

ANNUAL STATEMENT

OF THE

WAUSAU BUSINESS INSURANCE COMPANY

of **WAUSAU**

in the state of **WISCONSIN**

TO THE

Insurance Department

OF THE

STATE OF WISCONSIN

FOR THE YEAR ENDED

December 31, 2007

PROPERTY AND CASUALTY

2007



26069200720100100

ANNUAL STATEMENT
For the Year Ended December 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
Wausau Business Insurance Company

NAIC Group Code 0111 0111 NAIC Company Code 26069 Employer's ID Number 36-3522250
Organized under the Laws of Wisconsin, State of Domicile or Port of Entry Wisconsin
Country of Domicile United States of America
Incorporated/Organized: December 27, 1907 Commenced Business: December 27, 1907
Statutory Home Office: 2000 Westwood Drive Wausau, WI 54401
Main Administrative Office: 2000 Westwood Drive Wausau, WI 54401 715-845-5211
Mail Address: Post Office Box 8017 Wausau, WI 54402-8017
Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02116 617-357-9500
Internet Website Address: www.wausau.com
Statutory Statement Contact: Joanne Connolly 617-357-9500 44393
Joanne.Connolly@LibertyMutual.com 617-574-5955
(E-Mail Address) (Fax Number)

OFFICERS

Table with 2 columns: Name, Title. Rows include Mark Edward Fiebrink (President and Chief Operating Officer), James Stanley Hoffert (Vice President-General Counsel and Secretary), Laurance Henry Soyer Yahia (Vice President and Treasurer).

Vice-Presidents

Table with 4 columns: Name, Title, Name, Title. Lists various vice-presidents such as Susan Marie Doyle, Michael Lynn Parker, Jeffrey Thomas Scott #, Timothy Charles Mulloy, Richard Vincent Poirier, Eugene Bernard Kelly.

DIRECTORS OR TRUSTEES

Table with 4 columns: Name, Title, Name, Title. Lists directors/trustees such as Anthony Alexander Fontanes, Dennis James Langwell, Mark Edward Fiebrink, Christopher Charles Mansfield, Gary Richard Gregg, Stuart Michael McGuigan, Edmund Francis Kelly.

State of Wisconsin
County of Marathon ss

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

(Signature) Mark Edward Fiebrink 1. President and Chief Operating Officer
(Signature) James Stanley Hoffert 2. Vice President-General Counsel and Secretary
(Signature) Laurance Henry Soyer Yahia 3. Vice President and Treasurer

Subscribed and sworn to before me this 18th day of January, 2008

a. Is this an original filing? YES [X] 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)	118,448,482		118,448,482	111,614,658
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 (\$ 1,676,937, Schedule E-Part 1), cash equivalents (\$ 4,361,261, Schedule E-Part 2) and short-term investments (\$ 11,206,899, Schedule DA)	17,245,097		17,245,097	16,816,635
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities	31,354		31,354	2,003,358
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	135,724,933		135,724,933	130,434,651
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	1,247,733		1,247,733	1,288,262
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	4,434,849	188,068	4,246,781	3,292,424
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 182 earned but unbilled premiums)	11,001,947	20	11,001,927	11,011,264
13.3 Accrued retrospective premiums	2,312,183	269,023	2,043,160	2,783,262
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	14,356,359		14,356,359	10,119,529
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	13,689	12,846	843	
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	6,164,000	3,383,842	2,780,158	2,765,633
17. Guaranty funds receivable or on deposit	155,744		155,744	196,642
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	2,792,734		2,792,734	1,223,085
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	2,414,387	139,365	2,275,022	2,239,069
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	180,618,558	3,993,164	176,625,394	165,353,821
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	180,618,558	3,993,164	176,625,394	165,353,821

DETAILS OF WRITE-INS				
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	196,439	85,635	110,804	150,479
2302. Cash surrender value - life insurance	1,078,659		1,078,659	974,670
2303. Equities and deposits in pools & associations	169,883		169,883	123,296
2398. Summary of remaining write-ins for Line 23 from overflow page	969,406	53,730	915,676	990,624
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,414,387	139,365	2,275,022	2,239,069

LIABILITIES, SURPLUS AND OTHER FUNDS	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	66,375,561	61,169,697
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	2,656,220	2,733,341
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	13,558,122	12,538,892
4. Commissions payable, contingent commissions and other similar charges	711,298	785,488
5. Other expenses (excluding taxes, licenses and fees)	1,861,398	1,784,294
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	1,321,164	1,253,321
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	33,866	573,401
7.2 Net deferred tax liability		
8. Borrowed money \$ 0 and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 121,233,881 and including warranty reserves of \$ 0)	19,387,033	18,735,073
10. Advance premium	210,795	136,819
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders	67,471	24,060
12. Ceded reinsurance premiums payable (net of ceding commissions)	15,427,480	4,186,614
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	338,393	1,134,160
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	1,509,214	1,652,992
19. Payable to parent, subsidiaries and affiliates	1,675,791	6,826,891
20. Payable for securities		2,982,669
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	1,281,730	1,556,048
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	126,415,536	118,073,760
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	126,415,536	118,073,760
27. Aggregate write-ins for special surplus funds	5,000,661	4,879,011
28. Common capital stock	10,900,000	10,900,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	42,900,000	42,900,000
33. Unassigned funds (surplus)	(8,590,803)	(11,398,950)
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)	50,209,858	47,280,061
36. TOTALS (Page 2, Line 26, Col. 3)	176,625,394	165,353,821

DETAILS OF WRITE-INS		
2301. Other liabilities	895,065	921,111
2302. Pooled retroactive reinsurance	(9,123,942)	(9,183,730)
2303. Amounts held under uninsured plans	2,983,403	2,922,172
2398. Summary of remaining write-ins for Line 23 from overflow page	6,527,204	6,896,495
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,281,730	1,556,048
2701. Special surplus from retroactive reinsurance	5,000,661	4,879,011
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)	5,000,661	4,879,011
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
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)	47,202,853	45,485,652
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	29,232,984	27,794,749
3. Loss expenses incurred (Part 3, Line 25, Column 1)	7,484,050	6,941,618
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	13,101,427	12,182,531
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	49,818,461	46,918,898
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(2,615,608)	(1,433,246)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	6,467,903	6,067,548
10. Net realized capital gains (losses) less capital gains tax of \$ 54,849 (Exhibit of Capital Gains (Losses))	101,862	(16,820)
11. Net investment gain (loss) (Lines 9 + 10)	6,569,765	6,050,728
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 12,927 amount charged off \$ 97,892)	(84,965)	(63,575)
13. Finance and service charges not included in premiums	225,987	220,067
14. Aggregate write-ins for miscellaneous income	(569,166)	(483,707)
15. Total other income (Lines 12 through 14)	(428,144)	(327,215)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	3,526,013	4,290,267
17. Dividends to policyholders	279,090	204,110
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)	3,246,923	4,086,157
19. Federal and foreign income taxes incurred	301,641	1,096,041
20. Net income (Line 18 minus Line 19) (to Line 22)	2,945,282	2,990,116
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	47,280,061	44,718,641
22. Net income (from Line 20)	2,945,282	2,990,116
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		35,514
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(455,000)	868,123
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	423,248	(1,345,343)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	16,267	13,010
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	2,929,797	2,561,420
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	50,209,858	47,280,061

DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		
1401. Other income/(expense)	(622,905)	(687,348)
1402. Retroactive reinsurance gain/(loss)	53,739	203,641
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	(569,166)	(483,707)
3701. Other changes in surplus	16,267	13,010
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)	16,267	13,010

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	58,937,235	48,341,515
2. Net investment income	6,738,551	6,173,355
3. Miscellaneous income	(1,142,693)	(985,088)
4. Total (Lines 1 through 3)	64,533,093	53,529,782
5. Benefit and loss related payments	28,635,836	31,114,401
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	19,534,015	17,765,803
8. Dividends paid to policyholders	235,679	194,014
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	896,025	418,298
10. Total (Lines 5 through 9)	49,301,555	49,492,516
11. Net cash from operations (Line 4 minus Line 10)	15,231,538	4,037,266
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	20,863,209	18,332,229
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		987,077
12.8 Total investment proceeds (Lines 12.1 to 12.7)	20,863,209	19,319,306
13. Cost of investments acquired (long-term only):		
13.1 Bonds	27,770,442	23,874,878
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	1,010,665	
13.7 Total investments acquired (Lines 13.1 to 13.6)	28,781,107	23,874,878
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(7,917,898)	(4,555,572)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(6,885,178)	10,351,649
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(6,885,178)	10,351,649
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	428,462	9,833,343
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	16,816,635	6,983,292
19.2 End of year (Line 18 plus Line 19.1)	17,245,097	16,816,635

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	1,221,276	571,720	548,428	1,244,568
2. Allied lines	525,777	205,317	247,888	483,206
3. Farmowners multiple peril	22,385			22,385
4. Homeowners multiple peril	6,451,762	3,627,254	3,690,728	6,388,288
5. Commercial multiple peril	941,931	518,531	491,082	969,380
6. Mortgage guaranty				
8. Ocean marine	161,089	48,295	75,984	133,400
9. Inland marine	2,651,695	158,598	159,865	2,650,428
10. Financial guaranty				
11.1 Medical malpractice - occurrence	(18)			(18)
11.2 Medical malpractice - claims-made				
12. Earthquake	168,363	66,772	80,712	154,423
13. Group accident and health	128			128
14. Credit accident and health (group and individual)				
15. Other accident and health	(529)	756		227
16. Workers' compensation	16,266,628	(166,515)	589,969	15,510,144
17.1 Other liability - occurrence	2,995,843	1,045,359	1,255,854	2,785,348
17.2 Other liability - claims-made	743,778	320,643	400,738	663,683
18.1 Products liability - occurrence	556,947	224,418	223,790	557,575
18.2 Products liability - claims-made	43,001	2,564	8,947	36,618
19.1, 19.2 Private passenger auto liability	8,847,903	4,432,913	4,467,592	8,813,224
19.3, 19.4 Commercial auto liability	1,960,087	680,970	739,415	1,901,642
21. Auto physical damage	2,784,074	3,172,563	3,219,300	2,737,337
22. Aircraft (all perils)	295,100	99,218	102,537	291,781
23. Fidelity	23,560	8,280	10,373	21,467
24. Surety	1,169,754	584,055	678,787	1,075,022
26. Burglary and theft	3,021	1,181	1,259	2,943
27. Boiler and machinery	14,295	8,647	7,290	15,652
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property	555,785	24,998	58,646	522,137
31. Reinsurance-Nonproportional Assumed Liability	194,680	10,526	15,484	189,722
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	48,598,315	15,647,063	17,074,668	47,170,710

DETAILS OF WRITE-INS				
3301.				
3302.				
3303.				
3398. Summary of remaining write-ins for Line 33 from overflow page				
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 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	547,647	781			548,428
2. Allied lines	246,896	992			247,888
3. Farmowners multiple peril					
4. Homeowners multiple peril	3,690,728				3,690,728
5. Commercial multiple peril	335,270	155,812			491,082
6. Mortgage guaranty					
8. Ocean marine	56,950	19,034			75,984
9. Inland marine	149,932	9,933			159,865
10. Financial guaranty					
11.1 Medical malpractice - occurrence					
11.2 Medical malpractice - claims-made					
12. Earthquake	80,526	186			80,712
13. Group accident and health					
14. Credit accident and health (group and individual)					
15. Other accident and health					
16. Workers' compensation	2,596,713	33,230	(182)	(2,039,792)	589,969
17.1 Other liability - occurrence	1,405,955	(14,042)		(136,060)	1,255,853
17.2 Other liability - claims-made	230,407	170,331			400,738
18.1 Products liability - occurrence	270,411	1,960		(48,581)	223,790
18.2 Products liability - claims-made	8,947				8,947
19.1, 19.2 Private passenger auto liability	4,467,592				4,467,592
19.3, 19.4 Commercial auto liability	806,946	20,219		(87,750)	739,415
21. Auto physical damage	3,216,947	2,356			3,219,303
22. Aircraft (all perils)	102,537				102,537
23. Fidelity	9,573	799			10,372
24. Surety	591,554	87,232			678,786
26. Burglary and theft	1,235	24			1,259
27. Boiler and machinery	6,904	386			7,290
28. Credit					
29. International					
30. Reinsurance-Nonproportional Assumed Property	21,212	37,434			58,646
31. Reinsurance-Nonproportional Assumed Liability	15,484				15,484
32. Reinsurance-Nonproportional Assumed Financial Lines					
33. Aggregate write-ins for other lines of business					
34. TOTALS	18,860,366	526,667	(182)	(2,312,183)	17,074,668
35. Accrued retrospective premiums based on experience					2,312,183
36. Earned but unbilled premiums					182
37. Balance (Sum of Line 34 through 36)					19,387,033

DETAILS OF WRITE-INS					
3301.					
3302.					
3303.					
3398. Summary of remaining write-ins for Line 33 from overflow page					
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 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	221,995	1,221,276		221,995		1,221,276
2. Allied lines	334,323	525,777		334,323		525,777
3. Farmowners multiple peril		22,385				22,385
4. Homeowners multiple peril		6,451,762				6,451,762
5. Commercial multiple peril	44,689,624	941,931		44,689,624		941,931
6. Mortgage guaranty						
8. Ocean marine		161,089				161,089
9. Inland marine	1,301	2,651,695		1,301		2,651,695
10. Financial guaranty						
11.1 Medical malpractice - occurrence		(18)				(18)
11.2 Medical malpractice - claims-made						
12. Earthquake	234,790	168,363		234,790		168,363
13. Group accident and health		128				128
14. Credit accident and health (group and individual)						
15. Other accident and health		(529)				(529)
16. Workers' compensation	264,750,632	16,266,628		264,750,632		16,266,628
17.1 Other liability - occurrence	28,090,074	2,995,843		28,090,074		2,995,843
17.2 Other liability - claims-made		743,778				743,778
18.1 Products liability - occurrence	7,758,649	556,947		7,758,649		556,947
18.2 Products liability - claims-made		43,001				43,001
19.1, 19.2 Private passenger auto liability		8,847,903				8,847,903
19.3, 19.4 Commercial auto liability	35,423,723	1,960,087		35,423,723		1,960,087
21. Auto physical damage	7,819,796	2,784,074		7,819,796		2,784,074
22. Aircraft (all perils)		295,100				295,100
23. Fidelity	11,577	23,560		11,577		23,560
24. Surety		1,169,754				1,169,754
26. Burglary and theft	13,653	3,021		13,653		3,021
27. Boiler and machinery	(1,869)	14,295		(1,869)		14,295
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X	555,785				555,785
31. Reinsurance-Nonproportional Assumed Liability	X X X	194,680				194,680
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	389,348,268	48,598,315		389,348,268		48,598,315

DETAILS OF WRITE-INS						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)						

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

If yes: 1. The amount of such installment premiums \$ 270,877,608

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 279,947,188

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire		650,230		650,230	276,608	384,605	542,233	43.568
2. Allied lines	39,238	390,792	39,238	390,792	149,984	248,460	292,316	60.495
3. Farmowners multiple peril		352		352	93	673	(228)	(1.019)
4. Homeowners multiple peril		2,942,059		2,942,059	1,691,215	1,304,413	3,328,861	52.109
5. Commercial multiple peril	18,369,889	398,591	18,369,889	398,591	1,053,881	1,245,837	206,635	21.316
6. Mortgage guaranty								
8. Ocean marine		75,114		75,114	184,341	157,673	101,782	76.298
9. Inland marine		1,548,220		1,548,220	419,785	299,162	1,668,843	62.965
10. Financial guaranty								
11.1 Medical malpractice - occurrence		17		17	1,374	1,655	(264)	1,466.667
11.2 Medical malpractice - claims - made								
12. Earthquake		4		4	1,014	(1,240)	2,258	1.462
13. Group accident and health		3,256		3,256	12,219	13,594	1,881	1,469.531
14. Credit accident and health (group and individual)								
15. Other accident and health		3,512		3,512	9,607	12,765	354	155.947
16. Workers' compensation	95,152,983	7,750,660	95,152,983	7,750,660	38,939,707	35,266,441	11,423,926	73.655
17.1 Other liability - occurrence	6,866,115	1,449,113	6,866,115	1,449,113	8,158,016	7,043,504	2,563,625	92.040
17.2 Other liability - claims - made		190,156		190,156	1,329,835	1,144,075	375,916	56.641
18.1 Products liability - occurrence	767,328	235,575	767,328	235,575	1,636,937	1,676,058	196,454	35.234
18.2 Products liability - claims - made		784		784	56,869	45,285	12,368	33.776
19.1, 19.2 Private passenger auto liability		5,432,418		5,432,418	7,100,301	7,376,947	5,155,772	58.500
19.3, 19.4 Commercial auto liability	13,125,790	1,000,697	13,125,790	1,000,697	2,667,837	2,414,201	1,254,333	65.961
21. Auto physical damage	5,198,736	1,410,564	5,198,736	1,410,564	(23,378)	(142,710)	1,529,896	55.890
22. Aircraft (all perils)		148,850		148,850	282,923	277,643	154,130	52.824
23. Fidelity		2,942		2,942	41,895	59,041	(14,204)	(66.167)
24. Surety		117,852		117,852	428,249	355,460	190,641	17.734
26. Burglary and theft		220		220	(139)	5,031	(4,950)	(168.196)
27. Boiler and machinery					(1,147)	715	(1,862)	(11.896)
28. Credit					26	56	(30)	
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X	183,344		183,344	343,424	500,431	26,337	5.044
31. Reinsurance-Nonproportional Assumed Liability	X X X	239,030		239,030	1,594,965	1,465,165	368,830	194.405
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	6,607		6,607	19,119	14,757	10,969	
33. Aggregate write-ins for other lines of business								
34. TOTALS	139,520,079	24,180,959	139,520,079	24,180,959	66,375,560	61,169,697	29,386,822	62.299

DETAILS OF WRITE-INS

3301.								
3302.								
3303.								
3398. Summary of remaining write-ins for Line 33 from overflow page								
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)								

**UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 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		218,924		218,924	(271,033)	57,684	(271,033)	276,608	56,589
2. Allied lines	2	110,501	2	110,501	25,072	39,482	25,072	149,983	30,798
3. Farmowners multiple peril		93		93				93	355
4. Homeowners multiple peril		1,053,047		1,053,047		638,168		1,691,215	388,375
5. Commercial multiple peril	22,804,717	647,911	22,804,717	647,911	17,331,196	405,970	17,331,196	1,053,881	387,914
6. Mortgage guaranty									
8. Ocean marine		91,154		91,154		93,187		184,341	40,629
9. Inland marine		171,856		171,856	3,726	247,929	3,726	419,785	36,099
10. Financial guaranty									
11.1 Medical malpractice - occurrence		2,016		2,016		(642)		1,374	90
11.2 Medical malpractice - claims - made									
12. Earthquake		707		707	172,149	307	172,149	1,014	105
13. Group accident and health		4,873		4,873		7,346		(a) 12,219	1,005
14. Credit accident and health (group and individual)									
15. Other accident and health		702		702		8,905		(a) 9,607	370
16. Workers' compensation	169,441,445	21,648,721	169,441,445	21,648,721	172,348,505	17,290,987	172,348,505	38,939,708	5,045,933
17.1 Other liability - occurrence	13,043,081	3,832,434	13,043,081	3,832,434	11,536,809	4,325,582	11,536,809	8,158,016	3,225,447
17.2 Other liability - claims - made		329,816		329,816		1,000,020		1,329,836	453,941
18.1 Products liability - occurrence	1,685,523	381,380	1,685,523	381,380	5,444,394	1,255,558	5,444,394	1,636,938	1,042,064
18.2 Products liability - claims - made		2,228		2,228		54,641		56,869	25,340
19.1, 19.2 Private passenger auto liability		4,608,702		4,608,702		2,491,599		7,100,301	1,821,480
19.3, 19.4 Commercial auto liability	22,818,931	1,492,912	22,818,931	1,492,912	11,413,917	1,174,925	11,413,917	2,667,837	488,040
21. Auto physical damage		775		775		(24,153)		(23,378)	257,988
22. Aircraft (all perils)		211,580		211,580		71,343		282,923	43,878
23. Fidelity		9,009		9,009	2,039	32,887	2,039	41,896	13,484
24. Surety		58,009		58,009		370,240		428,249	117,923
26. Burglary and theft		70		70	517	(209)	517	(139)	5,349
27. Boiler and machinery		914		914	(126)	(2,061)	(126)	(1,147)	1,031
28. Credit						26		26	1
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X	210,313		210,313	X X X	133,111		343,424	6,115
31. Reinsurance-Nonproportional Assumed Liability	X X X	613,538		613,538	X X X	981,427		1,594,965	65,061
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X	17,829		17,829	X X X	1,290		19,119	2,716
33. Aggregate write-ins for other lines of business									
34. TOTALS	229,793,699	35,720,014	229,793,699	35,720,014	218,007,165	30,655,549	218,007,165	66,375,563	13,558,120

DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page									
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 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	27,914,891			27,914,891
1.2 Reinsurance assumed	3,518,510			3,518,510
1.3 Reinsurance ceded	27,914,891			27,914,891
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	3,518,510			3,518,510
2. Commission and brokerage:				
2.1 Direct, excluding contingent		20,679,262		20,679,262
2.2 Reinsurance assumed, excluding contingent		280,172		280,172
2.3 Reinsurance ceded, excluding contingent		20,679,262		20,679,262
2.4 Contingent-direct				
2.5 Contingent-reinsurance assumed		502,266		502,266
2.6 Contingent-reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		782,438		782,438
3. Allowances to manager and agents		190,419		190,419
4. Advertising	70,114	629,615	203	699,932
5. Boards, bureaus and associations	9,875	96,263	2	106,140
6. Surveys and underwriting reports	778	117,067	40	117,885
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	2,255,959	5,048,799	30,832	7,335,590
8.2 Payroll taxes	120,409	373,446	1,443	495,298
9. Employee relations and welfare	439,999	1,352,186	1,883	1,794,068
10. Insurance	212,776	35,196	293	248,265
11. Directors' fees		803		803
12. Travel and travel items	140,056	372,832	511	513,399
13. Rent and rent items	149,629	439,469	431	589,529
14. Equipment	117,877	360,118	550	478,545
15. Cost or depreciation of EDP equipment and software	23,635	180,679	165	204,479
16. Printing and stationery	26,463	83,915	76	110,454
17. Postage, telephone and telegraph, exchange and express	90,868	275,668	148	366,684
18. Legal and auditing	12,788	84,452	4,121	101,361
19. Totals (Lines 3 to 18)	3,671,226	9,640,927	40,698	13,352,851
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 33,384		1,773,987		1,773,987
20.2 Insurance department licenses and fees		48,140		48,140
20.3 Gross guaranty association assessments		(330)		(330)
20.4 All other (excluding federal and foreign income and real estate)		68,978		68,978
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		1,890,775		1,890,775
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	294,315	787,285	2,880	1,084,480
25. Total expenses incurred	7,484,051	13,101,425	43,578 (a)	20,629,054
26. Less unpaid expenses-current year	13,558,122	3,893,860		17,451,982
27. Add unpaid expenses-prior year	12,538,892	3,823,103		16,361,995
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year		843		843
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	6,464,821	13,031,511	43,578	19,539,910

DETAILS OF WRITE-INS				
2401. Change in unallocated expense reserves	139,502			139,502
2402. Other Expenses	154,813	787,285	2,880	944,978
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	294,315	787,285	2,880	1,084,480

(a) Includes management fees of \$ 43,578 to affiliates and \$ 228,004 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 1,814,342	1,812,753
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 4,098,145	4,089,853
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) 615,901	585,253
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	23,621	23,621
10. Total gross investment income	6,552,009	6,511,480
11. Investment expenses		(g) 43,578
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)		43,578
17. Net investment income (Line 10 minus Line 16)		6,467,902
DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	23,621	23,621
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	23,621	23,621
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 \$ 96,178 accrual of discount less \$ 326,297 amortization of premium and less \$ 86,617 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)	156,711		156,711		
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)	156,711		156,711		

DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	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	188,068	125,470	(62,598)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	20	20	
13.3 Accrued retrospective premiums	269,023	304,566	35,543
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	12,846	12,872	26
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	3,383,842	3,853,367	469,525
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	139,365	112,198	(27,167)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	3,993,164	4,408,493	415,329
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	3,993,164	4,408,493	415,329

DETAILS OF WRITE-INS			
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	85,635	58,684	(26,951)
2302. Amounts receivable under high deductible policies	53,730	53,514	(216)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	139,365	112,198	(27,167)

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 Business 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 market 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 market 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 market 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 and ("SCA") affiliated entities.
8. The Company has no investments in joint ventures, partnerships or 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 2007.
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.

C. Impairment Loss

NOTES TO FINANCIAL STATEMENTS

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 has no mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

E. Repurchase Agreements

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

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6- Joint Ventures, Partnerships & Limited Liability Companies

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

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

Not applicable

Note 7- Investment Income

A. Accrued Investment Income

All investment income due and accrued over 90 days past due is excluded from Surplus.

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2007.

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 and liabilities recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2007	December 31, 2006	Change
Total of gross deferred tax assets	6,827,000	7,275,000	(448,000)
Total of deferred tax liabilities	(663,000)	(656,000)	(7,000)
Net deferred tax asset	6,164,000	6,619,000	(455,000)
Net deferred tax asset non-admitted	(3,383,842)	(3,853,367)	469,525
Net admitted deferred tax asset	2,780,158	2,765,633	14,525

B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.

NOTES TO FINANCIAL STATEMENTS

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

	2007	2006
Federal tax on operations	301,641	1,096,041
Net operating loss benefit	0	0
Foreign tax on operations	0	0
Income tax incurred on operations	301,641	1,096,041
Tax on capital (losses) gains	54,849	(9,057)
Total income tax incurred	356,490	1,086,984

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves, limits on unearned premium reserve deductions, deferred compensation deductions, and statutory non-admitted assets.

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

	2007
Change in net deferred income tax (without unrealized gain or loss)	(455,000)
Tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	(455,000)

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of goodwill, revisions to prior year estimates and changes in deferred taxes related to statutory non-admitted assets.

E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$473,000 from the current year and \$906,000 from the preceding year.

The Company has no net loss carryforward available to offset future net income subject to Federal income taxes.

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

Access Insurance Services, Co.	Liberty Mutual Group Inc.
Ambco Capital Corporation	Liberty Mutual Holding Company, Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyds Insurance Company	Liberty Mutual Managed Care, Inc.
American Ambassador Casualty Company	Liberty Mutual Personal Insurance Company
American Fire & Casualty Insurance Company *	Liberty Northwest Insurance Corporation
Avomark Insurance Company *	Liberty Personal Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty RE (Bermuda) Limited
Berkeley Management Corporation	Liberty Real Estate Corporation
Bridgefield Casualty Insurance Company	Liberty Sponsored Insurance (Vermont) Inc.
Bridgefield Employers Insurance Company	Liberty Surplus Insurance Corporation
Capitol Agency, Inc. (Arizona corporation)	Liberty-USA Corporation
Capitol Agency, Inc. (Ohio corporation)	LIH-Re of America Corporation
Capitol Agency, Inc. (Tennessee corporation)	LIH U.S. P&C Corporation
Cascade Disability Management, Inc.	LIIA Insurance Agency, Inc.
Colorado Casualty Insurance Company	LIU Specialty Insurance Agency, Inc.
Companies Agency Insurance Services of California	LLS Insurance Agency of Nevada, Inc.
Companies Agency of Alabama, Inc.	LM General Insurance Company
Companies Agency of Georgia, Inc.	LM Insurance Corporation
Companies Agency of Kentucky, Inc.	LM Personal Insurance Company
Companies Agency of Massachusetts, Inc.	LM Property & Casualty Insurance Company
Companies Agency of Michigan, Inc.	LMHC Massachusetts Holding, Inc.
Companies Agency of New York, Inc.	LRE Properties, Inc.
Companies Agency of Pennsylvania, Inc.	Mid-American Agency, Inc.
Companies Agency of Phoenix, Inc.	Mid-American Fire and Casualty Company
Consolidated Insurance Company	Missouri Agency, Inc.
Copley Venture Capital, Inc.	North Pacific Insurance Company
Countrywide Services Corporation	Oregon Automobile Insurance Company
Diversified Settlements, Inc.	OCASCO Budget, Inc *
Employers Insurance Company of Wausau	OCI Printing, Inc.*
Excelsior Insurance Company	Ohio Casualty Corporation *
Florida State Agency, Inc.	Ohio Casualty Insurance Company *
Globe American Casualty Company	Ohio Casualty of New Jersey, Inc *
Golden Eagle Insurance Corporation	Ohio Life Brokerage Services, Inc.*
Gulf States AIF, Inc.	Ohio Security Insurance Company *
Hawkeye-Security Insurance Company	Peerless Indemnity Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	Peerless Insurance Company
Helmsman Insurance Agency of Texas, Inc.	San Diego Insurance Company
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
LEXCO Limited	St. James Insurance Company
Liberty Assignment Corporation	Summit Consulting, Inc.
Liberty Energy Canada, Inc. *	Summit Consulting, Inc. of Louisiana
Liberty Financial Services, Inc.	Summit Holding Southeast, Inc.
Liberty Hospitality Group, Inc.	The First Liberty Insurance Corporation
Liberty Insurance Company of America	The Midwestern Indemnity Company

NOTES TO FINANCIAL STATEMENTS

Liberty Insurance Corporation
 Liberty Insurance Holdings, Inc.
 Liberty Insurance Underwriters, Inc.
 Liberty Life Assurance Company of Boston
 Liberty Life Holdings, Inc.
 Liberty Lloyds of Texas Insurance Company
 Liberty Management Services, Inc.
 Liberty Mexico Holdings, Inc.
 Liberty Mutual Fire Insurance Company

The National Corporation
 The Netherlands Insurance Company
 Wausau Service Corporation
 Wausau Signature Agency, Inc.
 Wausau Business Insurance Company
 Wausau General Insurance Company
 Wausau Underwriters Insurance Company
 West American Insurance Company *

* This company joined the consolidated group in 2007 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. WSC is wholly owned by Liberty Mutual Insurance Company ("LMIC"), a Massachusetts company. LMIC is wholly owned by Liberty Mutual Group, Inc., a Massachusetts company.
- B. Transactions between the Company and its affiliates are disclosed in Schedule Y Part 2.
- C. Refer to Note 25.
- D. At December 31, 2007, the Company reported \$1,116,943 due from affiliates. In general, the terms of the inter-company arrangements require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 25 for information regarding the Inter-Company Reinsurance Agreement.

There is a "Service Agreement" between the Company and an affiliate, LMIC, under which LMIC provides the Company with services of personnel employed by the LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company has an investment services agreement with LMIC. LMIC is reimbursed for the costs of all services which it provides under these agreements. The Company incurred \$896,025 under the LMIC Tax Sharing Agreement and \$43,578 under the LMIC investment services agreement. Pursuant to the Inter-Company Reinsurance Agreement with LMIC (See Note 25), the expenses incurred under the Liberty Mutual management service agreement are allocated to the Company in accordance with the Company's "Pool" participation percentage.

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

- 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 an upstream company, either directly or indirectly.
- 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. The Company has no capital notes.
- B. The Company has no outstanding borrowed money.

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

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

NOTES TO FINANCIAL STATEMENTS

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

1. Common Stock

The Company has 20,000,000 shares authorized, and 10,900,000 shares issued and outstanding as of December 31, 2007. All shares have a stated par value of \$1.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends which can be paid by Wisconsin-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the lesser of (a) 10% of policyholders' surplus, or (b) adjusted net income. The maximum dividend payout which may be made without prior approval in 2008 is \$5,020,986.

5. As of December 31, 2007, the Company has pre-tax restricted surplus of \$5,000,661 from retroactive reinsurance contracts.

6. The Company had no advances to surplus.

7. The Company did not hold stock for special purposes.

8. The Company had changes in special surplus funds resulting from retroactive reinsurance contracts during 2007.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$0.

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

13. The Company did not pay a dividend to its parent during 2007.

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 \$1,096,743 that is offset by future premium tax credits of \$155,744. 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 2007.

During 2007 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	\$ 60,488

NOTES TO FINANCIAL STATEMENTS

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:

<u>Year(s)</u>	<u>Sale Lease-back</u>	<u>All Other Operating Lease Arrangements</u>
2008	\$146,137	\$402,037
2009	124,153	375,187
2010	86,951	276,395
2011	22,887	152,322
2012	-	101,673
2013 & thereafter	-	717,399
Total	\$380,127	\$2,025,013

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 or with 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 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. 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 a 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, 2007 the total market value of fixed maturities on loan was \$10,796,584, with corresponding collateral value of \$11,319,524 of which \$6,527,204 represents cash collateral.

C. Wash Sales

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

NOTES TO FINANCIAL STATEMENTS

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 \$3,168. Claim payment volume was \$146,907.

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

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 2007 and 2006.
- b) The Company's reported loss recoveries from the Special Disability Trust Fund was \$0 in 2007 and \$0 in 2006.
- c) The amount the Company was assessed by the Special Disability Trust Fund was \$904,224 in 2007 and \$726,822 in 2006.

2) Assets in the amount of \$22,994,927 and \$20,267,769 as of December 31, 2007 and 2006, 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

The Company does not hold transferable state tax credits.

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

H. Hybrid Securities

The Company does not hold Hybrid Securities.

I. Sub-Prime Lending

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

Note 21- Events Subsequent

Refer to Note 25.

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 was canceled as of December 31, 2007.

NOTES TO FINANCIAL STATEMENTS

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	19,387,033	116,770	121,233,881	6,438,731	(101,846,848)	(6,321,961)
All Other	0	0	0	0	0	0
Total	19,387,033	116,770	121,233,881	6,438,731	(101,846,848)	(6,321,961)

Direct Unearned Premium Reserve: \$121,233,881

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, 2007 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	0	515,045	0	515,045
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	(780,000)	0	(780,000)
Totals	0	(264,955)	0	(264,955)

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 has one assumed retroactive contract as a result of the Inter-Company Reinsurance Agreement with LMIC.

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial Reserves	\$(9,243,539)	\$0
	2. Adjustment – Prior Year(s)	838,407	0
	3. Adjustment – Current Year	61,190	0
	4. Total	\$(8,343,942)	\$0
b.	Consideration Paid or Received:		
	1. Initial Reserves	\$(4,335,484)	\$0
	2. Adjustment – Prior Year(s)	(206,819)	0
	3. Adjustment – Current Year	(4,032)	0
	4. Total	\$(4,546,335)	\$0
c.	Amounts Recovered / Paid - Cumulative		
	1. Initial Reserves	\$(157,343)	\$0
	2. Adjustment – Prior Year(s)	(898,977)	0
	3. Adjustment – Current Year	(178,909)	0
	4. Total	\$(1,235,229)	\$0
d.	Special Surplus from Retroactive Reinsurance		
	1. Initial Reserves	\$5,065,398	\$0
	2. Adjustment – Prior Year(s)	(146,249)	0
	3. Adjustment – Current Year	113,687	0
	4. Total	5,000,661	\$0
	5. Cumulative Total Transferred To Unassigned Funds	\$32,175	
e.	Other insurers included in the above transactions:		
		Assumed	Ceded
	Liberty Mutual Insurance Company, 23043	\$(8,343,942)	\$0

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

NOTES TO FINANCIAL STATEMENTS

Total accrued retro premium	\$2,312,183
Less: Non-admitted amount	269,023
Admitted amount	\$2,043,160

Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses

Reserves for incurred losses and loss adjustment expenses attributed to insured events in prior years have increased in 2007 as a result of unfavorable loss development trends in the workers compensation and asbestos and environmental lines of business, partially offset by favorable development in the personal auto and commercial multiple peril lines of business. 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:

		NAIC Co. #	Pooling %	Lines of Business
Lead Company:	Liberty Mutual Insurance Company (LMIC)	23043	75.90%	All Lines
Affiliated Pool Companies:	Employers Insurance Company of Wausau (EICOW)	21458	10.00%	All Lines
	Liberty Mutual Fire Insurance Company (LMFIC)	23035	10.00%	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 Insurance Company of America (LICA)	10337	0.00%	All Lines
	Liberty Surplus Insurance Corporation (LSIC)	10725	0.00%	All Lines
	Wausau General Insurance Company (WGIC)	26425	0.00%	All Lines
			100.00%	
100% Quota Share Affiliated Companies:	Liberty Lloyd's of Texas Insurance Company (LLOT)	11041	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
	Bridgefield Employers Insurance Company (BEIC)	10701	0.00%	All Lines
	Bridgefield Casualty Insurance Company (BCIC)	10335	0.00%	All Lines
	LM Property and Casualty Insurance Company (LMPAC)	32352	0.00%	All Lines
	LM General Insurance Company (LMGIC)	36447	0.00%	All Lines
	LM Personal Insurance Company (LMPIC)	36439	0.00%	All Lines
	Liberty Mutual Personal Insurance Company (LMPICO)	12484	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.
- (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) Pursuant to the approval of the appropriate state insurance departments, effective January 1, 2007, the Liberty Mutual Pool participation percentages were revised as follows:

NOTES TO FINANCIAL STATEMENTS

	2007	2006
Liberty Mutual Insurance Company	75.9%	66.5%
Employers Insurance Company of Wausau	10.0%	16.0%
Liberty Insurance Corporation	3.0%	6.0%
Wausau General Insurance Company	0.0%	0.4%

Note 26- Structured Settlements

- A. As a result of purchased annuities with the claimant as payee, the Company no longer carries reserves of \$4,344,488 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 \$4,344,488 as of December 31, 2007.
- B. 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:

<u>Life Insurance Company & Location</u>	<u>Licensed in Company's State of Domicile (Yes/No)</u>	<u>Statement Value of Annuities</u>
The Prudential Insurance Company of America Newark, New Jersey	Yes	\$2,094,543
Liberty Life Assurance Company of Boston Boston, Massachusetts	Yes	\$1,307,918
Nationwide Life Insurance Company Columbus, Ohio	Yes	\$621,538

Note 27 - Health Care Receivables

Not applicable

Note 28 - Participating Policies

Not applicable

Note 29 - Premium Deficiency Reserves

As of December 31, 2007, the Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

Note 30- High Dollar Deductible Policies

As of December 31, 2007, the amount of reserve credit recorded for high dollar deductible policies on unpaid losses was \$19,249,151 and the amount billed and recoverable on paid claims was \$969,406.

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 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, 2007, liabilities include \$14,297,398 of liabilities carried at a discounted value of \$8,838,292 representing a discount of \$5,459,106.

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 LMIC, EICOW, the Company, WGIC, and WUIC 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 insureds with potential exposure, (vi) the cost to resolve claims, and (vii) the collectibility of reinsurance.

NOTES TO FINANCIAL STATEMENTS

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

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.

In the third quarter of 2007, the Company completed its comprehensive 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. The result of the study, which reflects management's best estimate of the reserve requirement, is in the table below.

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.

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 Inter-Company Reinsurance Agreement, as discussed in Note 25.

<u>Asbestos:</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Direct Basis					
Beginning Reserves	5,916,248	6,313,717	6,809,851	7,993,001	7,399,042
Incurred losses and LAE	1,708,064	1,648,295	2,216,955	402,075	924,810
Calendar year payments	1,310,595	1,152,161	1,033,805	996,034	1,594,624
Ending Reserves	6,313,717	6,809,851	7,993,001	7,399,042	6,729,228
Assumed Reinsurance Basis					
Beginning Reserves	747,828	1,049,035	1,958,363	2,055,519	2,173,851
Incurred losses and LAE	460,960	1,048,161	217,778	195,244	766,586
Calendar year payments	159,753	138,833	120,622	76,912	107,431
Ending Reserves	1,049,035	1,958,363	2,055,519	2,173,851	2,833,006
Net of Ceded Reinsurance Basis					
Beginning Reserves	3,840,056	4,498,356	3,805,873	4,169,424	3,588,089
Incurred losses and LAE	1,252,012	14,128	877,475	48,817	340,505
Calendar year payments	593,712	706,611	513,924	630,152	739,254
Ending Reserves	4,498,356	3,805,873	4,169,424	3,588,089	3,189,340

NOTES TO FINANCIAL STATEMENTS

Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					3,587,070
Assumed Reinsurance Basis					2,277,336
Net of Ceded Reinsurance Basis					1,435,574
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					2,321,252
Assumed Reinsurance Basis					16,966
Net of Ceded Reinsurance Basis					834,349
<u>Environmental:</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Direct Basis					
Beginning Reserves	1,786,016	1,286,822	2,840,722	2,743,989	2,022,055
Incurred losses and LAE	(219,506)	1,840,494	634,264	191,403	23,525
Calendar year payments	279,688	286,594	730,997	913,337	242,086
Ending Reserves	1,286,822	2,840,722	2,743,989	2,022,055	1,803,494
Assumed Reinsurance Basis					
Beginning Reserves	471,468	223,666	283,539	209,276	191,789
Incurred losses and LAE	(225,290)	81,351	(48,921)	3,524	5,902
Calendar year payments	22,512	21,478	25,342	21,011	34,270
Ending Reserves	223,666	283,539	209,276	191,789	163,421
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,225,836	1,030,952	2,106,854	1,707,286	1,581,464
Incurred losses and LAE	(32,000)	1,263,944	2,037	80,803	39,276
Calendar year payments	162,884	188,042	401,605	206,625	166,196
Ending Reserves	1,030,952	2,106,854	1,707,286	1,581,464	1,454,544
Ending Reserves for Bulk + IBNR included above (Loss & LAE)					
Direct Basis					1,190,485
Assumed Reinsurance Basis					96,648
Net of Ceded Reinsurance Basis					979,268
Ending Reserves for LAE included above (Case, Bulk & IBNR)					
Direct Basis					765,896
Assumed Reinsurance Basis					2,413
Net of Ceded Reinsurance Basis					534,272

Note 33- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 34 - Multiple Peril Crop Insurance

Not applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	22,478,538	16.562	22,478,538	16.562
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	6,600,243	4.863	6,600,243	4.863
1.22 Issued by U.S. government sponsored agencies	7,194,307	5.301	7,194,307	5.301
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	81,765	0.060	81,765	0.060
1.512 Issued or guaranteed by FNMA and FHLMC	33,479,504	24.667	33,479,504	24.667
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	6,003,806	4.424	6,003,806	4.424
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	3,947,048	2.908	3,947,048	2.908
1.523 All other	4,613,277	3.399	4,613,277	3.399
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	30,928,729	22.788	30,928,729	22.788
2.2 Unaffiliated foreign securities	3,121,265	2.300	3,121,265	2.300
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	10,717,893	7.897	10,717,893	7.897
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	31,354	0.023	31,354	0.023
8. Cash, cash equivalents and short-term investments	6,527,204	4.809	6,527,204	4.809
9. Other invested assets				
10. Total invested assets	135,724,933	100.000	135,724,933	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No []
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [] N/A []

1.3 State Regulating? 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 [X]

2.2 If yes, date of change: 12/31/2004

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004

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

- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]

- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]

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

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

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

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 0%

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.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 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	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	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 02117
 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 _____
 11.13 Total book/adjusted carrying value \$ _____

11.2 If yes, provide explanation _____

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.
 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 \$ _____
 18.12 To stockholders not officers \$ _____
 18.13 Trustees, supreme or grand (Fraternal only) \$ _____
 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 \$ _____
 18.22 To stockholders not officers \$ _____
 18.23 Trustees, supreme or grand (Fraternal only) \$ _____

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 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 [X]
- 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 [X]
- 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 [X] 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, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []
- 22.2 If no, give full and complete information, relating thereto
- 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). Yes [X] No []
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- | | | | |
|--------|--|----|------------|
| 23.21 | Loaned to others | \$ | 10,796,584 |
| 23.22 | Subject to repurchase agreements | \$ | 0 |
| 23.23 | Subject to reverse repurchase agreements | \$ | 0 |
| 23.24 | Subject to dollar repurchase agreements | \$ | 0 |
| 23.25 | Subject to reverse dollar repurchase agreements | \$ | 0 |
| 23.26 | Pledged as collateral | \$ | 0 |
| 23.27 | Placed under option agreements | \$ | 0 |
| 23.28 | Letter stock or securities restricted as to sale | \$ | 0 |
| 23.29 | On deposit with state or other regulatory body | \$ | 22,994,928 |
| 23.291 | Other | \$ | 0 |

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 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, 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, G - 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]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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, brokers/dealers or individuals acting on behalf of brokers/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	3 Address

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]

27.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999	Total	

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

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	134,016,642	135,264,129	1,247,486
28.2 Preferred stocks			
28.3 Totals	134,016,642	135,264,129	1,247,486

28.4 Describe the sources or methods utilized in determining the fair values: IDC, Bloomberg, NAIC-SVO, Broker Quotes, Analytically Determined

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

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 241,538

30.2 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
Wisconsin Compensation Rating Bureau	\$ 83,409
	\$
	\$

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

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

31.2 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
	\$
	\$
	\$

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, 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 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
	\$
	\$
	\$
	\$

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	\$ 396	\$ 331
2.2 Premium Denominator	\$ 47,202,853	\$ 45,485,652
2.3 Premium Ratio (2.1/2.2)		
2.4 Reserve Numerator	\$ 23,205	\$ 28,589
2.5 Reserve Denominator	\$ 101,976,937	\$ 95,177,003
2.6 Reserve Ratio (2.4/2.5)		

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 Exchange 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

GENERAL INTERROGATORIES (Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 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 of loss: In 2007 the Company purchased Workers' Compensation Catastrophe reinsurance separately and/or with the Liberty Mutual Group with limits of \$1,175M xs \$25M. A minimum of 75% was placed for each layer.
- 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 PML. For property exposures, we employ RiskLink v6.0 from RMS and AIR Clasic/2 v8.0 from AIR for WC, Liberty Mutual utilizes RiskLink v6.0 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? In 2007 the Company purchased property catastrophe reinsurance, separately and/or with the Liberty Mutual Group with limits of \$1,900M xs \$50M. The coverage is sufficient to protect against the Company's 250 year event.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 (c) Aggregate stop loss reinsurance coverage;
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. YES NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 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

GENERAL INTERROGATORIES
(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or, YES [] NO [X]
 - (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or, YES [] NO [X]
 - (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. YES [X] NO []
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES [X] NO [] N/A []
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: YES [] NO [X]
- 11.2 If yes, give full information
-
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- | | |
|---|--------------|
| 12.11 Unpaid losses | \$ 7,115,663 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ 1,553,421 |
- 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? \$ 935,033
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [X] NO [] N/A []
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- | | |
|------------|----------|
| 12.41 From | 8.000 % |
| 12.42 To | 10.000 % |
- 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 entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [X] NO []
- 12.6 If yes, state the amount thereof at December 31 of current year:
- | | |
|----------------------------------|---------------|
| 12.61 Letters of Credit | \$ 31,690,368 |
| 12.62 Collateral and other funds | \$ 2,043,732 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 1,302,919
- 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 [X] 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. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] 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 [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES [X] NO []
- 14.5 If the answer to 14.4 is no, please explain:
-
- 15.1 Has the reporting entity guaranteed any financed premium accounts? YES [] NO [X]
- 15.2 If yes, give full information
-
- 16.1 Does the reporting entity write any warranty business? YES [] NO [X]
- If yes, disclose the following information for each of the following types of warranty coverage:

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

* Disclose type of coverage: _____

GENERAL INTERROGATORIES

(Continued)

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 not in force prior to July 1, 1984 and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

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

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

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

FIVE-YEAR HISTORICAL DATA

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

	1 2007	2 2006	3 2005	4 2004	5 2003
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	367,437,247	318,689,195	216,338,722	127,112,698	73,859,276
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	15,980,064	14,740,650	13,688,938	12,390,502	9,285,350
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	52,574,317	46,483,775	37,234,178	32,185,435	26,297,793
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,204,490	996,171	798,674	546,792	707,307
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	750,465	458,857	328,210	483,834	885,678
6. Total (Line 34)	437,946,583	381,368,648	268,388,722	172,719,261	111,035,404
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	31,414,169	30,367,481	27,950,653	26,161,037	23,035,920
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	7,354,206	7,821,817	7,215,228	7,004,152	6,522,957
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	7,886,562	7,812,538	6,091,598	5,522,375	5,765,721
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	1,192,913	995,831	798,674	546,792	707,307
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	750,465	458,857	328,210	483,834	885,678
12. Total (Line 34)	48,598,315	47,456,524	42,384,363	39,718,190	36,917,583
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(2,615,608)	(1,433,246)	(3,135,398)	(3,008,122)	(3,509,651)
14. Net investment gain (loss) (Line 11)	6,569,765	6,050,728	6,047,861	6,770,117	6,663,816
15. Total other income (Line 15)	(428,144)	(327,215)	(474,044)	(739,407)	(903,132)
16. Dividends to policyholders (Line 17)	279,090	204,110	144,432	157,730	(9,605)
17. Federal and foreign income taxes incurred (Line 19)	301,641	1,096,041	207,017	666,315	779,304
18. Net income (Line 20)	2,945,282	2,990,116	2,086,970	2,198,543	1,481,334
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	176,625,394	165,353,821	138,473,951	145,788,314	124,342,355
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	4,246,781	3,292,424	2,797,366	2,685,559	3,541,675
20.2 Deferred and not yet due (Line 13.2)	11,001,927	11,011,264	8,279,130	7,663,113	6,160,795
20.3 Accrued retrospective premiums (Line 13.3)	2,043,160	2,783,262	2,816,403	3,067,317	3,186,378
21. Total liabilities excluding protected cell business (Page 3, Line 24)	126,415,536	118,073,760	93,755,310	103,651,086	84,066,637
22. Losses (Page 3, Line 1)	66,375,561	61,169,697	56,828,549	53,560,966	52,749,271
23. Loss adjustment expenses (Page 3, Line 3)	13,558,122	12,538,892	11,638,984	10,216,078	10,430,663
24. Unearned premiums (Page 3, Line 9)	19,387,033	18,735,073	16,797,204	16,135,678	15,341,077
25. Capital paid up (Page 3, Lines 28 & 29)	10,900,000	10,900,000	10,900,000	10,900,000	10,900,000
26. Surplus as regards policyholders (Page 3, Line 35)	50,209,858	47,280,061	44,718,641	42,137,228	40,275,718
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	15,231,538	4,037,266	8,564,055	(1,838,817)	6,141,770
Risk-Based Capital Analysis					
28. Total adjusted capital	50,209,858	47,280,061	44,718,641	42,137,228	40,275,718
29. Authorized control level risk-based capital	6,661,585	5,954,464	5,272,642	5,439,560	5,000,403
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	87.3	85.6	93.8	91.9	95.1
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)	12.7	12.9	6.2	8.1	4.6
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)					
37. Receivables for securities (Line 8)		1.5			0.3
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
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)					
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 2007	2 2006	3 2005	4 2004	5 2003
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)		35,514	(35,514)		51,592
49. Dividends to stockholders (Line 35)					
50. Change in surplus as regards policyholders for the year (Line 38)	2,929,797	2,561,420	2,581,413	1,861,510	1,433,014
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	131,971,636	97,116,079	89,755,868	80,677,310	89,064,661
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,238,004	8,588,003	6,125,062	4,466,491	4,107,912
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	21,934,855	16,185,649	17,701,558	10,650,170	22,830,856
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	127,562	65,536	212,638	2,034,420	1,181,869
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	428,981	608,520	437,119	19,888	407,207
56. Total (Line 34)	163,701,038	122,563,787	114,232,245	97,848,279	117,592,505
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	16,059,420	14,969,097	14,948,241	16,243,989	13,614,246
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,000,030	4,517,241	3,678,338	3,104,219	3,049,194
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	3,564,966	3,333,881	3,858,590	3,575,828	2,376,906
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)	127,562	65,536	212,638	2,034,420	1,181,869
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	428,981	608,520	437,119	19,888	407,207
62. Total (Line 34)	24,180,959	23,494,275	23,134,926	24,978,344	20,629,422
Operating Percentages (Page 4) (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)	61.9	61.1	63.8	66.5	66.4
65. Loss expenses incurred (Line 3)	15.9	15.3	18.8	16.3	19.1
66. Other underwriting expenses incurred (Line 4)	27.8	26.8	24.9	25.0	24.5
67. Net underwriting gain (loss) (Line 8)	(5.5)	(3.2)	(7.6)	(7.8)	(10.0)
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	27.8	26.4	25.5	26.2	25.7
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	77.8	76.4	82.6	82.8	85.5
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	96.8	100.4	94.8	94.3	91.7
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	1,250	1,974	2,045	1,376	2,934
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)	2.6	4.4	4.9	3.4	7.6
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	4,515	5,381	5,348	6,597	6,163
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)	10.1	12.8	13.3	17.0	17.7

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	36,354,853	37,431,017	37,053,025	34,582,398
	2. Canada				
	3. Other Countries				
	4. Totals	36,354,853	37,431,017	37,053,025	34,582,398
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
8. Totals					
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
12. Totals					
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	39,483,310	39,706,531	39,496,513	39,720,309
	14. Canada				
	15. Other Countries				
16. Totals	39,483,310	39,706,531	39,496,513	39,720,309	
Public Utilities (unaffiliated)	17. United States	5,800,364	5,649,258	5,838,103	5,750,000
	18. Canada				
	19. Other Countries	1,066,168	1,070,350	1,066,230	1,000,000
20. Totals	6,866,532	6,719,608	6,904,333	6,750,000	
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	33,688,690	33,880,173	33,902,761	33,492,212
	22. Canada				
	23. Other Countries	2,055,097	1,958,640	2,085,270	2,000,000
24. Totals	35,743,787	35,838,813	35,988,031	35,492,212	
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	118,448,482	119,695,969	119,441,902	116,544,919
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
34. Totals					
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
38. Totals					
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
48. Totals					
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
52. Totals					
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	118,448,482	119,695,969	119,441,902	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	<u>111,614,658</u>	7. Amortization of premium	<u>326,298</u>
2. Cost of bonds and stocks acquired, Column 7, Part 3	<u>27,770,442</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount	<u>96,178</u>	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1	
4.1 Columns 12 - 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2		9. Book/adjusted carrying value at end of current period	<u>118,448,482</u>
4.4 Column 11 - 13, Part 4		10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	<u>156,711</u>	11. Subtotal (Lines 9 plus 10)	<u>118,448,482</u>
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	<u>20,863,209</u>	12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	<u>118,448,482</u>

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	3,432	1,273	874	312	163		33	2,884	X X X
2. 1998	35,675	4,298	31,377	29,427	3,723	2,428	228	3,094	31	998	30,967	X X X
3. 1999	35,416	5,095	30,321	29,617	4,191	2,539	326	3,144	50	984	30,733	X X X
4. 2000	37,350	6,036	31,314	29,354	5,104	2,413	352	3,043	41	763	29,313	X X X
5. 2001	38,790	6,246	32,544	28,762	6,410	2,202	340	2,898	34	913	27,078	X X X
6. 2002	44,289	8,367	35,922	27,066	5,352	1,961	270	3,278	27	1,417	26,656	X X X
7. 2003	49,321	11,203	38,118	24,121	4,976	1,813	166	3,468	26	1,453	24,234	X X X
8. 2004	51,307	12,505	38,802	22,623	5,741	1,495	262	3,419	161	1,374	21,373	X X X
9. 2005	52,840	11,401	41,439	25,032	7,082	1,174	234	3,395	192	1,283	22,093	X X X
10. 2006	57,505	12,020	45,485	17,943	3,019	778	70	3,402	245	1,189	18,789	X X X
11. 2007	60,502	13,299	47,203	13,479	3,399	361	48	2,804	288	826	12,909	X X X
12. Totals	X X X	X X X	X X X	250,856	50,270	18,038	2,608	32,108	1,095	11,233	247,029	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		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	19,283	5,626	9,649	5,826	1,052	796	3,940	1,579	279		187	20,376	X X X
2. 1998	1,539	243	567	345	46	10	189	22	63		15	1,784	X X X
3. 1999	1,650	409	526	362	36	6	147	55	63		19	1,590	X X X
4. 2000	1,647	542	833	558	48	16	152	55	72		40	1,581	X X X
5. 2001	2,018	936	980	657	59	25	261	97	69		52	1,672	X X X
6. 2002	1,891	1,071	1,580	1,164	114	63	354	99	91		62	1,633	X X X
7. 2003	2,216	819	2,881	1,224	86	17	638	145	118		67	3,734	X X X
8. 2004	2,760	734	3,828	1,292	106	21	862	147	334		93	5,696	X X X
9. 2005	4,145	1,325	5,119	1,739	137	25	1,158	195	266	72	143	7,469	X X X
10. 2006	5,232	1,135	8,358	2,446	180	19	1,999	282	515		246	12,402	X X X
11. 2007	7,370	1,192	14,861	2,914	171	16	2,600	338	1,455		814	21,997	X X X
12. Totals	49,751	14,032	49,182	18,527	2,035	1,014	12,300	3,014	3,325	72	1,738	79,934	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	17,480	2,896
2. 1998	37,353	4,602	32,751	104.704	107.073	104.379			0.400	1,518	266
3. 1999	37,722	5,399	32,323	106.511	105.967	106.603			0.400	1,405	185
4. 2000	37,562	6,668	30,894	100.568	110.471	98.659			0.400	1,380	201
5. 2001	37,249	8,499	28,750	96.027	136.071	88.342			0.400	1,405	267
6. 2002	36,335	8,046	28,289	82.041	96.163	78.751			0.400	1,236	397
7. 2003	35,341	7,373	27,968	71.655	65.813	73.372			0.400	3,054	680
8. 2004	35,427	8,358	27,069	69.049	66.837	69.762			0.400	4,562	1,134
9. 2005	40,426	10,864	29,562	76.506	95.290	71.339			0.400	6,200	1,269
10. 2006	38,407	7,216	31,191	66.789	60.033	68.574			0.400	10,009	2,393
11. 2007	43,101	8,195	34,906	71.239	61.621	73.949			0.400	18,125	3,872
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	66,374	13,560

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
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	One Year	Two Year
1. Prior	50,947	49,677	49,325	52,304	54,193	56,184	59,226	61,329	62,581	64,535	1,954	3,206
2. 1998	25,855	26,755	27,409	28,270	28,565	28,785	29,113	29,414	29,818	29,939	121	525
3. 1999	X X X	25,447	26,243	27,236	27,937	28,443	28,668	29,151	29,297	29,421	124	270
4. 2000	X X X	X X X	24,476	25,606	25,772	26,640	27,354	27,571	27,720	27,975	255	404
5. 2001	X X X	X X X	X X X	25,217	24,568	25,003	24,643	25,440	25,720	25,914	194	474
6. 2002	X X X	X X X	X X X	X X X	25,012	23,610	23,640	24,414	24,879	25,050	171	636
7. 2003	X X X	X X X	X X X	X X X	X X X	26,146	23,544	22,842	24,171	24,522	351	1,680
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	26,252	24,326	23,640	23,748	108	(578)
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	28,621	27,260	26,520	(740)	(2,101)
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	29,178	27,891	(1,287)	X X X
11. 2007	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	31,321	X X X	X X X
12. Totals											1,250	4,515

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
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	000	9,592	16,768	21,227	26,052	29,543	33,121	36,060	38,679	41,400	X X X	X X X
2. 1998	10,378	16,655	20,371	23,118	24,698	25,776	26,608	27,170	27,572	27,904	X X X	X X X
3. 1999	X X X	10,311	16,389	20,207	22,921	24,751	26,044	26,829	27,340	27,639	X X X	X X X
4. 2000	X X X	X X X	10,814	16,977	20,200	22,426	24,451	25,287	25,885	26,311	X X X	X X X
5. 2001	X X X	X X X	X X X	11,388	17,178	20,049	21,768	23,023	23,686	24,214	X X X	X X X
6. 2002	X X X	X X X	X X X	X X X	10,717	16,422	19,749	21,400	22,779	23,405	X X X	X X X
7. 2003	X X X	X X X	X X X	X X X	X X X	9,889	15,112	17,682	19,542	20,792	X X X	X X X
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	9,050	13,914	16,246	18,115	X X X	X X X
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	10,522	16,099	18,890	X X X	X X X
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	10,097	15,632	X X X	X X X
11. 2007	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	10,393	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
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Prior	20,116	12,974	10,604	8,388	5,880	5,263	4,551	5,803	6,017	6,511
2. 1998	8,375	3,757	2,150	1,279	939	435	446	370	533	517
3. 1999	X X X	8,269	3,925	1,960	1,195	693	542	490	364	379
4. 2000	X X X	X X X	6,776	2,595	1,144	783	628	451	370	420
5. 2001	X X X	X X X	X X X	7,057	2,886	1,727	885	715	575	508
6. 2002	X X X	X X X	X X X	X X X	7,549	2,981	1,345	1,015	783	694
7. 2003	X X X	X X X	X X X	X X X	X X X	10,829	4,452	2,036	2,344	2,182
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	11,952	6,669	4,446	3,443
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,005	7,083	4,625
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	13,497	7,911
11. 2007	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	14,538

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN
Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	YES	6,470,008	6,075,466	3,319	2,634,607	3,465,864	5,893,240	
2. Alaska	AK	YES	2,195,405	1,450,096		225,823	1,425,357	1,485,215	
3. Arizona	AZ	YES	4,572,189	4,401,005	5,935	1,187,259	1,933,740	3,235,070	
4. Arkansas	AR	YES	2,534,354	2,454,875	(25,764)	690,739	1,114,719	3,417,036	
5. California	CA	YES	38,326,221	43,668,913	(3,758)	13,725,684	20,533,926	55,026,107	
6. Colorado	CO	YES	6,152,863	5,702,665	16,275	2,396,920	3,735,295	5,180,691	
7. Connecticut	CT	YES	7,287,268	7,880,541	17,855	5,276,624	5,385,174	8,687,577	
8. Delaware	DE	YES	2,501,809	2,220,835		672,009	1,203,247	3,787,354	
9. Dist. Columbia	DC	YES	908,490	707,980		112,022	265,625	783,174	
10. Florida	FL	YES	31,387,496	30,466,212	1,014,994	8,883,449	14,720,979	23,049,955	
11. Georgia	GA	YES	11,464,285	10,584,542	51,097	4,448,014	8,263,207	12,407,683	
12. Hawaii	HI	YES	813,985	928,264		346,882	462,814	715,293	
13. Idaho	ID	YES	789,376	585,710	138	215,272	739,917	1,210,510	
14. Illinois	IL	YES	23,334,030	21,495,319	(73,582)	11,730,284	20,773,378	27,185,578	
15. Indiana	IN	YES	4,145,008	3,985,720	63	1,132,745	1,614,302	2,729,583	
16. Iowa	IA	YES	4,363,011	4,317,072	(223)	1,016,886	900,904	4,325,398	
17. Kansas	KS	YES	5,486,844	5,107,134	(2,054)	4,251,346	6,785,992	6,512,967	
18. Kentucky	KY	YES	7,339,341	6,609,639	440	2,066,087	4,903,710	8,428,478	
19. Louisiana	LA	YES	2,782,006	2,387,910	117	447,976	1,753,667	1,816,700	
20. Maine	ME	YES	1,470,621	1,292,483	98	570,585	617,689	1,120,671	
21. Maryland	MD	YES	5,259,157	4,485,737	1,706	2,315,626	3,533,663	8,164,458	
22. Massachusetts	MA	YES	7,851,037	6,923,922	21,026	3,365,970	4,249,486	13,859,736	
23. Michigan	MI	YES	7,846,592	7,345,988	(561)	3,118,479	5,341,660	9,979,340	
24. Minnesota	MN	YES	10,014,420	10,351,335	3,371	4,176,474	7,247,177	11,067,907	
25. Mississippi	MS	YES	5,602,463	5,006,826	3,663	1,416,803	1,034,733	4,078,777	
26. Missouri	MO	YES	8,402,772	8,045,105	(14,405)	2,427,545	5,583,580	7,827,915	
27. Montana	MT	YES	1,217,461	1,012,338	403	589,282	509,664	2,358,054	
28. Nebraska	NE	YES	2,942,648	3,063,492	(7,725)	1,248,934	1,464,550	3,798,372	
29. Nevada	NV	YES	4,007,906	3,192,560	1,930	748,902	2,524,961	3,080,749	
30. New Hampshire	NH	YES	3,659,338	3,288,553	(4,068)	973,475	1,660,358	3,470,314	
31. New Jersey	NJ	YES	7,961,092	6,700,425	122,243	1,768,743	3,266,257	8,561,235	
32. New Mexico	NM	YES	1,889,799	1,737,735	34,859	444,467	612,808	1,363,480	
33. New York	NY	YES	34,913,521	29,692,849	(190,138)	7,581,775	15,046,351	52,648,548	
34. No. Carolina	NC	YES	10,180,856	9,755,390	39,014	2,442,448	6,565,657	8,441,004	
35. No. Dakota	ND	YES	160,566	184,404	59	28,656	39,298	99,166	
36. Ohio	OH	YES	1,870,318	2,352,144	(14)	999,195	559,128	2,132,194	
37. Oklahoma	OK	YES	4,627,088	4,108,562	27,526	1,514,374	2,955,466	6,832,128	
38. Oregon	OR	YES	2,849,029	2,640,853	(18,703)	594,848	1,887,701	2,789,721	
39. Pennsylvania	PA	YES	19,599,105	19,224,762	145,484	9,763,896	12,541,115	22,887,355	
40. Rhode Island	RI	YES	1,063,223	1,140,704	16	260,176	570,327	730,260	
41. So. Carolina	SC	YES	6,310,384	5,437,001	576	1,166,483	2,823,673	4,965,583	
42. So. Dakota	SD	YES	725,629	674,963		350,815	435,959	658,669	
43. Tennessee	TN	YES	12,334,706	10,874,295	837	4,641,134	6,255,583	11,772,079	
44. Texas	TX	YES	14,251,523	11,762,821	2,955	5,773,397	4,892,549	25,620,128	
45. Utah	UT	YES	2,497,079	2,505,045	419	1,058,791	1,441,153	2,682,532	
46. Vermont	VT	YES	2,937,901	2,617,953		656,847	1,769,174	1,847,111	
47. Virginia	VA	YES	6,535,111	6,326,338	1,542	2,871,513	4,476,115	7,489,128	
48. Washington	WA	YES	2,526,653	2,320,473	8	633,855	450,768	1,141,759	
49. West Virginia	WV	YES	832,836	762,120	4	145,543	(153,187)	641,644	
50. Wisconsin	WI	YES	34,077,102	31,977,408	2,115,531	14,403,468	21,365,746	39,773,263	
51. Wyoming	WY	YES	79,554	74,494	2	6,955	35,587	36,391	
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO	481	371					
55. U.S. Virgin Islands	VI	NO	161	161			12	56	
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X	(3,853)	(4,833)	20		(602)	3,531	
59. Totals	(a) 51		389,348,268	367,904,675	3,292,530	139,520,082	221,585,976	447,800,867	

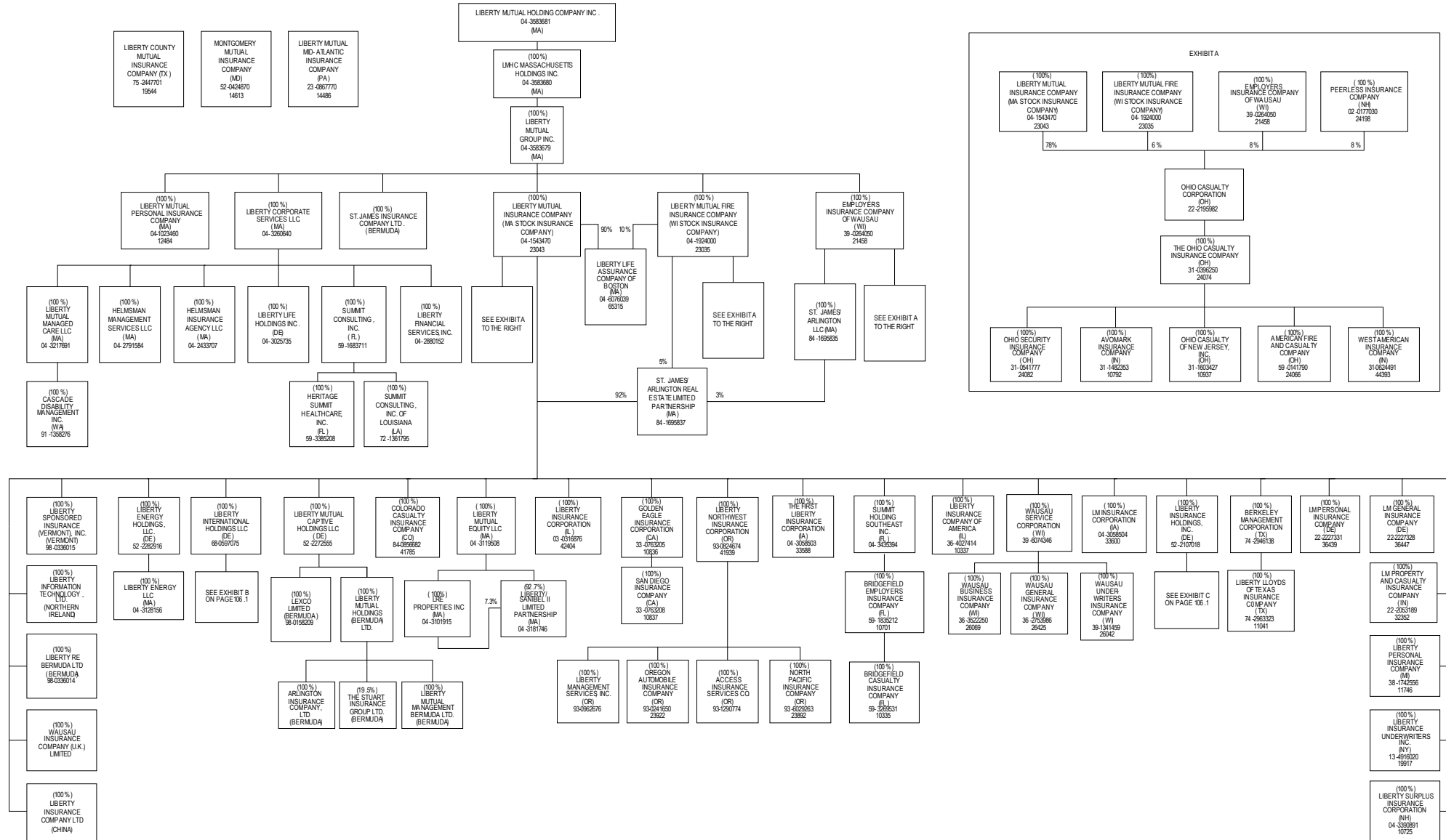
DETAILS OF WRITE-INS									
5801. Other alien	X X X		(3,853)	(4,833)	20		(602)	3,531	
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	X X X		(3,853)	(4,833)	20		(602)	3,531	

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

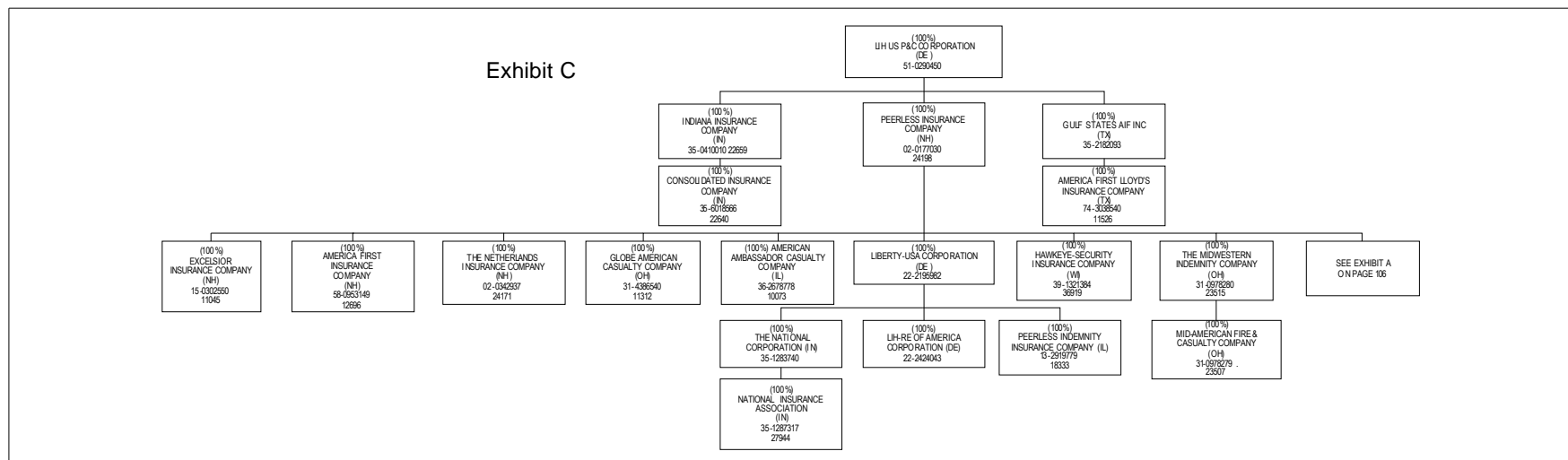
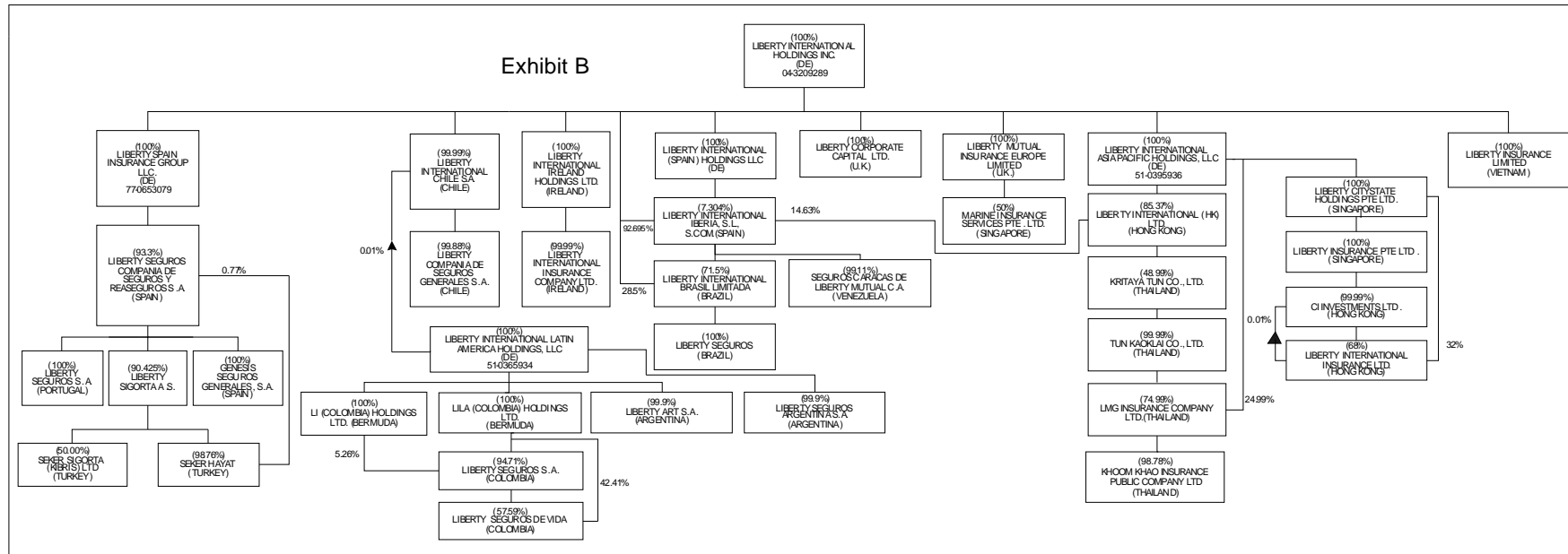
- *Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- *States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation
- *Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
- *Principal Location of business or location of coverage - Liability other than Auto, Fidelity
- *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 yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

OVERFLOW PAGE FOR WRITE-INS

**Page 2 - Continuation
ASSETS**

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets

REMAINING WRITE-INS AGGREGATED AT LINE 09 FOR INVESTED ASSETS

0904.				
0905.				
0906.				
0907.				
0908.				
0909.				
0910.				
0911.				
0912.				
0913.				
0914.				
0915.				
0916.				
0917.				
0918.				
0919.				
0920.				
0921.				
0922.				
0923.				
0924.				
0925.				
0997. Totals (Lines 0904 through 0925) (Page 2, Line 0998)				

REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR OTHER THAN INVESTED ASSETS

2304. Amounts receivable under high deductible policies	969,406	53,730	915,676	990,624
2305.				
2306.				
2307.				
2308.				
2309.				
2310.				
2311.				
2312.				
2313.				
2314.				
2315.				
2316.				
2317.				
2318.				
2319.				
2320.				
2321.				
2322.				
2323.				
2324.				
2325.				
2397. Totals (Lines 2304 through 2325) (Page 2, Line 2398)	969,406	53,730	915,676	990,624

OVERFLOW PAGE FOR WRITE-INS

**Page 3 - Continuation
LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
REMAINING WRITE-INS AGGREGATED AT LINE 23 FOR LIABILITIES		
2304. Collateral held for securities loaned	6,527,204	6,896,495
2305.		
2306.		
2307.		
2308.		
2309.		
2310.		
2311.		
2312.		
2313.		
2314.		
2315.		
2316.		
2317.		
2318.		
2319.		
2320.		
2321.		
2322.		
2323.		
2324.		
2325.		
2397. Totals (Lines 2304 through 2325) (Page 3, Line 2398)	6,527,204	6,896,495
REMAINING WRITE-INS AGGREGATED AT LINE 27 FOR SPECIAL SURPLUS FUNDS		
2704.		
2705.		
2706.		
2707.		
2708.		
2709.		
2710.		
2711.		
2712.		
2713.		
2714.		
2715.		
2716.		
2717.		
2718.		
2719.		
2720.		
2721.		
2722.		
2723.		
2724.		
2725.		
2797. Totals (Lines 2704 through 2725) (Page 3, Line 2798)		
REMAINING WRITE-INS AGGREGATED AT LINE 30 FOR OTHER THAN SPECIAL SURPLUS FUNDS		
3004.		
3005.		
3006.		
3007.		
3008.		
3009.		
3010.		
3011.		
3012.		
3013.		
3014.		
3015.		
3016.		
3017.		
3018.		
3019.		
3020.		
3021.		
3022.		
3023.		
3024.		
3025.		
3097. Totals (Lines 3004 through 3025) (Page 3, Line 3098)		

ALPHABETICAL INDEX TO PROPERTY AND CASUALTY ANNUAL STATEMENT

Assets	2	Schedule DB - Part D - Section 3	E21
Cash Flow	5	Schedule DB - Part D - Verification Between Years	31
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