

ANNUAL STATEMENT

OF THE

LIBERTY INSURANCE COMPANY OF AMERICA

of **SCHAUMBURG**

in the state of **ILLINOIS**

TO THE

Insurance Department

OF THE

STATE OF

FOR THE YEAR ENDED
December 31, 2005

PROPERTY AND CASUALTY

2005



10337200520100100

ANNUAL STATEMENT
For the Year Ended December 31, 2005
OF THE CONDITION AND AFFAIRS OF THE
Liberty Insurance Company of America

| | | | | | | |
|--|--|---|-------------------|-----------------------------------|----------------------|------------|
| NAIC Group Code | 0111 | 0111 | NAIC Company Code | 10337 | Employer's ID Number | 36-4027414 |
| | (Current Period) | (Prior Period) | | | | |
| Organized under the Laws of | Illinois | , State of Domicile or Port of Entry Illinois | | | | |
| Country of Domicile | United States of America | | | | | |
| Incorporated/Organized: | June 30, 1995 | | | Commenced Business: July 17, 1995 | | |
| Statutory Home Office: | 1000 Plaza Drive Suite 600 Schaumburg, IL 60173 | | | | | |
| Main Administrative Office: | 1000 Plaza Drive Suite 600 Schaumburg, IL 60173 847-413-9090 | | | | | |
| Mail Address: | 175 Berkeley Street Boston, MA 02117 | | | | | |
| Primary Location of Books and Records: | 175 Berkeley Street Boston, MA 02117 617-357-9500 | | | | | |
| Internet Website Address: | www.LibertyMutual.com | | | | | |
| Statutory Statement Contact: | Douglas Link | | | 617-357-9500 45668 | | |
| | Douglas.Link@LibertyMutual.com | | | 617-574-5955 | | |
| | (E-Mail Address) | | | (Fax Number) | | |
| Policyowner Relations Contact: | 175 Berkeley Street Boston, MA 02117 617-357-9500 41015 | | | | | |

OFFICERS

| | Name | Title |
|----|----------------------------|--|
| 1. | Edmund Francis Kelly | Chairman of the Board, President & CEO |
| 2. | Dexter Robert Legg | Vice President & Secretary |
| 3. | Laurance Henry Soyer Yahia | Vice President & Treasurer |

Vice-Presidents

| Name | Title | Name | Title |
|-------------------------------|--------------------------|----------------------------|--|
| James Paul Condryn, III | Vice President | Anthony Alexander Fontanes | Vice President |
| David Henry Long # | Vice President | Dennis James Langwell | Vice President & Chief Financial Officer |
| Christopher Charles Mansfield | Vice President | William Henry Murphy | Vice President |
| Gary Jay Ostrow | Vice President | Robert James Brautigam | Executive Vice President |
| Marie Anne Ward | Executive Vice President | John Derek Doyle | Vice President & Comptroller |
| | | | |
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DIRECTORS OR TRUSTEES

| | | | |
|-------------------------|-----------------------|-------------------------------|----------------------------|
| James Paul Condryn, III | Dennis James Langwell | Dexter Robert Legg | Anthony Alexander Fontanes |
| David Henry Long # | Edmund Francis Kelly | Christopher Charles Mansfield | Mark Ardon Butler # |
| Robert James Brautigam | Marie Anne Ward | | |
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State of Massachusetts
County of Suffolk ss

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

| | | |
|--|----------------------------|----------------------------|
| (Signature) | (Signature) | (Signature) |
| Edmund Francis Kelly | Dexter Robert Legg | Laurance Henry Soyer Yahia |
| (Printed Name) | (Printed Name) | (Printed Name) |
| 1. | 2. | 3. |
| Chairman of the Board, President & CEO | Vice President & Secretary | Vice President & Treasurer |
| (Title) | (Title) | (Title) |

| | | |
|--|--------------------------------|-------------------------------------|
| Subscribed and sworn to before me this | a. Is this an original filing? | YES [X] NO [] |
| _____ day of January, 2006 | 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) | 17,666,418 | | 17,666,418 | 17,605,856 |
| 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 (\$ 0, Schedule E-Part 1), cash equivalents (\$ 0 | | | | |
| Schedule E-Part 2) and short-term investments (\$ 834,248, Schedule DA) | 834,248 | | 834,248 | 614,082 |
| 6. Contract loans (including \$ 0 premium notes) | | | | |
| 7. Other invested assets (Schedule BA) | | | | |
| 8. Receivables for securities | 772 | | 772 | 373 |
| 9. Aggregate write-ins for invested assets | | | | |
| 10. Subtotals, cash and invested assets (Lines 1 to 9) | 18,501,438 | | 18,501,438 | 18,220,311 |
| 11. Title plants less \$ 0 charged off (for Title insurers only) | | | | |
| 12. Investment income due and accrued | 233,165 | | 233,165 | 220,465 |
| 13. Premiums and considerations: | | | | |
| 13.1 Uncollected premiums and agents' balances in the course of collection | | | | |
| 13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums) | | | | |
| 13.3 Accrued retrospective premiums | | | | |
| 14. Reinsurance: | | | | |
| 14.1 Amounts recoverable from reinsurers | | | | |
| 14.2 Funds held by or deposited with reinsured companies | | | | |
| 14.3 Other amounts receivable under reinsurance contracts | | | | |
| 15. Amounts receivable relating to uninsured plans | | | | |
| 16.1 Current federal and foreign income tax recoverable and interest thereon | | | | 328,120 |
| 16.2 Net deferred tax asset | | | | |
| 17. Guaranty funds receivable or on deposit | | | | |
| 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 | 598,334 | | 598,334 | |
| 22. Health care (\$ 0) and other amounts receivable | | | | |
| 23. Aggregate write-ins for other than invested assets | | | | 15 |
| 24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | 19,332,937 | | 19,332,937 | 18,768,911 |
| 25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 26. Total (Lines 24 and 25) | 19,332,937 | | 19,332,937 | 18,768,911 |

| 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 | | | | 15 |
| 2302. | | | | |
| 2303. | | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | | | | |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | | | | 15 |

| LIABILITIES, SURPLUS AND OTHER FUNDS | 1 | 2 |
|--|--------------|------------|
| | Current Year | Prior Year |
| 1. Losses (Part 2A, Line 34, Column 8) | | |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) | | |
| 3. Loss adjustment expenses (Part 2A, Line 34, Column 9) | | |
| 4. Commissions payable, contingent commissions and other similar charges | | |
| 5. Other expenses (excluding taxes, licenses and fees) | | |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes) | | |
| 7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses)) | 83,991 | |
| 7.2 Net deferred tax liability | 9,000 | 60,000 |
| 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 \$ 0 and including warranty reserves of \$ 0) | | |
| 10. Advance premium | | |
| 11. Dividends declared and unpaid: | | |
| 11.1 Stockholders | | |
| 11.2 Policyholders | | |
| 12. Ceded reinsurance premiums payable (net of ceding commissions) | | |
| 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 | | |
| 15. Remittances and items not allocated | | |
| 16. Provision for reinsurance (Schedule F, Part 7) | | |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates | | |
| 18. Drafts outstanding | | |
| 19. Payable to parent, subsidiaries and affiliates | | 125,976 |
| 20. Payable for securities | | |
| 21. Liability for amounts held under uninsured accident and health plans | | |
| 22. Capital notes \$ 0 and interest thereon \$ 0 | | |
| 23. Aggregate write-ins for liabilities | | |
| 24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) | 92,991 | 185,976 |
| 25. Protected cell liabilities | | |
| 26. Total liabilities (Lines 24 and 25) | 92,991 | 185,976 |
| 27. Aggregate write-ins for special surplus funds | | |
| 28. Common capital stock | 1,000,000 | 1,000,000 |
| 29. Preferred capital stock | | |
| 30. Aggregate write-ins for other than special surplus funds | | |
| 31. Surplus notes | | |
| 32. Gross paid in and contributed surplus | 9,500,000 | 9,500,000 |
| 33. Unassigned funds (surplus) | 8,739,946 | 8,082,935 |
| 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) | 19,239,946 | 18,582,935 |
| 36. TOTALS (Page 2, Line 26, Col. 3) | 19,332,937 | 18,768,911 |

| DETAILS OF WRITE-INS | | |
|---|--|--|
| 2301. | | |
| 2302. | | |
| 2303. | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | | |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | | |
| 2701. | | |
| 2702. | | |
| 2703. | | |
| 2798. Summary of remaining write-ins for Line 27 from overflow page | | |
| 2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above) | | |
| 3001. | | |
| 3002. | | |
| 3003. | | |
| 3098. Summary of remaining write-ins for Line 30 from overflow page | | |
| 3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above) | | |

| STATEMENT OF INCOME | | |
|--|--------------|------------|
| | 1 | 2 |
| UNDERWRITING INCOME | Current Year | Prior Year |
| 1. Premiums earned (Part 1, Line 34, Column 4) | | |
| DEDUCTIONS | | |
| 2. Losses incurred (Part 2, Line 34, Column 7) | | |
| 3. Loss expenses incurred (Part 3, Line 25, Column 1) | | |
| 4. Other underwriting expenses incurred (Part 3, Line 25, Column 2) | | |
| 5. Aggregate write-ins for underwriting deductions | | |
| 6. Total underwriting deductions (Lines 2 through 5) | | |
| 7. Net income of protected cells | | |
| 8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7) | | |
| INVESTMENT INCOME | | |
| 9. Net investment income earned (Exhibit of Net Investment Income, Line 17) | 895,519 | 868,238 |
| 10. Net realized capital gains (losses) less capital gains tax of \$ 7,705 (Exhibit of Capital Gains (Losses)) | 14,310 | |
| 11. Net investment gain (loss) (Lines 9 + 10) | 909,829 | 868,238 |
| OTHER INCOME | | |
| 12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0) | | |
| 13. Finance and service charges not included in premiums | | |
| 14. Aggregate write-ins for miscellaneous income | | |
| 15. Total other income (Lines 12 through 14) | | |
| 16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15) | 909,829 | 868,238 |
| 17. Dividends to policyholders | | |
| 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) | 909,829 | 868,238 |
| 19. Federal and foreign income taxes incurred | 307,533 | 286,116 |
| 20. Net income (Line 18 minus Line 19) (to Line 22) | 602,296 | 582,122 |
| CAPITAL AND SURPLUS ACCOUNT | | |
| 21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2) | 18,582,937 | 18,031,071 |
| GAINS AND (LOSSES) IN SURPLUS | | |
| 22. Net income (from Line 20) | 602,296 | 582,122 |
| 23. Net transfers (to) from Protected Cell accounts | | |
| 24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0 | | |
| 25. Change in net unrealized foreign exchange capital gain (loss) | | |
| 26. Change in net deferred income tax | 51,000 | (31,399) |
| 27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3) | | |
| 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 | 3,713 | 1,143 |
| 38. Change in surplus as regards policyholders for the year (Lines 22 through 37) | 657,009 | 551,866 |
| 39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35) | 19,239,946 | 18,582,937 |

| 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. | | |
| 1402. | | |
| 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) | | |
| 3701. Change in accumulated translation adjustment | 3,713 | 1,143 |
| 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) | 3,713 | 1,143 |

| CASH FLOW | | |
|---|--------------|-------------|
| Cash from Operations | | |
| | 1 | 2 |
| | Current Year | Prior Year |
| 1. Premiums collected net of reinsurance | | |
| 2. Net investment income | 898,742 | 880,151 |
| 3. Miscellaneous income | | |
| 4. Total (Lines 1 through 3) | 898,742 | 880,151 |
| 5. Benefit and loss related payments | | |
| 6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | | |
| 8. Dividends paid to policyholders | | |
| 9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses) | (96,873) | 633,882 |
| 10. Total (Lines 5 through 9) | (96,873) | 633,882 |
| 11. Net cash from operations (Line 4 minus Line 10) | 995,615 | 246,269 |
| Cash from Investments | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds | 1,795,293 | 903,584 |
| 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 | | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 1,795,293 | 903,584 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds | 1,849,763 | 2,980,547 |
| 13.2 Stocks | | |
| 13.3 Mortgage loans | | |
| 13.4 Real estate | | |
| 13.5 Other invested assets | | |
| 13.6 Miscellaneous applications | 399 | 702 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 1,850,162 | 2,981,249 |
| 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) | (54,869) | (2,077,665) |
| 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) | (720,580) | (2,952) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | (720,580) | (2,952) |
| 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) | 220,166 | (1,834,348) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year | 614,082 | 2,448,430 |
| 19.2 End of year (Line 18 plus Line 19.1) | 834,248 | 614,082 |

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

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

NONE Underwriting and Investment Exhibit - Part 1

NONE Underwriting and Investment Exhibit - Part 1A

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Gross Premiums (Less Return Premiums), Including Policy and Membership Fees
Written and Renewed During Year

| 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 | | | | | | |
| 2. Allied lines | | | | | | |
| 3. Farmowners multiple peril | | | | | | |
| 4. Homeowners multiple peril | | | | | | |
| 5. Commercial multiple peril | | | | | | |
| 6. Mortgage guaranty | | | | | | |
| 8. Ocean marine | | | | | | |
| 9. Inland marine | | | | | | |
| 10. Financial guaranty | | | | | | |
| 11.1 Medical malpractice - occurrence | | | | | | |
| 11.2 Medical malpractice - claims-made | | | | | | |
| 12. Earthquake | | | | | | |
| 13. Group accident and health | | | | | | |
| 14. Credit accident and health (group and individual) | | | | | | |
| 15. Other accident and health | | | | | | |
| 16. Workers' compensation | | | | | | |
| 17.1 Other liability - occurrence | 299,428 | | | 299,428 | | |
| 17.2 Other liability - claims-made | | | | | | |
| 18.1 Products liability - occurrence | | | | | | |
| 18.2 Products liability - claims-made | | | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | | | |
| 19.3, 19.4 Commercial auto liability | | | | | | |
| 21. Auto physical damage | | | | | | |
| 22. Aircraft (all perils) | | | | | | |
| 23. Fidelity | | | | | | |
| 24. Surety | | | | | | |
| 26. Burglary and theft | | | | | | |
| 27. Boiler and machinery | | | | | | |
| 28. Credit | | | | | | |
| 29. International | | | | | | |
| 30. Reinsurance-Nonproportional Assumed Property | X X X | | | | | |
| 31. Reinsurance-Nonproportional Assumed Liability | X X X | | | | | |
| 32. Reinsurance-Nonproportional Assumed Financial Lines | X X X | | | | | |
| 33. Aggregate write-ins for other lines of business | | | | | | |
| 34. TOTALS | 299,428 | | | 299,428 | | |

| 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 [X]

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

| Line of Business | Losses Paid Less Salvage | | | | 5 | 6 | 7 | 8 |
|---|--------------------------|-----------------------------|-------------------------------|--|---|------------------------------------|---|--|
| | 1 Direct Business | 2 Reinsurance Assumed | 3 Reinsurance Recovered | 4 Net Payments (Cols. 1 + 2 - 3) | Net Losses Unpaid Current Year (Part 2A, Col. 8) | Net Losses Unpaid Prior Year | Losses Incurred Current Year (Cols. 4 + 5 - 6) | Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1) |
| 1. Fire | | | | | | | | |
| 2. Allied lines | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | |
| 5. Commercial multiple peril | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | |
| 8. Ocean marine | | | | | | | | |
| 9. Inland marine | | | | | | | | |
| 10. Financial guaranty | | | | | | | | |
| 11.1 Medical malpractice - occurrence | | | | | | | | |
| 11.2 Medical malpractice - claims - made | | | | | | | | |
| 12. Earthquake | | | | | | | | |
| 13. Group accident and health | | | | | | | | |
| 14. Credit accident and health (group and individual) | | | | | | | | |
| 15. Other accident and health | | | | | | | | |
| 16. Workers' compensation | | | | | | | | |
| 17.1 Other liability - occurrence | 118,895,006 | | | 118,895,006 | | | | |
| 17.2 Other liability - claims - made | | | | | | | | |
| 18.1 Products liability - occurrence | | | | | | | | |
| 18.2 Products liability - claims - made | | | | | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | | | | | |
| 19.3, 19.4 Commercial auto liability | | | | | | | | |
| 21. Auto physical damage | | | | | | | | |
| 22. Aircraft (all perils) | | | | | | | | |
| 23. Fidelity | | | | | | | | |
| 24. Surety | | | | | | | | |
| 26. Burglary and theft | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | |
| 28. Credit | | | | | | | | |
| 29. International | | | | | | | | |
| 30. Reinsurance-Nonproportional Assumed Property | X X X | | | | | | | |
| 31. Reinsurance-Nonproportional Assumed Liability | X X X | | | | | | | |
| 32. Reinsurance-Nonproportional Assumed Financial Lines | X X X | | | | | | | |
| 33. Aggregate write-ins for other lines of business | | | | | | | | |
| 34. TOTALS | 118,895,006 | | | 118,895,006 | | | | |
| | | | | | | | | |
| 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 | 9 |
|---|-----------------|---------------------|---|--|---------------------------|---------------------|-------------------|---|---------------------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | |
| | Direct | Reinsurance Assumed | Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3) | Direct | Reinsurance Assumed | Reinsurance Ceded | Net Losses Unpaid (Cols. 4 + 5 + 6 - 7) | Unpaid Loss Adjustment Expenses |
| 1. Fire | | | | | | | | | |
| 2. Allied lines | | | | | | | | | |
| 3. Farmowners multiple peril | | | | | | | | | |
| 4. Homeowners multiple peril | | | | | | | | | |
| 5. Commercial multiple peril | | | | | | | | | |
| 6. Mortgage guaranty | | | | | | | | | |
| 8. Ocean marine | | | | | | | | | |
| 9. Inland marine | | | | | | | | | |
| 10. Financial guaranty | | | | | | | | | |
| 11.1 Medical malpractice - occurrence | | | | | | | | | |
| 11.2 Medical malpractice - claims - made | | | | | | | | | |
| 12. Earthquake | | | | | | | | | |
| 13. Group accident and health | | | | | | | | (a) | |
| 14. Credit accident and health (group and individual) | | | | | | | | | |
| 15. Other accident and health | | | | | | | | (a) | |
| 16. Workers' compensation | | | | | | | | | |
| 17.1 Other liability - occurrence | 64,427,794 | | 64,427,794 | | 178,761,591 | | 178,761,591 | | |
| 17.2 Other liability - claims - made | | | | | | | | | |
| 18.1 Products liability - occurrence | | | | | | | | | |
| 18.2 Products liability - claims - made | | | | | | | | | |
| 19.1, 19.2 Private passenger auto liability | | | | | | | | | |
| 19.3, 19.4 Commercial auto liability | | | | | | | | | |
| 21. Auto physical damage | | | | | | | | | |
| 22. Aircraft (all perils) | | | | | | | | | |
| 23. Fidelity | | | | | | | | | |
| 24. Surety | | | | | | | | | |
| 26. Burglary and theft | | | | | | | | | |
| 27. Boiler and machinery | | | | | | | | | |
| 28. Credit | | | | | | | | | |
| 29. International | | | | | | | | | |
| 30. Reinsurance-Nonproportional Assumed Property | X X X | | | | X X X | | | | |
| 31. Reinsurance-Nonproportional Assumed Liability | X X X | | | | X X X | | | | |
| 32. Reinsurance-Nonproportional Assumed Financial Lines | X X X | | | | X X X | | | | |
| 33. Aggregate write-ins for other lines of business | | | | | | | | | |
| 34. TOTALS | 64,427,794 | | 64,427,794 | | 178,761,591 | | 178,761,591 | | |

| 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 | 2 | 3 | 4 |
|--|-----------------------------|-----------------------------------|------------------------|-------------|
| | Loss Adjustment Expenses | Other Underwriting Expenses | Investment Expenses | Total |
| 1. Claim adjustment services: | | | | |
| 1.1 Direct | (3,849,221) | | | (3,849,221) |
| 1.2 Reinsurance assumed | | | | |
| 1.3 Reinsurance ceded | (3,849,221) | | | (3,849,221) |
| 1.4 Net claim adjustment service (1.1 + 1.2 - 1.3) | | | | |
| 2. Commission and brokerage: | | | | |
| 2.1 Direct, excluding contingent | | | | |
| 2.2 Reinsurance assumed, excluding contingent | | | | |
| 2.3 Reinsurance ceded, excluding contingent | | | | |
| 2.4 Contingent-direct | | | | |
| 2.5 Contingent-reinsurance assumed | | | | |
| 2.6 Contingent-reinsurance ceded | | | | |
| 2.7 Policy and membership fees | | | | |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) | | | | |
| 3. Allowances to manager and agents | | | | |
| 4. Advertising | | | 19 | 19 |
| 5. Boards, bureaus and associations | | | | |
| 6. Surveys and underwriting reports | | | | |
| 7. Audit of assureds' records | | | | |
| 8. Salary and related items: | | | | |
| 8.1 Salaries | | | 4,418 | 4,418 |
| 8.2 Payroll taxes | | | 170 | 170 |
| 9. Employee relations and welfare | | | 224 | 224 |
| 10. Insurance | | | 5 | 5 |
| 11. Directors' fees | | | | |
| 12. Travel and travel items | | | 63 | 63 |
| 13. Rent and rent items | | | 68 | 68 |
| 14. Equipment | | | 76 | 76 |
| 15. Cost or depreciation of EDP equipment and software | | | 46 | 46 |
| 16. Printing and stationery | | | 10 | 10 |
| 17. Postage, telephone and telegraph, exchange and express | | | 172 | 172 |
| 18. Legal and auditing | | | 393 | 393 |
| 19. Totals (Lines 3 to 18) | | | 5,664 | 5,664 |
| 20. Taxes, licenses and fees: | | | | |
| 20.1 State and local insurance taxes deducting guaranty association credits of \$ 0 | | | | |
| 20.2 Insurance department licenses and fees | | | | |
| 20.3 Gross guaranty association assessments | | | | |
| 20.4 All other (excluding federal and foreign income and real estate) | | | | |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) | | | | |
| 21. Real estate expenses | | | | |
| 22. Real estate taxes | | | | |
| 23. Reimbursements by uninsured accident and health plans | | | | |
| 24. Aggregate write-ins for miscellaneous expenses | | | 613 | 613 |
| 25. Total expenses incurred | | | 6,277 (a) | 6,277 |
| 26. Less unpaid expenses-current year | | | | |
| 27. Add unpaid expenses-prior year | | | | |
| 28. Amounts receivable relating to uninsured accident and health plans, prior year | | | | |
| 29. Amounts receivable relating to uninsured accident and health plans, current year | | | | |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) | | | 6,277 | 6,277 |

| DETAILS OF WRITE-INS | | | | |
|---|--|--|-----|-----|
| 2401. Other expenses | | | 613 | 613 |
| 2402. | | | | |
| 2403. | | | | |
| 2498. Summary of remaining write-ins for Line 24 from overflow page | | | | |
| 2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above) | | | 613 | 613 |

(a) Includes management fees of \$ 6,277 to affiliates and \$ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 | 2 |
|---|--------------------------|-----------------------|
| | Collected During Year | Earned During Year |
| 1. U.S. Government bonds | (a) 483,037 | 503,135 |
| 1.1 Bonds exempt from U.S. tax | (a) | |
| 1.2 Other bonds (unaffiliated) | (a) 372,029 | 363,602 |
| 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) 34,105 | 35,134 |
| 7. Derivative instruments | (f) | |
| 8. Other invested assets | | |
| 9. Aggregate write-ins for investment income | (75) | (75) |
| 10. Total gross investment income | 889,096 | 901,796 |
| 11. Investment expenses | | (g) 6,277 |
| 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) | | 6,277 |
| 17. Net investment income (Line 10 minus Line 16) | | 895,519 |
| DETAILS OF WRITE-INS | | |
| 0901. Miscellaneous Income/(Expense) | (75) | (75) |
| 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) | (75) | (75) |
| 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 \$ 11,021 accrual of discount less \$ 26,944 amortization of premium and less \$ 4,703 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 depreciation on real estate and \$ 0 depreciation on other invested assets. | | |
| (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets. | | |

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 | 2 | 3 | 4 |
|--|--|----------------------------------|--|--------|
| | Realized Gain (Loss) On Sales or Maturity | Other Realized Adjustments | Increases (Decreases) by Adjustment | Total |
| 1. U.S. Government bonds | | | | |
| 1.1 Bonds exempt from U.S. tax | | | | |
| 1.2 Other bonds (unaffiliated) | 22,016 | | | 22,016 |
| 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) | 22,016 | | | 22,016 |
| 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) | | | | |

NONE Exhibit of Nonadmitted Assets

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

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

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

C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods for direct business and are based on reports received from ceding companies for reinsurance assumed. 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:

- Investment grade 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”).
- Investment grade bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
- The Company does not own common stocks.
- The Company does not own preferred stocks.
- The Company does not own mortgage loans.
- Mortgage-backed/asset backed securities are stated at amortized value. Prepayment assumptions for single class mortgage-backed/asset backed securities and multi-class securities were obtained from internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all single class mortgage-backed/asset-backed securities and multi-class securities. Non-investment grade mortgage-backed/asset backed securities are stated at the lower of amortized value or fair value.
- The Company has no subsidiary investments.
- The Company has no investments in joint ventures, partnerships or limited liability companies.
- The Company has no derivative instruments.
- Refer to Note 30.
- 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.
- The Company did not change its capitalization policy in 2005.

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

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 4- Discontinued Operations

The Company has no discontinued operations to report.

Note 5- Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company does not hold any mortgage loans as investments.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

1. The Company has 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 assumptions for single class and multi-class mortgages-backed/asset-backed securities were based upon 1-month historical constant prepayment rates.
3. The Company used IDSI, Bloomberg, and Lehman Index data in determining the market value of the vast majority of its loan-backed securities. A small number of securities are priced in other ways, such as contacting brokers.
4. 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.

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, 2005.

Note 8- Derivative Instruments

The Company was not a party to any derivative financial instruments during the year.

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, 2005 | December 31, 2004 | Change |
|-------------------------------------|-------------------|-------------------|--------|
| Total of gross deferred tax assets | 3,000 | 484 | 2,516 |
| Total of deferred tax liabilities | (12,000) | (60,484) | 48,484 |
| Net deferred tax asset | (9,000) | (60,000) | 51,000 |
| Net deferred tax asset non-admitted | 0 | 0 | 0 |
| Net admitted deferred tax asset | (9,000) | (60,000) | 51,000 |

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:

| | 2005 | 2004 |
|-----------------------------------|---------|---------|
| Federal tax on operations | 307,533 | 286,116 |
| Net operating loss benefit | 0 | 0 |
| Foreign tax on operations | 0 | 0 |
| Income tax incurred on operations | 307,533 | 286,116 |
| | | |
| Tax on capital gains | 7,705 | 0 |
| Total income tax incurred | 315,238 | 286,116 |

The Company’s deferred tax assets and liabilities result primarily from reversal of discount accretion on bonds.

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

| | 2005 |
|---|--------|
| Change in net deferred income tax (without unrealized gain or loss) | 51,000 |
| Tax effect of unrealized (gains) losses | 0 |
| Total change in net deferred income tax | 51,000 |

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of revisions to prior year estimates.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is 300,000 from the current year and none from the preceding year.

The Company had 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.

ALM Services, Inc.

Ambco Capital Corporation

America First Insurance Company

America First Lloyds Insurance Company

American Ambassador Casualty Company

Berkeley Holdings Company Associates, Inc.

Berkeley Management Corporation

Bridgefield Casualty Insurance Company

Bridgefield Employers Insurance Company

Capitol Agency, Inc. (Arizona corporation)

Capitol Agency, Inc. (Ohio corporation)

Capitol Agency, Inc. (Tennessee corporation)

Cascade Disability Management, Inc.

Colorado Casualty Insurance Company

Companies Agency Insurance Services of California

Companies Agency of Alabama, Inc.

Companies Agency of Georgia, Inc.

Companies Agency of Kentucky, Inc.

Companies Agency of Massachusetts, Inc.

Companies Agency of Michigan, Inc.

Companies Agency of New York, Inc.

Companies Agency of Pennsylvania, Inc.

Companies Agency of Phoenix, Inc.

Companies Agency, Inc.

Companies Annuity Agency of Texas, Inc.

Consolidated Insurance Company

Copley Venture Capital, Inc.

Countrywide Services Corporation

Diversified Settlements, Inc.

Employers Insurance Company of Wausau

Excelsior Insurance Company

First State Agency, Inc.

Florida State Agency, Inc.

Globe American Casualty Company

Golden Eagle Insurance Corporation

Gulf States AIF, Inc.

Hawkeye-Security Insurance Company

Helmsman Insurance Agency of Illinois, Inc.

Helmsman Insurance Agency of Texas, Inc.

Heritage-Summit Healthcare of Florida, Inc.

Indiana Insurance Company

LEXCO Limited

Liberty Assignment Corporation

Liberty Corporate Services, Inc.

Liberty Energy Corporation

Liberty Financial Services, Inc.

Liberty Hospitality Group, Inc.
- Liberty International Holdings, Inc.

Liberty Life Assurance Company of Boston

Liberty Life Holdings, Inc.

Liberty Lloyds of Texas Insurance Company

Liberty Management Services, Inc.

Liberty Massachusetts Trust

Liberty Mexico Holdings, Inc.

Liberty Mutual Capital Corporation (Boston)

Liberty Mutual Fire Insurance Company

Liberty Mutual Group Inc.

Liberty Mutual Holding Company, Inc.

Liberty Mutual Insurance Company

Liberty Mutual Managed Care, Inc.

Liberty Northwest Insurance Corporation

Liberty Personal Insurance Company

Liberty RE (Bermuda) Limited

Liberty Real Estate Corporation

Liberty Surplus Insurance Corporation

Liberty-USA Corporation

LIH-Re of America Corporation

LIH U.S. P&C Corporation

LIIA Insurance Agency, Inc.

LIU Specialty Agency, Inc.

LLS Insurance Agency of Nevada, Inc.

LM Insurance Corporation

LMHC Massachusetts Holding, Inc.

LRE Properties, Inc.

Mid-American Agency, Inc.

Mid-American Fire and Casualty Company

Missouri Agency, Inc.

North Pacific Insurance Company

Oregon Automobile Insurance Company

Peerless Indemnity Insurance Company

Peerless Insurance Company

LM Personal Insurance Company

LM General Insurance Company

LM Property and Casualty Insurance Company

San Diego Insurance Company

State Agency, Inc. (Indiana corporation)

State Agency, Inc. (Wisconsin corporation)

St. James Insurance Company

Summit Consulting, Inc.

Summit Consulting, Inc. of Louisiana

Summit Holding Southeast, Inc.

The First Liberty Insurance Corporation

The Midwestern Indemnity Company

The National Corporation

The Netherlands Insurance Company

NOTES TO FINANCIAL STATEMENTS

| | |
|---|---------------------------------------|
| Liberty Insurance Company of America | Wausau (Bermuda) Ltd. |
| Liberty Insurance Corporation | Wausau Business Insurance Company |
| Liberty Insurance Holdings, Inc. | Wausau General Insurance Company |
| Liberty Insurance Underwriters, Inc. | Wausau Holdings, Inc. |
| Liberty International Aberdeen, Inc. | Wausau Service Corporation |
| Liberty International Asia Pacific Holdings, Inc. | Wausau Underwriters Insurance Company |

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

Note 10- Information concerning Parent, Subsidiaries and Affiliates

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company a Massachusetts insurance company(the “Parent Company”). The ultimate parent of Liberty Mutual Insurance Company is Liberty Mutual Holding Company, a Massachusetts insurance company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. There have been no material transactions with the company’s affiliates during 2005.
- D. At December 31, 2005, the Company reported \$598,334 due from affiliates. In general, the terms of the intercompany 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. There is a “Service Agreement” between the Company and the Parent Company, under which the Parent Company provides the Company with services of personnel employed by the Parent Company, 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 the Parent Company.
- E. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- F. The Company does not own shares of an upstream company, either directly or indirectly.
- G. The Company has no investments in subsidiary, controlled or affiliated companies.
- H. Not applicable

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 an intercompany cost-sharing arrangement as described in note 10 F.

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

- 1. The Company has 10,000 shares authorized, issued, and outstanding as of December 31, 2005. All shares have a stated par value of \$100.
- 2. Preferred Stock

Not applicable
- 3. Dividend Restrictions

There are no dividend restrictions.
- 4. Stockholder dividend restrictions

The maximum amount of dividends which can be paid by Illinois-domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout that may be made without prior approval in 2006 is \$1,923,995.
- 5. The Company does not have restricted unassigned surplus.
- 6. The Company had no advances to surplus.
- 7. The Company did not hold stock for special purposes.

NOTES TO FINANCIAL STATEMENTS

8. The Company does not hold special surplus funds.
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

Note 14- Contingencies

- A. Contingent Commitments

The Company has no commitments or contingent commitments to affiliates or other entities as indicated in Note 10 E, the Company has made no guarantees on behalf of affiliates.
- 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.

As a result of an inter-company Reinsurance Agreement (see note 26), all guaranty fund and other assessments liabilities are ceded to Liberty Mutual Insurance Company.
- C. Gain Contingencies

Not applicable
- D. 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.

Note 15- Leases

- A. The Company is not involved in material lease obligations.
- B. Leasing as a significant part of lessor’s business activities

Not applicable

Note 16- Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

The Company is not exposed to financial instruments with off-balance sheet risk 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 during the year.
- B. Transfers and servicing of financial assets

The Company did not have any transfers and servicing of financial assets during the year.
- C. Wash Sales

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

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

- A. Administrative Services Only (ASO) Plans

Not applicable
- B. Administrative Services Contract (ASC) Plans

Not applicable

NOTES TO FINANCIAL STATEMENTS

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 – September 11 Events

As a result of the inter-company Reinsurance Agreement with Liberty Mutual Insurance Company (see Note 26), the Company has no exposure to losses arising from the September 11, 2001 World Trade Center disaster.

Note 21- Other Items

A. The Company has no extraordinary items to report.

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of \$1,597,726 and \$1,596,541 as of December 31, 2005 and 2004, respectively, were on deposit with government authorities or trustees as required by law.

D. As a result of an inter-company Reinsurance Agreement (see note 26), with Liberty Mutual Insurance Company, see Note 26, the Company has no exposure to uncollectible premium receivable balances.

E. Business Interruption Insurance Recoveries

The Company does not purchase Business Interruption coverage.

F. Additional Pension and Postretirement Disclosure Requirements

Refer to Note 12.

Note 22- Events Subsequent

There were no events subsequent to December 31, 2005 that would require disclosure.

Note 23- Reinsurance

A. Excluding amounts arising pursuant to the intercompany Reinsurance Agreement, as described in Note 26, there are no unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of policyholders surplus.

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

C. The Company has no unearned premium reserves for direct, assumed or ceded business.

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

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 no retroactive reinsurance.

G. There are no contracts recorded as deposit accounting.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Company does not have net accrued retrospective premiums.

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

As a result of the inter-company Reinsurance Agreement with Liberty Mutual Insurance Company (see Note 26), the Company has no exposure to changes in incurred losses and loss adjustment expenses.

NOTES TO FINANCIAL STATEMENTS

Note 26- Intercompany 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 | 66.5% | All Lines |
| Affiliated Pool Companies: | Employers Insurance Company of Wausau (EICOW) | 21458 | 16.00% | All Lines |
| | Liberty Mutual Fire Insurance Company (LMFIC) | 23035 | 10.00% | All Lines |
| | Liberty Insurance Corporation (LIC) | 42404 | 6.00% | All Lines |
| | Wausau Business Insurance Company (WBIC) | 26069 | 0.40% | All Lines |
| | Wausau General Insurance Company (WGIC) | 26425 | 0.40% | All Lines |
| | Wausau Underwriters Insurance Company (WUIC) | 26042 | 0.40% | All Lines |
| | LM Insurance Corporation (LM Ins Corp) | 33600 | 0.20% | All Lines |
| | The First Liberty Insurance Corporation (FLIC) | 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 |
| | | | 100.00% | |
| | | | | |
| 100% Quota Share Affiliated Companies: | Liberty Lloyd's of Texas Insurance Company (Lloyds) | 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 |
| | | | | |

Under the terms of the Reinsurance Agreement, 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 their 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 their 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.

Note 27- Structured Settlements

- A. As a result of the inter-company Reinsurance Agreement with Liberty Mutual Insurance Company (see Note 26), the Company has no exposure to contingent liabilities from the purchase of annuities.
- B. Not applicable

Note 28 - Health Care Receivables

Not applicable

Note 29 - Participating Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 30 – Premium Deficiency Reserves

As a result of the inter-company Reinsurance Agreement with Liberty Mutual Insurance Company (see Note 26), the Company has no exposure to liabilities related to premium deficiency reserves.

Note 31- High Dollar Deductible Policies

As a result of the inter-company Reinsurance Agreement with Liberty Mutual Insurance Company (see Note 26), the Company does not have any high dollar deductible policies.

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

Not applicable

Note 33 - Asbestos/Environmental Reserves

As a result of the inter-company Reinsurance Agreement with Liberty Mutual Insurance Company (see Note 26), the company has no exposure to asbestos and environmental claims.

Note 34- Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - 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 | 9,075,520 | 49.053 | 9,075,520 | 49.053 |
| 1.2 U.S. government agency obligations (excluding mortgage-backed securities): | | | | |
| 1.21 Issued by U.S. government agencies | | | | |
| 1.22 Issued by U.S. government sponsored agencies | | | | |
| 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 | 3,220,904 | 17.409 | 3,220,904 | 17.409 |
| 1.512 Issued or guaranteed by FNMA and FHLMC | 348,605 | 1.884 | 348,605 | 1.884 |
| 1.513 All other | | | | |
| 1.52 CMOs and REMICs: | | | | |
| 1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA | | | | |
| 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 | | | | |
| 1.523 All other | | | | |
| 2. Other debt and other fixed income securities (excluding short term): | | | | |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) | 5,021,389 | 27.141 | 5,021,389 | 27.141 |
| 2.2 Unaffiliated foreign securities | | | | |
| 2.3 Affiliated securities | | | | |
| 3. Equity interests: | | | | |
| 3.1 Investments in mutual funds | | | | |
| 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 | 772 | 0.004 | 772 | 0.004 |
| 8. Cash, cash equivalents and short-term investments | 834,248 | 4.509 | 834,248 | 4.509 |
| 9. Other invested assets | | | | |
| 10. Total invested assets | 18,501,438 | 100.000 | 18,501,438 | 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 ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

1.3

State Regulating?

Illinois

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

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.

12/31/1999

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).

11/15/2001

3.4

By what department or departments? Illinois Department of Financial and Professional Regulation Division 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 ☒

4.12

renewals?

Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

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

| | | |
|----------------|-------------------|-------------------|
| 1 | 2 | 3 |
| Name of Entity | NAIC Company Code | 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? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement.)

Yes ☐ No ☒

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 ☒

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 | 2 |
| Nationality | Type of Entity |
| | |
| | |

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ☐ No ☒

8.2

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

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes ☐ No ☒

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

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 Ins. Co.

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

Yes ☐ No ☒

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 ☒

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

Yes ☐ No ☒

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

Yes ☐ No ☐ N/A ☒

BOARD OF DIRECTORS

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

Yes ☒ No ☐

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

Yes ☒ No ☐

15. 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 [officer's] duties of such person?

No ☒

FINANCIAL

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

16.11 To directors or other officers

16.12 To stockholders not officers

16.13 Trustees, supreme or grand (Fraternal only)

16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers

16.22 To stockholders not officers

16.23 Trustees, supreme or grand (Fraternal only)

17.1 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 ☒

17.2 If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others

17.22 Borrowed from others

17.23 Leased from others

17.24 Other

18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes ☐ No ☒

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

\$

1 6 . 1

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

18.22 Amount paid as expenses

18.23 Other amounts paid

\$

\$

19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []

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

\$

INVESTMENT

20.1 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 []

20.2 If no, give full and complete information, relating thereto

21.1 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, except as shown on Schedule E - Part 3 - Special Deposits, 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 17.1).

Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others

21.22 Subject to repurchase agreements

21.23 Subject to reverse repurchase agreements

21.24 Subject to dollar repurchase agreements

21.25 Subject to reverse dollar repurchase agreements

21.26 Pledged as collateral

21.27 Placed under option agreements

21.28 Letter stock or securities restricted as to sale

21.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

21.3 For category (21.28) provide the following:

| 1 | 2 | 3 |
|-----------------------|-------------|--------|
| Nature of Restriction | Description | Amount |
| | | |
| | | |

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

22.2 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.

23.1 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]

23.2 If yes, state the amount thereof at December 31 of the current year.

\$

24. 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 Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No []

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

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

24.02 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 | 2 | 3 |
|---------|-------------|-------------------------|
| Name(s) | Location(s) | Complete Explanation(s) |
| | | |
| | | |

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [] No [X]

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

| 1 | 2 | 3 | 4 |
|---------------|---------------|----------------|--------|
| Old Custodian | New Custodian | Date of Change | Reason |
| | | | |
| | | | |

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

24.05 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 |
|---|-----------|--------------|
| | | |
| | | |
| | | |

25.1 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 [☒]

25.2 If yes, complete the following schedule:

| 1 CUSIP# | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|-------------|--------------------------|--------------------------------------|
| | | |
| | | |
| | | |
| | | |
| 25.2999 | Total | |

25.3 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 |
|--|--|---|---------------------------|
| | | | |
| | | | |
| | | | |

26. 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 (+) |
|-----------------------|------------------------------------|-----------------|---|
| 26.1 Bonds | 18,500,666 | 18,645,385 | 144,719 |
| 26.2 Preferred stocks | | | |
| 26.3 Totals | 18,500,666 | 18,645,385 | 144,719 |

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

27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securittes Valuation Office been followed? Yes [☒] No [☐]

27.2 If no, list exceptions:

OTHER

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

28.2 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 |
|-----------|------------------|
| | \$ |
| | \$ |
| | \$ |

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

29.2 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 |
|-----------|------------------|
| | \$ |
| | \$ |
| | \$ |

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$
- 30.2 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.

\$

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

\$

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.

\$

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$

1.62 Total incurred claims

\$

1.63 Number of covered lives

\$

All years prior to most current three years:

1.64 Total premium earned

\$

1.65 Total incurred claims

\$

1.66 Number of covered lives

\$

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$

1.72 Total incurred claims

\$

1.73 Number of covered lives

\$

All years prior to most current three years:

1.74 Total premium earned

\$

1.75 Total incurred claims

\$

1.76 Number of covered lives

\$

2. Health Test:

1

2

Current Year

Prior Year

2.1 Premium Numerator

\$

\$

2.2 Premium Denominator

\$

\$

2.3 Premium Ratio (2.1/2.2)

2.4 Reserve Numerator

\$

\$

2.5 Reserve Denominator

\$

\$

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

\$

3.22 Non-participating policies

\$

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?

%

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

\$

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

17

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: The Company has a 100% Quota share agreement with Liberty Mutual Insurance Company

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: For its North American exposures, the company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v5.0 from RMS and AIR Classic/2 v 7.0 from AIR. For WC, Liberty Mutual utilizes Risk Link v5.0 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? The Company has a 100% Quota share agreement with Liberty Mutual Insurance Company.

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.

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 3% 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 3% 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) An unconditional or unilateral right by either party to commute the reinsurance contract 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), 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.

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 Interrogatroy 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 ☒

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.

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

YES ☐ NO ☐ N/A ☒

11.1

Has the reporting entity guaranteed policies issued by any other entity and now in force:

YES ☐ NO ☒

11.2

If yes, give full information

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

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

\$

12.12

Unpaid underwriting expenses (including loss adjustment expenses)

\$

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?

\$

12.3

If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

YES [] NO [] N/A [X]

12.4

If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41

From

%

12.42

To

%

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 [] NO [X]

12.6

If yes, state the amount thereof at December 31 of current year:

12.61

Letters of Credit

\$

12.62

Collateral and other funds

\$

13.1

What amount of installment notes is owned and now held by the reporting entity?

\$

13.2

Have any of these notes been hypothecated, sold or used in any manner as security for money loaned within the past year?

YES [] NO [X]

13.3

If yes, what amount?

\$

14.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$

14.2

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 []

14.3

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

15.1

Is the company a cedant in a multiple cedant reinsurance contract?

YES [X] NO []

15.2

If yes, please describe the method of allocating and recording reinsurance among the cedants: Neither premiums nor recoverables were allocated to reporting entity.

15.3

If the answer to 15.1 is yes, are the methods described in item 15.2 entirely contained in the respective multiple cedant reinsurance contracts?

YES [] NO [X]

15.4

If the answer to 15.3 is no, are all the methods described in 15.2 entirely contained in written agreements?

YES [] NO [X]

15.5

If the answer to 15.4 is no, please explain: Neither premiums nor recoverables were allocated to reporting entity.

16.1

Has the reporting entity guaranteed any financed premium accounts?

YES [] NO [X]

16.2

If yes, give full information

17.1

Does the reporting entity write any warranty business?

YES [] NO [X]

If yes, disclose the following information for each of the following types of warranty coverage:

| | 1 | 2 | 3 | 4 | 5 |
|------------------|------------------------|----------------------|------------------------|-------------------------|-----------------------|
| | Direct Losses Incurred | Direct Losses Unpaid | Direct Written Premium | Direct Premium Unearned | Direct Premium Earned |
| 17.11 Home | \$ | \$ | \$ | \$ | \$ |
| 17.12 Products | \$ | \$ | \$ | \$ | \$ |
| 17.13 Automobile | \$ | \$ | \$ | \$ | \$ |
| 17.14 Other* | \$ | \$ | \$ | \$ | \$ |

* Disclose type of coverage:

GENERAL INTERROGATORIES

(Continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

18.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5.

Incurred but not reported losses on contracts not in force on July 1, 1984 or subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

18.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5

18.12 Unfunded portion of Interrogatory 18.11

18.13 Paid losses and loss adjustment expenses portion of Interrogatory 18.11

18.14 Case reserves portion of Interrogatory 18.11

18.15 Incurred but not reported portion of Interrogatory 18.11

18.16 Unearned premium portion of Interrogatory 18.11

18.17 Contingent commission portion of Interrogatory 18.11

YES [] NO [X]

\$

\$

\$

\$

\$

\$

\$

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

18.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5

18.19 Unfunded portion of Interrogatory 18.18

18.20 Paid losses and loss adjustment expenses portion of Interrogatory 18.18

18.21 Case reserves portion of Interrogatory 18.18

18.22 Incurred but not reported portion of Interrogatory 18.18

18.23 Unearned premium portion of Interrogatory 18.18

18.24 Contingent commission portion of Interrogatory 18.18

\$

\$

\$

\$

\$

\$

\$

FIVE-YEAR HISTORICAL DATA

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

| | 1 2005 | 2 2004 | 3 2003 | 4 2002 | 5 2001 |
|---|------------|-------------|-------------|------------|------------|
| 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) | 299,428 | 132,276,540 | 110,291,574 | 97,664,944 | 95,774,506 |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) | | | | | |
| 5. Nonproportional reinsurance lines (Lines 30, 31 & 32) | | | | | |
| 6. Total (Line 34) | 299,428 | 132,276,540 | 110,291,574 | 97,664,944 | 95,774,506 |
| 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) | | | | | |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) | | | | | |
| 11. Nonproportional reinsurance lines (Lines 30, 31 & 32) | | | | | |
| 12. Total (Line 34) | | | | | |
| Statement of Income (Page 4) | | | | | |
| 13. Net underwriting gain (loss) (Line 8) | | | | | |
| 14. Net investment gain (loss) (Line 11) | 909,829 | 868,238 | 956,316 | 1,218,273 | 997,082 |
| 15. Total other income (Line 15) | | | | | |
| 16. Dividends to policyholders (Line 17) | | | | | |
| 17. Federal and foreign income taxes incurred (Line 19) | 307,533 | 286,117 | 13,305 | 426,300 | 352,290 |
| 18. Net income (Line 20) | 602,296 | 582,121 | 943,011 | 791,973 | 644,792 |
| Balance Sheet Lines (Pages 2 and 3) | | | | | |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3) | 19,332,937 | 18,768,911 | 18,209,851 | 17,301,985 | 16,390,133 |
| 20. Premiums and considerations (Page 2, Col. 3) | | | | | |
| 20.1 In course of collection (Line 13.1) | | | | | |
| 20.2 Deferred and not yet due (Line 13.2) | | | | | |
| 20.3 Accrued retrospective premiums (Line 13.3) | | | | | |
| 21. Total liabilities excluding protected cell business (Page 3, Line 24) | 92,991 | 185,976 | 178,780 | 251,228 | 170,074 |
| 22. Losses (Page 3, Lines 1 and 2) | | | | | |
| 23. Loss adjustment expenses (Page 3, Line 3) | | | | | |
| 24. Unearned premiums (Page 3, Line 9) | | | | | |
| 25. Capital paid up (Page 3, Lines 28 & 29) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| 26. Surplus as regards policyholders (Page 3, Line 35) | 19,239,946 | 18,582,935 | 18,031,071 | 17,050,757 | 16,220,057 |
| Risk-Based Capital Analysis | | | | | |
| 27. Total adjusted capital | 19,239,946 | 18,582,935 | 18,031,071 | 17,050,757 | 16,220,057 |
| 28. Authorized control level risk-based capital | 52,373 | 53,889 | 54,386 | 66,801 | 81,740 |
| 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 | | | | | |
| 29. Bonds (Line 1) | 95.5 | 96.6 | 86.4 | 68.2 | 75.8 |
| 30. Stocks (Lines 2.1 & 2.2) | | | | | |
| 31. Mortgage loans on real estate (Lines 3.1 and 3.2) | | | | | |
| 32. Real estate (Lines 4.1, 4.2 & 4.3) | | | | | |
| 33. Cash, cash equivalents and short-term investments (Line 5) | 4.5 | 3.4 | 13.6 | 31.8 | 24.2 |
| 34. Contract loans (Line 6) | | | | XXX | XXX |
| 35. Other invested assets (Line 7) | | | | | |
| 36. Receivables for securities (Line 8) | | | | | |
| 37. Aggregate write-ins for invested assets (Line 9) | | | | | |
| 38. Cash, cash equivalents and invested assets (Line 10) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 39. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1) | | | | | |
| 40. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1) | | | | | |
| 41. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 2) | | | | | |
| 42. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 11) | | | | | |
| 43. Affiliated mortgage loans on real estate | | | | | |
| 44. All other affiliated | | | | | |
| 45. Total of above Lines 39 to 44 | | | | | |
| 46. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 45 above divided by Page 3, Col. 1, Line 35 x 100.0) | | | | | |

FIVE-YEAR HISTORICAL DATA

(Continued)

| | 1 2005 | 2 2004 | 3 2003 | 4 2002 | 5 2001 |
|--|-------------|-------------|-------------|-------------|------------|
| Capital and Surplus Accounts (Page 4) | | | | | |
| 47. Net unrealized capital gains (losses) (Line 24) | | | | | |
| 48. Dividends to stockholders (Line 35) | | | | | |
| 49. Change in surplus as regards policyholders for the year (Line 38) | 657,009 | 551,864 | 980,314 | 830,700 | 542,381 |
| Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2) | | | | | |
| 50. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | 118,895,006 | 115,158,156 | 122,887,396 | 101,701,212 | 89,766,990 |
| 51. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 52. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 53. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) | | | | | |
| 54. Nonproportional reinsurance lines (Lines 30, 31 & 32) | | | | | |
| 55. Total (Line 34) | 118,895,006 | 115,158,156 | 122,887,396 | 101,701,212 | 89,766,990 |
| Net Losses Paid (Page 9, Part 2, Col. 4) | | | | | |
| 56. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) | | | | | |
| 57. Property lines (Lines 1, 2, 9, 12, 21 & 26) | | | | | |
| 58. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) | | | | | |
| 59. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33) | | | | | |
| 60. Nonproportional reinsurance lines (Lines 30, 31 & 32) | | | | | |
| 61. Total (Line 34) | | | | | |
| Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0 | | | | | |
| 62. Premiums earned (Line 1) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 63. Losses incurred (Line 2) | | | | | |
| 64. Loss expenses incurred (Line 3) | | | | | |
| 65. Other underwriting expenses incurred (Line 4) | | | | 100.0 | |
| 66. Net underwriting gain (loss) (Line 8) | | | | | |
| Other Percentages | | | | | |
| 67. 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) | | | | | |
| 68. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) | | | | | |
| 69. 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) | | | | | |
| One Year Loss Development (000 omitted) | | | | | |
| 70. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11) | | | | | |
| 71. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 70 above divided by Page 4, Line 21, Col. 1 x 100.0) | | | | | |
| Two Year Loss Development (000 omitted) | | | | | |
| 72. 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) | | | | | |
| 73. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 72 above divided by Page 4, Line 21, Col. 2 x 100.0) | | | | | |

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 | 12,296,424 | 12,260,385 | 12,324,888 | 12,075,920 |
| | 2. Canada | | | | |
| | 3. Other Countries | | | | |
| | 4. Totals | 12,296,424 | 12,260,385 | 12,324,888 | 12,075,920 |
| 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 | 348,605 | 358,752 | 348,675 | 349,284 |
| | 14. Canada | | | | |
| | 15. Other Countries | | | | |
| | 16. Totals | 348,605 | 358,752 | 348,675 | 349,284 |
| Public Utilities (unaffiliated) | 17. United States | | | | |
| | 18. Canada | | | | |
| | 19. Other Countries | | | | |
| | 20. Totals | | | | |
| Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated) | 21. United States | 5,021,389 | 5,192,000 | 5,031,540 | 5,000,000 |
| | 22. Canada | | | | |
| | 23. Other Countries | | | | |
| | 24. Totals | 5,021,389 | 5,192,000 | 5,031,540 | 5,000,000 |
| Parent, Subsidiaries and Affiliates | 25. Totals | | | | |
| | 26. Total Bonds | 17,666,418 | 17,811,137 | 17,705,103 | 17,425,204 |
| 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 | 17,666,418 | 17,811,137 | 17,705,103 | |

SCHEDULE D - VERIFICATION BETWEEN YEARS
Bonds and Stocks

| | | | |
|--|------------|--|------------|
| 1. Book/adjusted carrying value of bonds and stocks, prior year | 17,605,856 | 7. Amortization of premium | 26,944 |
| 2. Cost of bonds and stocks acquired, Column 7, Part 3 | 1,849,763 | 8. Foreign Exchange Adjustment: | |
| 3. Accrual of discount | 11,021 | 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 | 17,666,418 |
| 4.4 Column 11 - 13, Part 4 | | 10. Total valuation allowance | |
| 5. Total gain (loss), Column 19, Part 4 | 22,016 | 11. Subtotal (Lines 9 plus 10) | 17,666,418 |
| 6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 | 1,795,294 | 12. Total nonadmitted amounts | |
| | | 13. Statement value of bonds and stocks, current period | 17,666,418 |

SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P-PART 1-SUMMARY
(\$000 omitted)

| Years in Which Premiums Were Earned and Losses Were Incurred | | Premiums Earned | | | Loss and Loss Expense Payments | | | | | | | | 12 |
|--|---------|-------------------|--------------------|---------|--------------------------------|-------|---------------------------------------|-------|----------------------------------|--|----|-------|--|
| | | 1 | 2 | 3 | Loss Payments | | Defense and Cost Containment Payments | | Adjusting and Other Payments | | 10 | 11 | Number of Claims Reported - Direct and Assumed |
| | | | | | 4 | 5 | 6 | 7 | 8 | 9 | | | |
| | | | | | | | | | | | | | |
| Direct and Assumed | Ceded | Net (Cols. 1 - 2) | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Salvage and Subrogation Received | Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9) | | | |
| 1. Prior | X X X | X X X | X X X | | | | | | | | | X X X | |
| 2. 1996 | | | | | | | | | | | | X X X | |
| 3. 1997 | 16,480 | 16,480 | | 23,647 | 23,647 | | | 763 | 763 | | | X X X | |
| 4. 1998 | 65,146 | 65,146 | | 97,442 | 97,442 | | | 2,754 | 2,754 | | | X X X | |
| 5. 1999 | 59,733 | 59,733 | | 107,630 | 107,630 | | | 1,652 | 1,652 | | | X X X | |
| 6. 2000 | 66,802 | 66,802 | | 76,497 | 76,497 | | | 309 | 309 | | | X X X | |
| 7. 2001 | 92,034 | 92,034 | | 130,214 | 130,214 | | | 1,031 | 1,031 | | | X X X | |
| 8. 2002 | 94,006 | 94,006 | | 96,425 | 96,425 | | | 135 | 135 | | | X X X | |
| 9. 2003 | 105,526 | 105,526 | | 72,318 | 72,318 | | | 162 | 162 | | | X X X | |
| 10. 2004 | 125,778 | 125,778 | | 16,196 | 16,196 | | | 403 | 403 | | | X X X | |
| 11. 2005 | 36,045 | 36,045 | | 14,591 | 14,591 | | | | | | | X X X | |
| 12. Totals | X X X | X X X | X X X | 634,960 | 634,960 | | | 7,209 | 7,209 | | | X X X | |

| | Losses Unpaid | | | | Defense and Cost Containment Unpaid | | | | Adjusting and Other Unpaid | | 23 | 24 | 25 |
|------------|--------------------|--------|--------------------|---------|-------------------------------------|-------|--------------------|--------|----------------------------|----|----|----|-------|
| | Case Basis | | Bulk + IBNR | | Case Basis | | Bulk + IBNR | | 21 | 22 | | | |
| | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | | | | | |
| | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | Direct and Assumed | Ceded | | | | | |
| 1. Prior | | | 4,228 | 4,228 | | | 5,924 | 5,924 | | | | | X X X |
| 2. 1996 | | | | | | | | | | | | | X X X |
| 3. 1997 | 1,670 | 1,670 | | | | | | | | | | | X X X |
| 4. 1998 | 5,780 | 5,780 | | | | | | | | | | | X X X |
| 5. 1999 | 12,254 | 12,254 | | | | | | | | | | | X X X |
| 6. 2000 | 7,615 | 7,615 | | | | | | | | | | | X X X |
| 7. 2001 | 10,260 | 10,260 | (1,202) | (1,202) | | | 5,506 | 5,506 | | | | | X X X |
| 8. 2002 | 10,755 | 10,755 | (1,819) | (1,819) | | | 2,422 | 2,422 | | | | | X X X |
| 9. 2003 | 7,081 | 7,081 | 44,437 | 44,437 | | | 9,686 | 9,686 | | | | | X X X |
| 10. 2004 | 8,604 | 8,604 | 111,656 | 111,656 | | | 11,766 | 11,766 | | | | | X X X |
| 11. 2005 | 409 | 409 | 21,461 | 21,461 | | | 1,356 | 1,356 | | | | | X X X |
| 12. Totals | 64,428 | 64,428 | 178,761 | 178,761 | | | 36,660 | 36,660 | | | | | X X X |

| | Total Losses and Loss Expenses Incurred | | | Loss and Loss Expense Percentage (Incurred / Premiums Earned) | | | Nontabular Discount | | 34 | Net Balance Sheet Reserves After Discount | |
|------------|--|---------|-------|--|---------|-------|---------------------|-----------------|---|--|----------------------------|
| | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | Inter-Company Pooling Participation Percentage | 35 | 36 |
| | Direct and Assumed | Ceded | Net | Direct and Assumed | Ceded | Net | Loss | Loss Expense | | Losses Unpaid | 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 | | |
| 2. 1996 | | | | | | | | | | | |
| 3. 1997 | 26,080 | 26,080 | | 158,252 | 158,252 | | | | | | |
| 4. 1998 | 105,976 | 105,976 | | 162,675 | 162,675 | | | | | | |
| 5. 1999 | 121,536 | 121,536 | | 203,465 | 203,465 | | | | | | |
| 6. 2000 | 84,421 | 84,421 | | 126,375 | 126,375 | | | | | | |
| 7. 2001 | 145,809 | 145,809 | | 158,429 | 158,429 | | | | | | |
| 8. 2002 | 107,918 | 107,918 | | 114,799 | 114,799 | | | | | | |
| 9. 2003 | 133,684 | 133,684 | | 126,683 | 126,683 | | | | | | |
| 10. 2004 | 148,625 | 148,625 | | 118,165 | 118,165 | | | | | | |
| 11. 2005 | 37,817 | 37,817 | | 104,916 | 104,916 | | | | | | |
| 12. Totals | X X X | X X X | X X X | X X X | X X X | X X X | | | X X X | | |

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.

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

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 | NO | | | | | | | |
| 2. Alaska | AK | NO | | | | | | | |
| 3. Arizona | AZ | NO | | | | | | | |
| 4. Arkansas | AR | NO | | | | | | | |
| 5. California | CA | NO | | | | | | | |
| 6. Colorado | CO | NO | | | | | | | |
| 7. Connecticut | CT | NO | | | | | | | |
| 8. Delaware | DE | NO | | | | | | | |
| 9. Dist. Columbia | DC | NO | | | | | | | |
| 10. Florida | FL | NO | | | | | | | |
| 11. Georgia | GA | NO | | | | | | | |
| 12. Hawaii | HI | NO | | | | | | | |
| 13. Idaho | ID | NO | | | | | | | |
| 14. Illinois | IL | YES | 299,428 | 36,045,241 | 118,895,006 | 23,610,527 | 243,189,385 | | |
| 15. Indiana | IN | NO | | | | | | | |
| 16. Iowa | IA | NO | | | | | | | |
| 17. Kansas | KS | NO | | | | | | | |
| 18. Kentucky | KY | NO | | | | | | | |
| 19. Louisiana | LA | NO | | | | | | | |
| 20. Maine | ME | NO | | | | | | | |
| 21. Maryland | MD | NO | | | | | | | |
| 22. Massachusetts | MA | NO | | | | | | | |
| 23. Michigan | MI | NO | | | | | | | |
| 24. Minnesota | MN | NO | | | | | | | |
| 25. Mississippi | MS | NO | | | | | | | |
| 26. Missouri | MO | NO | | | | | | | |
| 27. Montana | MT | NO | | | | | | | |
| 28. Nebraska | NE | NO | | | | | | | |
| 29. Nevada | NV | NO | | | | | | | |
| 30. New Hampshire | NH | NO | | | | | | | |
| 31. New Jersey | NJ | NO | | | | | | | |
| 32. New Mexico | NM | NO | | | | | | | |
| 33. New York | NY | NO | | | | | | | |
| 34. No. Carolina | NC | NO | | | | | | | |
| 35. No. Dakota | ND | NO | | | | | | | |
| 36. Ohio | OH | NO | | | | | | | |
| 37. Oklahoma | OK | NO | | | | | | | |
| 38. Oregon | OR | NO | | | | | | | |
| 39. Pennsylvania | PA | NO | | | | | | | |
| 40. Rhode Island | RI | NO | | | | | | | |
| 41. So. Carolina | SC | NO | | | | | | | |
| 42. So. Dakota | SD | NO | | | | | | | |
| 43. Tennessee | TN | NO | | | | | | | |
| 44. Texas | TX | NO | | | | | | | |
| 45. Utah | UT | NO | | | | | | | |
| 46. Vermont | VT | NO | | | | | | | |
| 47. Virginia | VA | NO | | | | | | | |
| 48. Washington | WA | NO | | | | | | | |
| 49. West Virginia | WV | NO | | | | | | | |
| 50. Wisconsin | WI | NO | | | | | | | |
| 51. Wyoming | WY | NO | | | | | | | |
| 52. American Samoa | AS | NO | | | | | | | |
| 53. Guam | GU | NO | | | | | | | |
| 54. Puerto Rico | PR | NO | | | | | | | |
| 55. U.S. Virgin Islands | VI | NO | | | | | | | |
| 56. Canada | CN | NO | | | | | | | |
| 57. Aggregate other alien | OT | X X X | | | | | | | |
| 58. Totals | (a) 1 | 299,428 | 36,045,241 | | 118,895,006 | 23,610,527 | 243,189,385 | | |

| DETAILS OF WRITE-INS | | | | | | | | | |
|---|-------|--|--|--|--|--|--|--|--|
| 5701. | X X X | | | | | | | | |
| 5702. | X X X | | | | | | | | |
| 5703. | X X X | | | | | | | | |
| 5798. Summary of remaining write-ins for Line 57 from overflow page | X X X | | | | | | | | |
| 5799. Totals (Lines 5701 through 5703 + 5798) (Line 57 above) | X X X | | | | | | | | |

| Explanation of basis of allocation of premiums by states, etc. | |
|--|---|
| *Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery | |
| *States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation | *Location of Court - Surety |
| *Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage | *Address of Assured - Other Accident and Health |
| *Principal Location of business or location of coverage - Liability other than Auto, Fidelity | *Location of Properties covered - Burglary and Theft |
| *Point of origin of shipment or principal location of assured - Inland Marine | *Principal Location of Assured - Ocean Marine, Credit |
| *State in which employees regularly work - Group Accident and Health | *Primary residence of Assured - Aircraft (all perils) |

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

