robert Legg #</u> <u>(Printed Name)</u> 2. <u>Vice President &amp; Secretary</u> <u>(Title)</u>	<u>(Signature)</u> <u>Laurance Henry Soyer Yahia</u> <u>(Printed Name)</u> 3. <u>Vice President &amp; Treasurer</u> <u>(Title)</u>
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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)	165,734,950		165,734,950	163,160,014
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 (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 (\$ 6,874,307, Schedule E - Part 1), cash equivalents (\$ 2,672,668, Schedule E - Part 2), and short-term investments (\$ 7,569,069, Schedule DA)	17,116,044		17,116,044	18,172,003
6. Contract loans (including \$ 0 premium notes)				
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)	182,850,994		182,850,994	181,332,017
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	1,496,113		1,496,113	1,661,278
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	4,829,436	78,572	4,750,864	4,983,519
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	11,261,261		11,261,261	9,706,858
13.3 Accrued retrospective premiums	1,954,375	195,438	1,758,937	1,916,701
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	37,505,625		37,505,625	32,156,925
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	113	61	52	924
16.1 Current federal and foreign income tax recoverable and interest thereon	1,545,647		1,545,647	783,182
16.2 Net deferred tax asset	4,439,480	1,838,130	2,601,350	2,683,574
17. Guaranty funds receivable or on deposit	177,325		177,325	171,591
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	6,456,474		6,456,474	5,749,085
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	3,277,794	92,873	3,184,921	3,327,198
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	255,794,637	2,205,074	253,589,563	244,472,852
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	255,794,637	2,205,074	253,589,563	244,472,852

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. Cash Surrender Value Life Insurance	2,044,183		2,044,183	1,837,321
2302. Amounts receivable under high deductible policies	919,036	614	918,422	870,353
2303. Other assets	167,724	92,259	75,465	429,579
2398. Summary of remaining write-ins for Line 23 from overflow page	146,851		146,851	189,945
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	3,277,794	92,873	3,184,921	3,327,198

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1	2
	Current Year	Prior Year
1. Losses (Part 2A, Line 35, Column 8)	67,097,056	66,427,802
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	3,008,350	3,297,681
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	13,574,501	12,998,554
4. Commissions payable, contingent commissions and other similar charges	639,586	506,371
5. Other expenses (excluding taxes, licenses and fees)	1,238,685	1,693,647
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	897,112	1,353,485
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 183,328,589 and including warranty reserves of \$ 0)	17,562,895	17,497,338
10. Advance premium	234,069	316,272
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	9,604	5,991
12. Ceded reinsurance premiums payable (net of ceding commissions)	23,504,100	34,976,271
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	577,397	254,904
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	1,568,150	1,544,034
19. Payable to parent, subsidiaries and affiliates	21,688,316	3,481,313
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	6,477,252	8,500,361
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	158,077,073	152,854,024
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	158,077,073	152,854,024
27. Aggregate write-ins for special surplus funds	5,161,182	5,048,336
28. Common capital stock	4,500,000	4,500,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	75,147,640	75,147,640
33. Unassigned funds (surplus)	10,703,668	6,922,852
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)	95,512,490	91,618,828
36. Totals (Page 2, Line 26, Col. 3)	253,589,563	244,472,852

DETAILS OF WRITE-IN LINES		
2301. Collateral held for securities loaned	9,690,299	12,251,739
2302. Amounts held under uninsured plans	3,475,382	3,067,179
2303. Other liabilities	1,952,771	2,048,767
2398. Summary of remaining write-ins for Line 23 from overflow page	(8,641,200)	(8,867,324)
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	6,477,252	8,500,361
2701. Special surplus from retroactive reinsurance	5,161,182	5,048,336
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)	5,161,182	5,048,336
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)	39,838,189	44,442,231
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	26,220,425	30,115,502
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	7,761,946	7,015,604
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	10,259,293	9,836,109
5. Aggregate write-ins for underwriting deductions	3,753	
6. Total underwriting deductions (Lines 2 through 5)	44,245,417	46,967,215
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(4,407,228)	(2,524,984)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	8,385,218	8,524,895
10. Net realized capital gains (losses) less capital gains tax of \$ (10,617) (Exhibit of Capital Gains (Losses))	(19,718)	(77)
11. Net investment gain (loss) (Lines 9 + 10)	8,365,500	8,524,818
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 12,542 amount charged off \$ 326,798)	(314,256)	(356,687)
13. Finance and service charges not included in premiums	198,666	221,882
14. Aggregate write-ins for miscellaneous income	(519,290)	(367,184)
15. Total other income (Lines 12 through 14)	(634,880)	(501,989)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	3,323,392	5,497,845
17. Dividends to policyholders	92,553	107,163
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)	3,230,839	5,390,682
19. Federal and foreign income taxes incurred	(1,098,033)	(436,809)
20. Net income (Line 18 minus Line 19) (to Line 22)	4,328,872	5,827,491
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	91,618,828	90,797,110
22. Net income (from Line 20)	4,328,872	5,827,491
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (186,510)	(346,376)	(31,637)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(1,674,030)	(227,035)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	1,488,786	269,081
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		(4,940,835)
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	96,410	(75,347)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	3,893,662	821,718
39. Surplus as regards policyholders, as of December 31 current year (Lines 21 plus Line 38) (Page 3, Line 35)	95,512,490	91,618,828

<b>DETAILS OF WRITE-IN LINES</b>		
0501. Private passenger auto escrow	3,753	
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)	3,753	
1401. Retroactive reinsurance gain/(loss)	124,597	48,560
1402. Other income/(expense)	(643,887)	(415,744)
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(519,290)	(367,184)
3701. Other changes in surplus	96,410	(75,347)
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)	96,410	(75,347)

**CASH FLOW**

	1	2
<b>Cash from Operations</b>	Current Year	Prior Year
1. Premiums collected net of reinsurance	27,179,291	45,918,371
2. Net investment income	8,869,906	8,810,957
3. Miscellaneous income	482,781	(783,733)
4. Total (Lines 1 through 3)	36,531,978	53,945,595
5. Benefit and loss related payments	31,422,787	36,247,983
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	18,288,765	17,683,571
8. Dividends paid to policyholders	88,940	168,643
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(346,185)	(48,978)
10. Total (Lines 5 through 9)	49,454,307	54,051,219
11. Net cash from operations (Line 4 minus Line 10)	(12,922,329)	(105,624)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	43,776,192	18,153,894
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		20,205
12.8 Total investment proceeds (Lines 12.1 to 12.7)	43,776,192	18,174,099
13. Cost of investments acquired (long-term only):		
13.1 Bonds	47,233,873	21,245,058
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	47,233,873	21,245,058
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)	(3,457,681)	(3,070,959)
<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		4,940,835
16.6 Other cash provided (applied)	15,324,051	10,954,054
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	15,324,051	6,013,219
<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)	(1,055,959)	2,836,636
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	18,172,003	15,335,367
19.2 End of year (Line 18 plus Line 19.1)	17,116,044	18,172,003

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 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	879,221	537,079	485,451	930,849
2. Allied lines	506,975	252,759	244,630	515,104
3. Farmowners multiple peril	149			149
4. Homeowners multiple peril	4,761,658	2,623,321	2,955,614	4,429,365
5. Commercial multiple peril	533,955	498,899	453,987	578,867
6. Mortgage guaranty				
8. Ocean marine	190,879	65,232	76,810	179,301
9. Inland marine	2,712,036	161,762	146,075	2,727,723
10. Financial guaranty				
11.1 Medical professional liability—occurrence				
11.2 Medical professional liability—claims-made	9,939	1,339	1,724	9,554
12. Earthquake	149,702	81,880	66,302	165,280
13. Group accident and health	14			14
14. Credit accident and health (group and individual)				
15. Other accident and health	192	3	2	193
16. Workers' compensation	10,577,748	265,217	214,464	10,628,501
17.1 Other liability—occurrence	2,161,470	1,154,939	999,361	2,317,048
17.2 Other liability—claims-made	1,012,169	584,885	627,279	969,775
17.3 Excess Workers' Compensation	350,609	131,900	130,071	352,438
18.1 Products liability—occurrence	437,515	245,842	207,015	476,342
18.2 Products liability—claims-made	37,413	8,064	6,639	38,838
19.1,19.2 Private passenger auto liability	9,487,319	4,602,591	4,821,726	9,268,184
19.3,19.4 Commercial auto liability	1,486,149	646,762	567,477	1,565,434
21. Auto physical damage	3,343,300	3,295,273	3,392,813	3,245,760
22. Aircraft (all perils)	277,746	80,230	79,946	278,030
23. Fidelity	51,830	16,957	24,265	44,522
24. Surety	3,031	5	2,393	643
26. Burglary and theft	2,013	1,223	858	2,378
27. Boiler and machinery	9,383	4,355	4,539	9,199
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	618,154	57,981	38,303	637,832
32. Reinsurance-Nonproportional Assumed Liability	389,778	49,172	60,774	378,176
33. Reinsurance-Nonproportional Assumed Financial Lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	39,990,347	15,367,670	15,608,518	39,749,499

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A – RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	470,154	15,298			485,452
2. Allied lines	235,630	9,000			244,630
3. Farmowners multiple peril					
4. Homeowners multiple peril	2,955,614				2,955,614
5. Commercial multiple peril	316,941	137,046			453,987
6. Mortgage guaranty					
8. Ocean marine	54,253	22,557			76,810
9. Inland marine	141,137	4,938			146,075
10. Financial guaranty					
11.1 Medical professional liability—occurrence					
11.2 Medical professional liability—claims-made	1,724				1,724
12. Earthquake	65,281	1,021			66,302
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health	2				2
16. Workers' compensation	1,748,198	223,687		(1,757,422)	214,463
17.1 Other liability—occurrence	846,936	232,308		(79,882)	999,362
17.2 Other liability—claims-made	413,359	213,920			627,279
17.3 Excess Workers' Compensation	113,582	16,489			130,071
18.1 Products liability—occurrence	157,611	83,352		(33,947)	207,016
18.2 Products liability—claims-made	6,639				6,639
19.1,19.2 Private passenger auto liability	4,821,726				4,821,726
19.3,19.4 Commercial auto liability	630,354	20,247		(83,124)	567,477
21. Auto physical damage	3,389,632	3,181			3,392,813
22. Aircraft (all perils)	79,946				79,946
23. Fidelity	23,540	725			24,265
24. Surety	1,080	1,313			2,393
26. Burglary and theft	856	2			858
27. Boiler and machinery	4,449	90			4,539
28. Credit					
29. International					
30. Warranty					
31. Reinsurance-Nonproportional Assumed Property	38,303				38,303
32. Reinsurance-Nonproportional Assumed Liability	59,563	1,210			60,773
33. Reinsurance-Nonproportional Assumed Financial Lines					
34. Aggregate write-ins for other lines of business					
35. TOTALS	16,576,510	986,384		(1,954,375)	15,608,519
36. Accrued retrospective premiums based on experience					1,954,375
37. Earned but unbilled premiums					
38. Balance (Sum of Lines 35 through 37)					17,562,894

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non- Affiliates	4 To Affiliates	5 To Non- Affiliates	
1. Fire	27,992	879,221		27,992		879,221
2. Allied lines	83,124	506,975		83,124		506,975
3. Farmowners multiple peril		149				149
4. Homeowners multiple peril		4,761,658				4,761,658
5. Commercial multiple peril	42,133,874	533,955		42,133,874		533,955
6. Mortgage guaranty						
8. Ocean marine		190,879				190,879
9. Inland marine	120,953	2,712,036		120,953		2,712,036
10. Financial guaranty						
11.1 Medical professional liability--occurrence						
11.2 Medical professional liability--claims-made		9,939				9,939
12. Earthquake	64,362	149,702		64,362		149,702
13. Group accident and health		14				14
14. Credit accident and health (group and individual)						
15. Other accident and health		192				192
16. Workers' compensation	505,860,391	10,577,748		505,860,391		10,577,748
17.1 Other liability—occurrence	25,088,477	2,161,470		25,088,477		2,161,470
17.2 Other liability—claims-made		1,012,169				1,012,169
17.3 Excess Workers' Compensation		350,609				350,609
18.1 Products liability—occurrence	2,273,373	437,515		2,273,373		437,515
18.2 Products liability—claims-made		37,413				37,413
19.1,19.2 Private passenger auto liability	(7)	9,487,319		(7)		9,487,319
19.3,19.4 Commercial auto liability	59,717,801	1,486,149		59,717,801		1,486,149
21. Auto physical damage	13,020,710	3,343,300		13,020,710		3,343,300
22. Aircraft (all perils)		277,746				277,746
23. Fidelity	22,274	51,830		22,274		51,830
24. Surety		3,031				3,031
26. Burglary and theft	5,397	2,013		5,397		2,013
27. Boiler and machinery		9,383				9,383
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-Nonproportional Assumed Property	X X X	618,154				618,154
32. Reinsurance-Nonproportional Assumed Liability	X X X	389,778				389,778
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	648,418,721	39,990,347		648,418,721		39,990,347

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

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

If yes: 1. The amount of such installment premiums \$ 516,670,613

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 521,796,559



## UNDERWRITING AND INVESTMENT EXHIBIT PART 2A – UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire		437,516		437,516	49,256	179,972	49,256	617,488	42,997
2. Allied lines	655	55,027	655	55,027	117,827	58,225	117,827	113,252	19,730
3. Farmowners multiple peril									
4. Homeowners multiple peril		841,476		841,476		582,536		1,424,012	422,063
5. Commercial multiple peril	26,793,793	845,140	26,793,793	845,140	40,326,661	455,755	40,326,661	1,300,895	431,116
6. Mortgage guaranty									
8. Ocean marine		166,630		166,630		85,559		252,189	41,914
9. Inland marine		107,432		107,432	18,485	320,567	18,485	427,999	45,625
10. Financial guaranty									
11.1 Medical professional liability—occurrence		484		484		1,897		2,381	68
11.2 Medical professional liability—claims-made		51		51		8,804		8,855	178
12. Earthquake		696		696		563		1,259	58
13. Group accident and health		9,726		9,726		231		9,957	881
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health		737		737		7,388		(a)	399
16. Workers' compensation	451,169,770	21,053,666	451,169,770	21,053,666	515,982,161	16,750,792	515,982,161	37,804,458	4,962,205
17.1 Other liability—occurrence	13,605,341	2,657,364	13,605,341	2,657,364	14,314,230	4,660,857	14,314,230	7,318,221	3,413,141
17.2 Other liability—claims-made		428,527		428,527		1,230,755		1,659,282	615,907
17.3 Excess Workers' Compensation		476,367		476,367		910,263		1,386,630	105,491
18.1 Products liability—occurrence	7,905,394	339,326	7,905,394	339,326	9,148,675	1,764,016	9,148,675	2,103,342	1,026,458
18.2 Products liability—claims-made		200		200		79,037		79,237	46,351
19.1,19.2 Private passenger auto liability	130	4,781,422	130	4,781,422		2,976,295		7,757,717	1,546,080
19.3,19.4 Commercial auto liability	20,577,389	1,327,041	20,577,389	1,327,041	19,717,099	1,042,133	19,717,099	2,369,174	403,236
21. Auto physical damage		5,848		5,848		(25,769)		(19,921)	223,667
22. Aircraft (all perils)		214,036		214,036		168,792		382,828	97,935
23. Fidelity		6,183		6,183	(15,425)	58,883	(15,425)	65,066	12,597
24. Surety		2,324		2,324		4,639		6,963	(268)
26. Burglary and theft		42		42	1,016	858	1,016	900	5,002
27. Boiler and machinery		19		19	2,613	2,002	2,613	2,021	307
28. Credit									
29. International									
30. Warranty						55		55	
31. Reinsurance-Nonproportional Assumed Property	X X X	211,306		211,306	X X X	191,846		403,152	11,251
32. Reinsurance-Nonproportional Assumed Liability	X X X	533,353		533,353	X X X	1,059,818		1,593,171	99,864
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	17,888		17,888	X X X	457		18,345	247
34. Aggregate write-ins for other lines of business									
35. TOTALS	520,052,472	34,519,827	520,052,472	34,519,827	599,662,598	32,577,226	599,662,598	67,097,053	13,574,500

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

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

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	70,877,375			70,877,375
1.2 Reinsurance assumed	4,238,095			4,238,095
1.3 Reinsurance ceded	70,877,375			70,877,375
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	4,238,095			4,238,095
2. Commission and brokerage:				
2.1 Direct, excluding contingent		47,856,650		47,856,650
2.2 Reinsurance assumed, excluding contingent		(1,560,469)		(1,560,469)
2.3 Reinsurance ceded, excluding contingent		47,856,650		47,856,650
2.4 Contingent—direct		7,525,242		7,525,242
2.5 Contingent—reinsurance assumed		539,365		539,365
2.6 Contingent—reinsurance ceded		7,525,242		7,525,242
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)		(1,021,104)		(1,021,104)
3. Allowances to manager and agents		441,569		441,569
4. Advertising	59,734	755,680	215	815,629
5. Boards, bureaus and associations	11,016	93,198	6	104,220
6. Surveys and underwriting reports	747	124,210	223	125,180
7. Audit of assureds' records		(65)		(65)
8. Salary and related items:				
8.1 Salaries	1,986,992	4,348,516	40,338	6,375,846
8.2 Payroll taxes	119,719	303,924	2,308	425,951
9. Employee relations and welfare	415,985	1,089,767	2,238	1,507,990
10. Insurance	126,680	26,985	467	154,132
11. Directors' fees		1,456		1,456
12. Travel and travel items	117,761	325,448	736	443,945
13. Rent and rent items	163,261	435,332	731	599,324
14. Equipment	129,605	361,421	647	491,673
15. Cost or depreciation of EDP equipment and software	25,854	188,505	332	214,691
16. Printing and stationery	19,941	78,268	106	98,315
17. Postage, telephone and telegraph, exchange and express	76,636	267,667	1,328	345,631
18. Legal and auditing	21,010	80,671	1,331	103,012
19. Totals (Lines 3 to 18)	3,274,941	8,922,552	51,006	12,248,499
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 31,936		1,545,337		1,545,337
20.2 Insurance department licenses and fees		76,116		76,116
20.3 Gross guaranty association assessments		(14,931)		(14,931)
20.4 All other (excluding federal and foreign income and real estate)		14,871		14,871
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		1,621,393		1,621,393
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	248,909	736,454	7,235	992,598
25. Total expenses incurred	7,761,945	10,259,295	58,241	(a) 18,079,481
26. Less unpaid expenses—current year	13,574,501	2,775,383		16,349,884
27. Add unpaid expenses—prior year	12,998,554	3,553,503		16,552,057
28. Amounts receivable relating to uninsured plans, prior year		924		924
29. Amounts receivable relating to uninsured plans, current year		52		52
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	7,185,998	11,036,543	58,241	18,280,782

DETAILS OF WRITE-IN LINES				
2401. Other expenses	94,945	736,454	7,235	838,634
2402. Change in unallocated expense reserves	153,964			153,964
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	248,909	736,454	7,235	992,598

(a) Includes management fees of \$ 58,241 to affiliates and \$ 530,705 to non-affiliates.

### EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,512,442	2,619,000
1.1 Bonds exempt from U.S. tax	(a) 32,649	32,647
1.2 Other bonds (unaffiliated)	(a) 5,944,273	5,682,024
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 58,843	49,372
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	60,417	60,417
10. Total gross investment income	8,608,624	8,443,460
11. Investment expenses		(g) 58,241
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)		58,241
17. Net investment income (Line 10 minus Line 16)		8,385,219

DETAILS OF WRITE-IN LINES		
0901. Miscellaneous Income/(Expense)	60,417	60,417
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)	60,417	60,417
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

- (a) Includes \$ 126,430 accrual of discount less \$ 445,954 amortization of premium and less \$ 58,595 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 \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	104,058	(134,393)	(30,335)	(532,886)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
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)	104,058	(134,393)	(30,335)	(532,886)	

DETAILS OF WRITE-IN LINES					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

## EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	78,572	79,907	1,335
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums	195,438	212,967	17,529
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	61	14	(47)
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	1,838,130	3,243,426	1,405,296
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	92,873	151,887	59,014
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	2,205,074	3,688,201	1,483,127
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	2,205,074	3,688,201	1,483,127

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	92,259	93,196	937
2302. Amounts receivable under high deductible policies	614	58,691	58,077
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	92,873	151,887	59,014

## NOTES TO FINANCIAL STATEMENTS

### **Note 1- Summary of Significant Accounting Policies**

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Wisconsin, the accompanying financial statements of Wausau Underwriters 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. The Company does not own preferred stocks.
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. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 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: None.

5. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the company at December 31, 2009: None.

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	2
	Less Than 12 Months	Greater Than 12 Months
Gross Unrealized Loss	(68,750)	(720,762)

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.

E. Repurchase Agreements

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

2. The Company maintained collateral for loaned securities.

a) For loaned securities, Company policies require a minimum of 102% of the fair value of securities loaned to be maintained as collateral.

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

3. Aggregate amount of contractually obligated open collateral positions for which the borrower may request the return of on demand:



## NOTES TO FINANCIAL STATEMENTS

	Under 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Fair value of open reinvested collateral positions	2,902,825	3,069,586	2,520,255	1,197,633	9,690,299

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 that exceed 10% of its admitted assets.

- 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	4,853,075	270,435	5,123,510	6,510,000	(1,386,490)
Total gross DTLs	(656,020)	(28,010)	(684,030)	(583,000)	(101,030)
Net DTA (DTL)	4,197,055	242,425	4,439,480	5,927,000	(1,487,520)
Net DTA non-admitted			(1,838,130)	(3,243,000)	1,404,870
Net Admitted DTA (DTL)			2,601,350	2,684,000	(82,650)

The Company has not elected to admit 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.

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	74,000	74,000	191,000
Lesser of:				
Expected to be recognized within one year (10bi.)	2,358,925	168,425	2,527,350	2,493,000
10% of adjusted capital and surplus (10bii.)			8,876,425	8,505,000
Adj. gross DTAs offset against existing DTLs (10c.)	656,020	28,010	684,030	583,000
Risk-based capital level used in paragraph 10d.:				
Total adjusted capital			95,512,490	91,618,828
Authorized control level			6,077,088	5,731,676

## NOTES TO FINANCIAL STATEMENTS

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

	December 31, 2009
Admitted DTA	2,601,350
Admitted assets	253,589,563
Statutory surplus	95,512,490
Total adjust capital	95,512,490

- 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	(1,098,033)	(436,809)
Foreign		
Realized capital gains	(10,617)	(41)
Federal and foreign income taxes incurred	(1,108,650)	(436,850)

The Company's DTAs and DTLs result primarily from limits on unearned premium reserve deduction, discounting of unpaid losses and LAE reserves, and depreciation.

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

	2009
Change in net deferred income tax (without unrealized gain or loss)	(1,674,030)
Change in tax effect of unrealized (gains) losses	186,510
Total change in net deferred income tax	(1,487,520)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill, and deferred compensation deductions.
- 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 none 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 (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
Capitol Court Corporation	Liberty Sponsored Insurance (Vermont) Inc.
Capitol Agency, Inc., The (Arizona corporation)	Liberty Surplus Insurance Corporation
Capitol Agency, Inc., The (Ohio corporation)	LIH U.S. P&C Corporation
Capitol Agency, Inc., The (Tennessee corporation)	LIH-RE of America Corporation
Cascade Disability Management, Inc.	LIU Specialty Insurance Agency Inc.
Colorado Casualty Insurance Company	LM General Insurance Company
Commercial Aviation Insurance, Inc.	LM Insurance Corporation
Companies Agency of New York, Inc.	LM Personal Insurance Company
Companies Agency of Pennsylvania, Inc.	LM Property & Casualty Insurance Company
Consolidated Insurance Company	LMHC Massachusetts Holdings Inc.
Copley Venture Capital, Inc.	LRE Properties, Inc.
Diversified Settlements, Inc.	Mid-American Agency, Inc.
Emerald City Insurance Agency, Inc.	Mid-American Fire & Casualty Company
Employers Insurance Company of Wausau	North Pacific Insurance Company
Excelsior Insurance Company	OCASCO Budget, Inc.
	OCI Printing, Inc.

## NOTES TO FINANCIAL STATEMENTS

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 Wausau Service Corporation ("WSC"), a Wisconsin company. WSA is wholly owned by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts insurance company. The ultimate parent of LMIC is Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. Refer to Note 10F, 22 and 25.
- D. At December 31, 2009, the Company reported \$15,231,842 due to affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated an undertaking for the benefit of affiliates that result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. Refer to Note 25 for information regarding Inter-Company Reinsurance Agreement.

There is a service agreement between the Company and LMIC, under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate.

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

The Company is a party to a service agreement with Peerless Insurance Company ("PIC"). Under the Agreement, the Company provides services to PIC.

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

The Company received (\$346,186) under the LMIC Tax Sharing Agreement and paid \$58,241 under the LMIC investment services agreement. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (Refer to Note 25), the expenses

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## NOTES TO FINANCIAL STATEMENTS

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incurred under the Liberty Mutual management service agreement are allocated to the Company in accordance with the Company's "Pool" participation percentage.

- 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. Not applicable
- B. 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 service 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 11,250 shares issued and outstanding as of December 31, 2009. All shares have a stated par value of \$400.
- 2. Preferred Stock  
  
Not applicable
- 3. Dividend Restrictions  
  
Not applicable
- 4. The Company did not pay a dividend to its parent during 2009.
- 5. The maximum amount of dividends that can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of surplus, or the greater of (b) or (c); (b) net income for calendar year preceding date of dividend less realized gains for that calendar year, or (c) the aggregate of net income for three calendar years preceding the date of dividend less realized gains for those calendar years less dividends paid/credited within the first two of the preceding three calendar years. The maximum dividend payout that may be made without prior approval in 2010 is \$9,551,249.
- 6. As of December 31, 2009, the Company has pre-tax restricted surplus of \$5,161,182 resulting from retroactive reinsurance contracts.
- 7. The Company had no advances to surplus.
- 8. The Company did not hold stock for special purposes.
- 9. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2009.
- 10. The portion of unassigned funds (surplus) represented by cumulative unrealized capital loss is (\$469,178) after applicable deferred taxes of \$252,634.
- 11. Surplus Notes  
  
Not applicable

## NOTES TO FINANCIAL STATEMENTS

## 12. Quasi re-organization (dollar impact)

Not applicable

## 13. Quasi re-organization (effective date)

Not applicable

**Note 14- Contingencies**

## A. Contingent Commitments

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

## B. Assessments

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

The Company has accrued a liability for guaranty fund and other assessments of \$857,297 that is offset by future premium tax credits of \$132,980. This represents management's best estimate based on information received from the states in which the Company writes business and may change due to factors including the Company's share of the ultimate cost of current insolvencies. Current assessments are expected to be paid out in the next five years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2009.

During 2009 there were no material insolvencies to report. The company continues to remit payments relating to prior year insolvencies.

## C. Gain Contingencies

Not applicable

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

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

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$660,000

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

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

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

( f ) Per Claim [ x ]

( g ) Per Claimant [ ]

## E. All other Contingencies

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

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

**Note 15- Leases**

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

The Company has entered into sale-leaseback arrangements with unrelated parties on certain property, plant and equipment. The transactions have been accounted for in accordance with SSAP No. 22. The Company has a purchase option for all PP&E at the end of each respective lease. The Company's minimum lease obligations under these agreements are as follows:

## NOTES TO FINANCIAL STATEMENTS

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2010	\$106,074	\$449,148
2011	59,159	405,897
2012	59,000	292,693
2013	58,841	179,025
2014	10,141	130,661
2015 & thereafter	34,489	615,728
Total	\$327,704	\$2,073,152

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.

**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.

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 \$9,825,482, with corresponding collateral value of \$10,151,737 of which \$9,690,299 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Net reimbursement for administrative expenses over actual expenses on uninsured plans and net gain was \$3,466. Claim payment volume was \$187,013.

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

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

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

**Note 20- Other Items**

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

## NOTES TO FINANCIAL STATEMENTS

### C. Other Disclosures

#### 1) Florida Special Disability Trust Fund

- a) The amount of credit taken by the Company in determination of its loss reserves was \$0 in 2009 and 2008.
- b) The Company reported loss recoveries from the Special Disability Trust Fund of \$112,145 in 2009 and \$57,426 in 2008.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$727,231 in 2009 and \$920,701 in 2008.

- 2) Assets in the amount of \$29,075,704 and \$27,239,519 as of December 31, 2009 and 2008, respectively, were on deposit with government authorities or trustees as required by law.

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

### E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

### F. State Transferable Tax Credits

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

<u>Description of State Transferable Tax Credits</u>	<u>State</u>	<u>Carrying Value</u>	<u>Unused Amount</u>
Historical Rehabilitation Credit	OK	204,159	204,159
<u>Total</u>		<u>204,159</u>	<u>204,159</u>

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

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

- (3) Impairment Loss

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

### G. Sub-Prime Lending

The Company does not have exposure to sub-prime mortgage related 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 Liberty Mutual Inter-Company Reinsurance Agreement, as described in Note 25, there are no unsecured reinsurance recoverables with an individual reinsurer which exceed 3% of policyholders surplus.
- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.
- C. 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.

## NOTES TO FINANCIAL STATEMENTS

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	17,562,895	234,224	183,328,589	15,658,222	(165,765,694)	(15,423,998)
All Other	0	0	0	0	0	0
Total	17,562,895	234,224	183,328,589	15,658,222	(165,765,694)	(15,423,998)

Direct Unearned Premium Reserve: \$183,328,589

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2009 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	5,494,223	510,479	5,494,223	510,479
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(780,000)	0	(780,000)
Totals	5,494,223	(269,521)	5,494,223	(269,521)

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

- D. The Company has not written off any uncollectible balances in the current year.
- E. The Company has not recorded any commutations in the current year.
- F. The Company's retroactive reinsurance is a result of the Inter-Company Reinsurance Agreement with LMIC.

	Assumed	Ceded
a. Reserves Transferred:		
1. Initial	\$(9,176,499)	
2. Adjustments – Prior Year(s)	1,089,192	
3. Adjustments – Current Year	222,354	
4. Total	\$(7,864,953)	
b. Consideration Paid or Received:		
1. Initial	\$(4,284,194)	
2. Adjustments – Prior Year(s)	(209,658)	
3. Adjustments – Current Year	(9,262)	
4. Total	\$(4,503,114)	
c. Amounts Recovered / Paid – Cumulative:		
1. Initial	\$(145,091)	
2. Adjustments – Prior Year(s)	(1,392,306)	
3. Adjustments – Current Year	(355,139)	
4. Total	\$(1,892,536)	
d. Special Surplus from Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss	\$5,037,396	
2. Adjustments – Prior Year(s)	93,456	
3. Adjustments – Current Year	123,523	
4. Current Year Special Surplus	5,161,182	
5. Cumulative Total Transferred to Unassigned Funds	\$93,193	
e. All cedents and reinsurers included in the above transactions:		
	Assumed	Ceded
Liberty Mutual Insurance Company, 23043	\$(7,864,953)	

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

- G. There are no contracts recorded as deposit accounting.

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

- A. Accrued retrospective premiums reported in Line 13.3 of the assets have been determined based upon loss experience on business subject to such experience rating adjustment.
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. For detail of net premium written subject to retrospective rating features see Schedule P – Part 7A.



## NOTES TO FINANCIAL STATEMENTS

- D. Ten percent of the amount not offset by retrospective return premiums or collateral has been designated as non-admitted and charged to surplus.

Total accrued retro premium	\$1,954,375
Less: Non-admitted amount	195,438
Admitted amount	\$1,758,937

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

Incurred loss and loss adjustment expenses attributable to insured events in prior years increased in 2009. The increase was primarily the result of third quarter strengthening of asbestos reserves (refer to Note 32), partially offset by small decreases in workers compensation, commercial auto liability and commercial and personal property lines. Original estimates are revised as additional information becomes known regarding individual claims.

### **Note 25- Inter-Company Pooling Arrangements**

The Company is a member of the Liberty Mutual Inter-Company Reinsurance Agreement consisting of the following affiliated companies:

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	75.00%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	8.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	12.90%	All Lines
	Liberty Insurance Corporation (LIC)	42404	3.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LMC)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FST)	33588	0.10%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSI)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	14486	0.00%	Personal Lines Only
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines

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

- (a) Except for WBIC, WGIC and WUIC, each Affiliated Pool Company cedes its underwriting activity to the Lead Company. WBIC, WGIC and WUIC cede 100% of its direct underwriting activity to EICOW.
- (b) With the exception of LMGIC and LMPIC, each 100% Quota Share Affiliated company cedes its net underwriting activity to the Lead Company. LMGIC and LMPIC cede its net underwriting activity to LMPAC.
- (c) After recording the assumed affiliate transactions noted above, the Lead Company records 100% of its external assumed and ceded reinsurance activity.
- (d) The Lead Company's remaining underwriting activity, after processing all internal and external reinsurance, is retroceded to the pool members in accordance with each company's pool participation percentage, as noted above.
- (e) There were no members that are parties to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and 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.

## NOTES TO FINANCIAL STATEMENTS

- (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) An Amount due from affiliated entity participating in the Liberty Mutual inter-company pool as at December 31, 2009:

Affiliate:	Amount:
Liberty Mutual Insurance Company	\$408,036

During 2009, Liberty Insurance Company of America (LICA), a participant in the Liberty Mutual inter-company Reinsurance Agreement, merged with an affiliate, Insurance Company of Illinois (ICIL). 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 Reinsurance Agreement, with a 0.00% participation in the Pool. As a participant in the Liberty Mutual inter-company Pool, ICIL cedes the business of LICA to the Pool. Concurrent with entering into the Liberty Mutual inter-company Pool, ICIL terminated its participation in the Peerless Amended and Restated Reinsurance Agreement and entered into a Quota Share Reinsurance Agreement with Peerless Insurance Company, covering the business written by ICIL.

Effective January 1, 2010, LM General Insurance Company and LM Personal Insurance Company canceled their 100% Quota Share Agreements with Liberty Mutual Property and Casualty Insurance Company and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.10% Pool Participation Percentage.

Effective January 1, 2010, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company novated their 100% Quota Share Reinsurance Agreements with Peerless Insurance Company to substitute LMIC as the reinsurer.

Effective January 1, 2010, Liberty Lloyds of Texas Insurance Company and Liberty Mutual Personal Insurance Company terminated their 100% Quota Share Reinsurance Agreements with LMIC and became participants in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.00% Pool Participation Percentage.

Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2010, the Liberty Mutual Pool structure and participation percentages were revised as follows:

		<u>NAIC</u> <u>Co. #</u>	<u>Pooling</u> <u>%</u>	<u>Lines of</u> <u>Business</u>
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	73.80%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	8.00%	All Lines
	Insurance Company of Illinois (ICIL)	26700	0.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	12.90%	All Lines
	Liberty Insurance Corporation (LIC)	42404	4.00%	All Lines
	Wausau Business Insurance Company (WBIC)	26069	0.40%	All Lines
	Wausau Underwriters Insurance Company (WUIC)	26042	0.40%	All Lines
	LM Insurance Corporation (LMC)	33600	0.20%	All Lines
	The First Liberty Insurance Corporation (FST)	33588	0.10%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.10%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.10%	All Lines
	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	0.00%	All Lines
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	0.00%	All Lines
	Liberty Personal Insurance Company (LPIC)	11746	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSI)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Bridgefield Employers Insurance Company ("BEIC")	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company ("BCIC")	10335	0.00%	All Lines
	Liberty County Mutual Insurance Company (LCMIC)	19544	0.00%	All Lines
	Liberty Insurance Underwriters, Inc. (LIU)	19917	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company (LMMAIC)	14486	0.00%	Personal Lines Only
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines

## NOTES TO FINANCIAL STATEMENTS

### **Note 26- Structured Settlements**

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$4,279,710 after applying Inter-Company Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was \$4,279,710 as of December 31, 2009.
- C. A summary of purchased structured settlement annuities exceeding 1% of policyholders' surplus and whereby the Company has not obtained a release of liability from the claimant is as follows:

Life Insurance Company & Location	Licensed in Company's State of Domicile (Yes/No)	Statement Value of Annuities
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$2,077,655
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$1,286,044

### **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**

As of December 31, 2009, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$19,142,576 and the amount billed and recoverable on paid claims was \$919,036.

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. Asbestos structured settlements are discounted at 4.5%. The December 31, 2009 liabilities subject to discount were carried at a value representing a discount of \$4,458,730 net of all reinsurance.

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

### **Note 32- Asbestos/Environmental Reserves**

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

Upon their de-affiliation from the Nationwide Group and re-affiliation with the LMIC, EICOW, WBIC, WGIC, and the Company entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

#### **Factors Contributing to Uncertainty in Establishing Adequate Reserves**

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

The uncertainties associated with establishing reserves for asbestos and environmental losses and loss adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are or were ever intended to be covered, (ii) when the loss occurred and what policies provide coverage, (iii) whether there is an insured obligation to defend, (iv) whether a compensable loss or injury has occurred, (v) how policy limits are determined, (vi) how policy exclusions are applied and interpreted, (vii) the impact of entities seeking bankruptcy protection

## NOTES TO FINANCIAL STATEMENTS

as a result of asbestos-related liabilities, (viii) whether clean-up costs are covered as insured property damage, and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products/completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

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

### Uncertainty Regarding Reserving Methodologies

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

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

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

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

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

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

### **Asbestos:**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Direct Basis</b>					
Beginning Reserves	6,809,850	7,993,000	7,399,042	6,729,228	6,252,688
Incurring losses and LAE	2,216,955	402,076	924,810	570,577	2,197,151
Calendar year payments	1,033,805	996,034	1,594,624	1,047,117	1,044,054
Ending Reserves	<u>7,993,000</u>	<u>7,399,042</u>	<u>6,729,228</u>	<u>6,252,688</u>	<u>7,405,785</u>
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	1,958,363	2,055,519	2,173,851	2,833,007	2,682,151
Incurring losses and LAE	217,778	195,244	766,586	(30,288)	(611,027)
Calendar year payments	120,622	76,912	107,430	120,568	151,381
Ending Reserves	<u>2,055,519</u>	<u>2,173,851</u>	<u>2,833,007</u>	<u>2,682,151</u>	<u>1,919,743</u>
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	3,805,872	4,169,423	3,588,090	3,189,340	2,637,427
Incurring losses and LAE	877,475	48,818	340,504	56,976	1,582,207
Calendar year payments	513,924	630,151	739,254	608,889	672,153
Ending Reserves	<u>4,169,423</u>	<u>3,588,090</u>	<u>3,189,340</u>	<u>2,637,427</u>	<u>3,547,481</u>

## NOTES TO FINANCIAL STATEMENTS

**Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	4,903,140
Assumed Reinsurance Basis	1,429,296
Net of Ceded Reinsurance Basis	2,930,227

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

Direct Basis	2,638,632
Assumed Reinsurance Basis	14,470
Net of Ceded Reinsurance Basis	1,052,030

<u>Environmental:</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Direct Basis</b>					
Beginning Reserves	2,840,721	2,743,988	2,022,055	1,803,494	1,492,968
Incurring losses and LAE	634,264	191,404	23,525	27,349	112,614
Calendar year payments	730,997	913,337	242,086	337,875	379,427
Ending Reserves	2,743,988	2,022,055	1,803,494	1,492,968	1,226,155
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	283,540	209,277	191,788	163,422	162,964
Incurring losses and LAE	(48,921)	3,524	5,903	14,360	68,746
Calendar year payments	25,342	21,013	34,269	14,818	20,704
Ending Reserves	209,277	191,788	163,422	162,964	211,006
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	2,106,854	1,707,286	1,581,464	1,454,544	1,246,349
Incurring losses and LAE	2,037	80,803	39,276	(53)	(12)
Calendar year payments	401,605	206,625	166,196	208,142	191,554
Ending Reserves	1,707,286	1,581,464	1,454,544	1,246,349	1,054,783

**Ending Reserves for Bulk + IBNR included above (Loss & LAE)**

Direct Basis	701,273
Assumed Reinsurance Basis	146,288
Net of Ceded Reinsurance Basis	654,396

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

Direct Basis	566,292
Assumed Reinsurance Basis	2,613
Net of Ceded Reinsurance Basis	388,645

**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? \_\_\_\_\_ Wisconsin \_\_\_\_\_
- 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: \_\_\_\_\_ 10/14/2009 \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. \_\_\_\_\_ 12/31/2009 \_\_\_\_\_
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. \_\_\_\_\_ 12/31/2004 \_\_\_\_\_
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). \_\_\_\_\_ 06/30/2006 \_\_\_\_\_
- 3.4 By what department or departments?  
 State of Wisconsin Office of the Commissioner 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 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	00000	.....
.....	00000	.....
.....	00000	.....

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

## GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

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

7.2 If yes,

7.21 State the percentage of foreign control. \_\_\_\_\_

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

1 Nationality	2 Type of Entity
.....	.....
.....	.....

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

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

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

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

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

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

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

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

10. 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?

Roy K. Morell  
 175 Berkeley Street, Boston, MA 02116  
 Officer of Liberty Mutual Insurance Company  
 .....

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 [X]

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

Yes [ ] No [X]

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

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

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 [X] 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 [X]

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

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

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

Yes [ ] No [X]

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 [X] 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 [X] 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 [X] 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 [X]

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. \$ 10,151,737
- 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   | \$ | 29,075,704 |
|  | 23.29 Other  | \$ | 0          |

## GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	0
.....	.....	0
.....	.....	0

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

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

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

25.2 If yes, state the amount thereof at December 31 of the current year. \$ \_\_\_\_\_ 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 [X] No [ ]

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

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

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

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

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

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

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

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

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
N/A .....	Liberty Mutual Insurance Company .....	175 Berkeley 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 [X]

## GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

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

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

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	175,976,687	181,808,770	5,832,083
28.2 Preferred stocks	0	0	0
<b>28.3 Totals</b>	<b>175,976,687</b>	<b>181,808,770</b>	<b>5,832,083</b>

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?

\$ 101,235

## 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 Name	2 Amount Paid
Workers Compensation Rating & INSP Bureau of MA	101,235
.....	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 Name	2 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 Name	2 Amount Paid
.....	0
.....	0
.....	0

# GENERAL INTERROGATORIES

## PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

.....

.....

.....

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

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

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$           0

1.62 Total incurred claims \$           0

1.63 Number of covered lives           0

All years prior to most current three years:

1.64 Total premium earned \$           0

1.65 Total incurred claims \$           0

1.66 Number of covered lives           0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$           0

1.72 Total incurred claims \$           0

1.73 Number of covered lives           0

All years prior to most current three years:

1.74 Total premium earned \$           0

1.75 Total incurred claims \$           0

1.76 Number of covered lives           0

2. Health Test:

	1		2	
	Current Year		Prior Year	
2.1 Premium Numerator	\$ <u>          207</u>		\$ <u>          258</u>	
2.2 Premium Denominator	\$ <u>39,838,189</u>		\$ <u>44,442,231</u>	
2.3 Premium Ratio (2.1/2.2)	<u>          0.00</u>		<u>          0.00</u>	
2.4 Reserve Numerator	\$ <u>         19,365</u>		\$ <u>         21,702</u>	
2.5 Reserve Denominator	\$ <u>101,242,802</u>		\$ <u>100,221,374</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. \_\_\_\_\_ 5
- 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
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes  No
- 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   | \$ | 642,494 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 292,462 |
- 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? \$ 597,620
- 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
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |  |      |
|------------|--|------|
| 12.41 From |  | 4.00 |
| 12.42 To   |  | 6.00 |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes  No
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |    |            |
|----------------------------------|----|------------|
| 12.61 Letters of Credit          | \$ | 32,692,722 |
| 12.62 Collateral and other funds | \$ | 2,929,805  |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 196,100
- 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
- 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. 11
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes  No
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
 Premiums and recoverables were allocated pursuant to separate intercompany pooling agreements.  
 .....  
 .....
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes  No
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes  No
- 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
- 15.2 If yes, give full information  
 .....  
 .....
- 16.1 Does the reporting entity write any warranty business? Yes  No   
 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 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 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)	618,500,366	632,986,850	612,572,284	573,594,568	482,077,466
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	20,915,785	15,722,765	16,359,948	16,988,160	15,403,769
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	47,907,644	44,106,612	45,291,249	44,321,366	35,641,385
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	77,341	(628,614)	1,197,192	995,831	798,674
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,007,932	925,238	750,465	458,857	328,210
6. Total (Line 35)	688,409,068	693,112,851	676,171,138	636,358,782	534,249,504
<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)	25,560,331	28,306,795	31,414,169	30,367,481	27,950,653
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	7,593,247	7,333,519	7,354,206	7,821,817	7,215,228
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	5,773,770	6,893,741	7,886,562	7,812,538	6,091,598
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	55,067	(633,132)	1,192,913	995,831	798,674
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,007,932	925,238	750,465	458,857	328,210
12. Total (Line 35)	39,990,347	42,826,161	48,598,315	47,456,524	42,384,363
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8)	(4,407,228)	(2,524,984)	(2,615,608)	(1,433,246)	(3,135,400)
14. Net investment gain (loss) (Line 11)	8,365,500	8,524,818	8,392,475	9,291,758	9,411,935
15. Total other income (Line 15)	(634,880)	(501,989)	(428,907)	(326,501)	(478,446)
16. Dividends to policyholders (Line 17)	92,553	107,163	279,090	204,110	144,432
17. Federal and foreign income taxes incurred (Line 19)	(1,098,033)	(436,809)	129,520	1,103,375	160,932
18. Net income (Line 20)	4,328,872	5,827,491	4,939,350	6,224,526	5,492,725
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	253,589,563	244,472,852	233,032,611	215,128,601	204,659,583
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	4,750,864	4,983,519	4,246,781	3,292,424	2,797,366
20.2 Deferred and not yet due (Line 13.2)	11,261,261	9,706,858	11,001,927	11,011,264	8,279,130
20.3 Accrued retrospective premiums (Line 13.3)	1,758,937	1,916,701	2,043,160	2,783,262	2,816,403
21. Total liabilities excluding protected cell business (Page 3, Line 24)	158,077,073	152,854,024	142,235,501	129,101,231	98,972,819
22. Losses (Page 3, Line 1)	67,097,056	66,427,802	66,375,561	61,169,697	56,828,550
23. Loss adjustment expenses (Page 3, Line 3)	13,574,501	12,998,554	13,558,122	12,538,892	11,638,987
24. Unearned premiums (Page 3, Line 9)	17,562,895	17,497,338	19,387,033	18,735,073	16,797,204
25. Capital paid up (Page 3, Lines 28 & 29)	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
26. Surplus as regards policyholders (Page 3, Line 35)	95,512,490	91,618,828	90,797,110	86,027,370	105,686,764
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11)	(12,922,329)	(105,624)	24,452,473	4,638,958	10,943,067
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	95,512,490	91,618,828	90,797,110	86,027,370	105,686,764
29. Authorized control level risk-based capital	6,077,088	5,731,676	6,704,514	5,979,968	5,325,535
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	90.6	90.0	91.3	93.2	94.8
31. Stocks (Lines 2.1 & 2.2)					
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)	9.4	10.0	8.7	5.6	5.2
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)			0.0	1.2	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)	(346,376)	(31,637)	(91,164)	95,384	(95,378)
49. Dividends to stockholders (Line 35)		(4,940,835)		(23,355,384)	
50. Change in surplus as regards policyholders for the year (Line 38)	3,893,662	821,718	4,769,740	(19,659,394)	5,873,460
<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)	327,837,999	285,717,854	224,777,074	190,108,207	189,364,897
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	11,069,845	10,887,721	9,211,411	8,680,457	7,768,114
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	23,446,953	24,947,204	21,720,310	23,122,313	22,866,858
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	13,902	437,109	127,562	65,536	212,636
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	301,689	353,099	428,981	608,520	437,119
56. Total (Line 35)	362,670,388	322,342,987	256,265,338	222,585,033	220,649,624
<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)	16,349,314	19,392,356	16,059,420	14,969,097	14,948,241
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,930,884	4,340,873	4,000,030	4,517,241	3,678,338
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	4,212,676	5,285,420	3,564,966	3,333,881	3,858,590
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	13,902	437,109	127,562	65,536	212,636
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	301,689	353,099	428,981	608,520	437,119
62. Total (Line 35)	25,808,465	29,808,857	24,180,959	23,494,275	23,134,924
<b>Operating Percentages (Page 4)</b> (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)	65.8	67.8	61.9	61.1	63.8
65. Loss expenses incurred (Line 3)	19.5	15.8	15.9	15.3	18.8
66. Other underwriting expenses incurred (Line 4)	25.8	22.1	27.8	26.8	24.9
67. Net underwriting gain (loss) (Line 8)	(11.1)	(5.7)	(5.5)	(3.2)	(7.6)
<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)	27.3	24.1	27.8	26.4	25.5
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	85.3	83.5	77.8	76.4	82.6
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)	41.9	46.7	53.5	55.2	40.1
<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)	982	(1,333)	1,250	1,974	2,045
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)	1.1	(1.5)	1.5	1.9	2.0
<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)	(183)	951	4,515	5,381	5,348
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)	(0.2)	1.1	4.3	5.4	5.7

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

Yes [ ] No [ X ]

If no, please explain:

Not applicable.

**SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES****SCHEDULE P – PART 1 – SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported - Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1–2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	2,982	961	854	246	154	1	91	2,782	X X X
2. 2000	36,578	6,402	30,176	29,636	5,393	2,478	390	3,064	63	769	29,332	X X X
3. 2001	37,842	6,656	31,186	29,041	6,935	2,342	399	2,913	51	950	26,911	X X X
4. 2002	42,951	8,788	34,163	27,413	5,997	2,164	342	3,299	38	1,448	26,499	X X X
5. 2003	47,695	11,643	36,052	24,843	5,581	2,032	230	3,506	52	1,508	24,518	X X X
6. 2004	49,111	13,007	36,104	23,928	6,287	1,770	308	3,449	188	1,473	22,364	X X X
7. 2005	50,013	11,986	38,027	27,914	8,556	1,681	324	3,449	251	1,415	23,913	X X X
8. 2006	54,231	12,700	41,531	22,532	4,326	1,464	166	3,664	272	1,380	22,896	X X X
9. 2007	57,666	14,002	43,664	23,496	5,609	1,299	172	3,668	334	1,575	22,348	X X X
10. 2008	61,460	17,017	44,443	24,984	6,467	994	125	3,910	280	1,336	23,016	X X X
11. 2009	58,529	18,692	39,837	15,892	5,758	379	69	3,123	49	804	13,518	X X X
12. Totals	X X X	X X X	X X X	252,661	61,870	17,457	2,771	34,199	1,579	12,749	238,097	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		Other Unpaid				
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded			
1. Prior	18,514	5,700	9,435	5,675	1,147	952	4,167	1,468	422		214	19,890	X X X
2. 2000	1,295	472	515	414	37	10	120	70	26		16	1,027	X X X
3. 2001	1,546	637	698	548	39	16	194	92	32		18	1,216	X X X
4. 2002	1,332	838	1,023	809	44	20	205	68	31		27	900	X X X
5. 2003	1,322	536	2,210	913	52	22	238	95	35		47	2,291	X X X
6. 2004	1,538	521	2,410	680	47	10	425	86	148	1	71	3,270	X X X
7. 2005	2,055	704	2,935	1,238	66	12	565	92	135	16	105	3,694	X X X
8. 2006	2,894	708	3,869	1,255	105	21	988	177	169	2	145	5,862	X X X
9. 2007	4,159	832	5,357	1,366	147	21	1,370	219	274	6	216	8,863	X X X
10. 2008	6,707	1,464	8,762	2,130	185	28	2,008	420	715	21	301	14,314	X X X
11. 2009	6,720	1,143	13,202	2,806	170	12	2,115	320	1,448	17	791	19,357	X X X
12. Totals	48,082	13,555	50,416	17,834	2,039	1,124	12,395	3,107	3,435	63	1,951	80,684	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	16,574	3,316
2. 2000	37,171	6,812	30,359	101.621	106.404	100.606			0.400	924	103
3. 2001	36,805	8,678	28,127	97.260	130.379	90.191			0.400	1,059	157
4. 2002	35,511	8,112	27,399	82.678	92.308	80.201			0.400	708	192
5. 2003	34,238	7,429	26,809	71.785	63.807	74.362			0.400	2,083	208
6. 2004	33,715	8,081	25,634	68.651	62.128	71.000			0.400	2,747	523
7. 2005	38,800	11,193	27,607	77.580	93.384	72.598			0.400	3,048	646
8. 2006	35,685	6,927	28,758	65.802	54.543	69.245			0.400	4,800	1,062
9. 2007	39,770	8,559	31,211	68.966	61.127	71.480			0.400	7,318	1,545
10. 2008	48,265	10,935	37,330	78.531	64.259	83.995			0.400	11,875	2,439
11. 2009	43,049	10,174	32,875	73.552	54.430	82.524			0.400	15,973	3,384
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	67,109	13,575

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

**SCHEDULE P – PART 2 – SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	One Year	Two Year
1. Prior	49,069	53,851	56,767	59,476	63,061	65,928	67,748	69,957	69,486	71,131	1,645	1,174
2. 2000	24,017	25,074	25,224	26,071	26,763	26,989	27,170	27,433	27,464	27,454	(10)	21
3. 2001	X X X	24,466	23,775	24,154	23,825	24,570	24,942	25,131	25,193	25,329	136	198
4. 2002	X X X	X X X	23,973	22,671	22,699	23,515	23,945	24,114	24,198	24,196	(2)	82
5. 2003	X X X	X X X	X X X	24,867	22,305	21,666	22,967	23,350	23,344	23,480	136	130
6. 2004	X X X	X X X	X X X	X X X	24,555	22,889	22,289	22,463	22,497	22,469	(28)	6
7. 2005	X X X	X X X	X X X	X X X	X X X	26,670	25,330	24,803	24,549	24,558	9	(245)
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	26,991	25,968	25,602	25,507	(95)	(461)
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	29,015	28,568	27,927	(641)	(1,088)
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	33,623	33,455	(168)	X X X
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	28,886	X X X	X X X
											12. Totals	
											982	(183)

**SCHEDULE P – PART 3 – SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		
1. Prior	000	10,925	19,964	26,315	31,989	36,258	39,780	43,120	46,147	48,776	X X X	X X X
2. 2000	10,706	16,690	19,808	21,977	23,968	24,786	25,375	25,792	26,118	26,331	X X X	X X X
3. 2001	X X X	11,023	16,607	19,420	21,093	22,320	22,967	23,472	23,813	24,049	X X X	X X X
4. 2002	X X X	X X X	10,348	15,858	19,059	20,638	21,967	22,563	22,980	23,238	X X X	X X X
5. 2003	X X X	X X X	X X X	9,522	14,461	16,858	18,612	19,811	20,546	21,064	X X X	X X X
6. 2004	X X X	X X X	X X X	X X X	8,608	13,226	15,392	17,164	18,357	19,103	X X X	X X X
7. 2005	X X X	X X X	X X X	X X X	X X X	9,866	15,125	17,744	19,517	20,715	X X X	X X X
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	9,607	14,665	17,544	19,504	X X X	X X X
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	9,921	15,824	19,014	X X X	X X X
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	12,246	19,386	X X X	X X X
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	10,444	X X X	X X X

**SCHEDULE P – PART 4 – SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Prior	16,447	11,438	7,868	6,292	5,454	6,585	6,843	7,360	5,891	6,895
2. 2000	6,558	2,466	1,039	702	575	421	341	410	291	182
3. 2001	X X X	6,770	2,704	1,593	772	650	525	482	328	270
4. 2002	X X X	X X X	7,104	2,744	1,175	890	709	648	442	359
5. 2003	X X X	X X X	X X X	10,280	4,171	1,852	2,202	2,062	1,693	1,537
6. 2004	X X X	X X X	X X X	X X X	11,145	6,250	4,149	3,206	2,644	2,223
7. 2005	X X X	X X X	X X X	X X X	X X X	11,965	6,478	4,230	3,007	2,368
8. 2006	X X X	X X X	X X X	X X X	X X X	X X X	12,586	7,236	4,906	3,632
9. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,144	8,152	5,378
10. 2008	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,971	8,603
11. 2009	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	12,691

## 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	7,368,178	7,552,118	5,691	3,891,130	2,739,493	17,067,928	
2. Alaska	AK	L	7,554,691	7,786,514	(3)	4,627,762	6,805,227	12,887,830	
3. Arizona	AZ	L	11,616,745	10,772,413	6,888	4,267,016	5,334,850	13,867,210	
4. Arkansas	AR	L	5,451,489	4,982,787	158	1,739,439	2,128,474	6,024,615	
5. California	CA	L	126,496,602	117,490,747	5,055	59,325,419	71,454,301	242,582,787	
6. Colorado	CO	L	8,217,560	7,789,018	2,299	4,166,582	6,236,467	13,449,443	
7. Connecticut	CT	L	12,015,571	10,326,345	7,104	8,841,838	9,267,305	22,590,736	
8. Delaware	DE	L	1,532,633	1,690,464		2,080,764	1,390,420	5,273,647	
9. District of Columbia	DC	L	2,073,069	1,975,372	2,494	508,192	617,440	2,564,884	
10. Florida	FL	L	25,473,231	23,857,026	1,048,807	14,083,587	14,194,659	53,118,074	
11. Georgia	GA	L	17,178,428	17,529,920	1,958	8,390,283	10,976,211	21,606,271	
12. Hawaii	HI	L	1,198,759	1,268,030	74,711	601,596	303,801	2,081,373	
13. Idaho	ID	L	3,122,888	2,900,455	219	1,267,470	1,883,173	3,081,241	
14. Illinois	IL	L	30,376,650	25,939,782	1,069	14,278,594	19,260,469	42,706,461	
15. Indiana	IN	L	13,587,038	11,689,006	(1,701)	6,111,496	7,955,385	17,774,751	
16. Iowa	IA	L	4,799,041	4,105,911	1,412	3,951,548	3,881,514	11,182,873	
17. Kansas	KS	L	6,561,956	6,094,473	(40,979)	4,185,602	4,794,423	10,014,504	
18. Kentucky	KY	L	9,433,556	8,990,204	(1,635)	5,843,899	5,869,660	21,790,219	
19. Louisiana	LA	L	6,179,612	5,318,089	203	2,228,062	8,041,116	12,396,492	
20. Maine	ME	L	2,716,979	2,401,292	8,566	1,044,588	1,185,017	3,096,219	
21. Maryland	MD	L	9,520,577	8,190,849	807	5,068,992	4,959,060	16,095,409	
22. Massachusetts	MA	L	8,298,351	7,513,102	51,741	8,204,822	8,724,730	25,094,672	
23. Michigan	MI	L	10,716,552	9,131,159	564	6,237,032	4,755,055	24,274,078	
24. Minnesota	MN	L	14,921,293	12,988,653	1,254	10,533,572	12,843,689	38,009,792	
25. Mississippi	MS	L	11,314,101	9,171,942	(4,938)	4,247,641	5,192,920	13,138,939	
26. Missouri	MO	L	12,523,262	12,213,139	633	7,608,657	9,822,931	23,332,207	
27. Montana	MT	L	2,724,434	2,431,185	769	1,328,908	1,715,694	5,445,242	
28. Nebraska	NE	L	3,757,699	3,643,744	(488)	2,890,728	1,961,400	5,865,869	
29. Nevada	NV	L	5,024,505	4,921,347	233	2,656,106	2,929,907	6,204,002	
30. New Hampshire	NH	L	4,167,217	3,505,987	43,048	2,015,338	2,525,968	5,365,445	
31. New Jersey	NJ	L	17,164,789	15,078,470	(70,505)	7,114,360	9,749,233	29,214,453	
32. New Mexico	NM	L	3,274,089	2,871,496	46	1,399,636	3,846,571	6,401,228	
33. New York	NY	L	25,108,206	22,643,289	52,121	10,954,887	16,709,073	56,317,510	
34. North Carolina	NC	L	18,209,323	18,952,277	5,364	12,722,644	14,642,112	31,483,530	
35. North Dakota	ND	L	147,787	39,848	3	80,129	(377,800)	145,707	
36. Ohio	OH	L	2,602,568	2,081,234	128	2,562,009	2,038,872	2,834,212	
37. Oklahoma	OK	L	19,459,794	17,488,925	1,804	9,123,462	13,490,590	21,286,838	
38. Oregon	OR	L	5,212,367	4,377,930	16,071	2,407,430	3,142,188	9,774,031	
39. Pennsylvania	PA	L	28,742,132	27,255,228	49,901	21,758,931	16,491,530	44,875,018	
40. Rhode Island	RI	L	2,767,483	2,084,765	31	1,154,064	1,955,454	2,357,964	
41. South Carolina	SC	L	8,012,885	7,792,326	1,417	4,115,781	5,386,953	14,807,366	
42. South Dakota	SD	L	1,394,657	1,242,953	922	1,479,204	2,011,960	4,121,199	
43. Tennessee	TN	L	20,651,042	22,098,422	1,370	11,792,691	15,094,046	38,113,604	
44. Texas	TX	L	33,893,882	31,772,924	7,996	13,255,641	17,464,620	52,183,155	
45. Utah	UT	L	3,878,493	3,985,610	804	1,919,238	2,022,475	6,579,056	
46. Vermont	VT	L	5,113,148	4,260,334	50,817	2,324,687	3,541,649	8,316,574	
47. Virginia	VA	L	13,203,966	12,125,917	(909)	6,108,925	5,937,363	18,350,444	
48. Washington	WA	L	3,099,638	2,609,474	182	655,382	2,058,686	3,557,581	
49. West Virginia	WV	L	2,492,590	2,412,736		1,036,162	3,533,209	5,551,229	
50. Wisconsin	WI	L	48,254,022	48,397,423	3,284,833	22,586,392	29,675,077	64,405,343	
51. Wyoming	WY	L	232,480	231,965	15	83,603	246,553	483,477	
52. American Samoa	AS	N							
53. Guam	GU	N							
54. Puerto Rico	PR	L	56,818	60,494			(7,174)	24,637	
55. U.S. Virgin Islands	VI	L	331	324			84	112	
56. Northern Mariana Islands	MP	N							
57. Canada	CN	N							
58. Aggregate Other Alien	OT	X X X	(476,436)	(476,802)	(44)		(51,314)	547,589	
59. Totals	(a) 53		648,418,721	603,558,635	4,618,306	336,861,921	408,352,769	1,119,715,071	

DETAILS OF WRITE-INS									
5801. Other alien	X X X		(476,436)	(476,802)	(44)		(51,314)	547,589	
5802. . . . .	X X X								
5803. . . . .	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X		(476,436)	(476,802)	(44)		(51,314)	547,589	

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

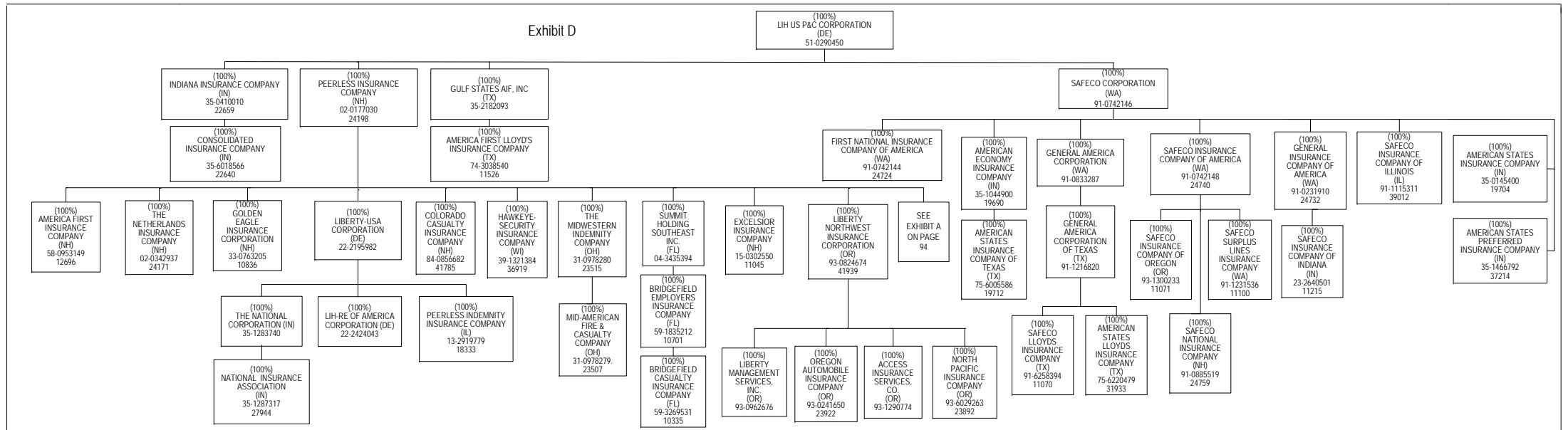
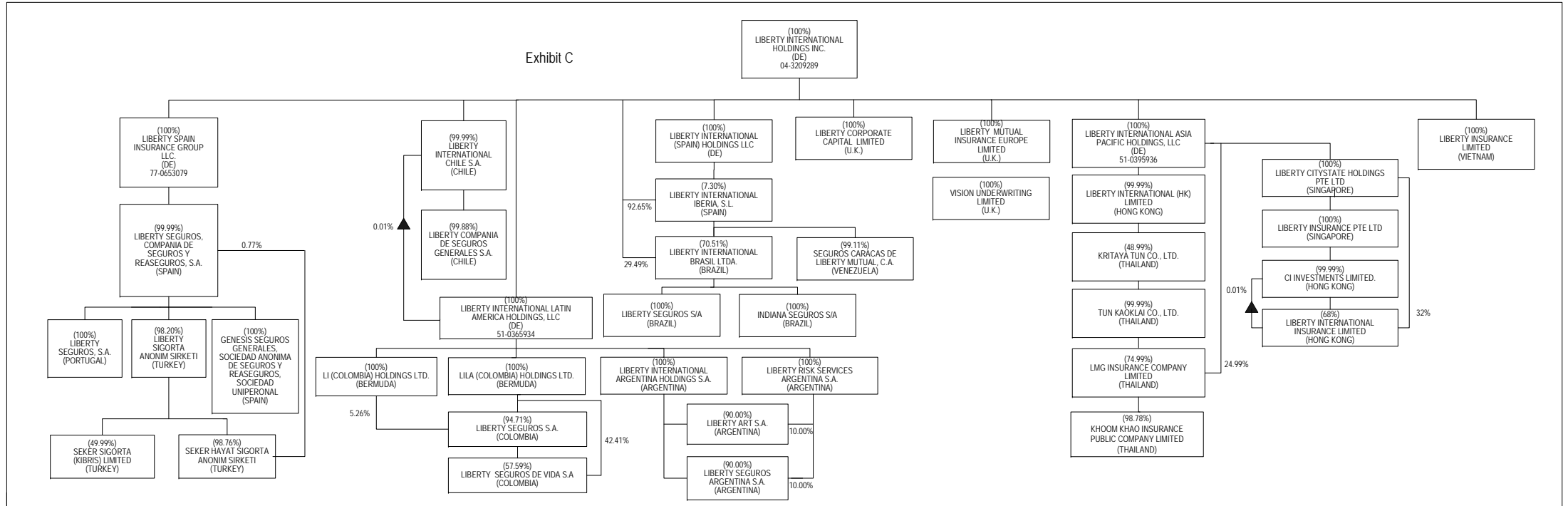
\*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery  
 \*State of employee's main work place - Worker's Compensation  
 \*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage  
 \*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



**OVERFLOW PAGE FOR WRITE-INS**

**Page 2 - Continuation**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS</b>				
2304. Equities and deposits in pools and associations .....	146,851		146,851	189,945
2397. Totals (Lines 2301. through 2396.) (Page 2, Line 2398)	146,851		146,851	189,945



**OVERFLOW PAGE FOR WRITE-INS**

**Page 3 - Continuation**

	1	2
<b>REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES</b>	Current Year	Prior Year
2304. Private passenger auto escrow	3,753	
2305. Retroactive reinsurance reserves	(8,644,953)	(8,867,324)
2397. Totals (Lines 2304 through 2396) (Page 3, Line 2398)	(8,641,200)	(8,867,324)

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