ANNUAL STATEMENT

OF THE

AMERICAN FIRE AND CASUALTY COMPANY

of FAIRFIELD

in the state of OHIO

TO THE

Insurance Department

OF THE

FOR THE YEAR ENDED

December 31, 2011

PROPERTY AND CASUALTY

2011

24066201120100100

ANNUAL STATEMENT

For the Year Ended December 31, 2011

OF THE CONDITION AND AFFAIRS OF THE

American Fire and Casualty Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) **NAIC Company Code** 24066 **Employer's ID Number** 59-0141790

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

Country of Domicile United States of America

Incorporated/Organized January 1, 1906 **Commenced Business** January 3, 1933

Statutory Home Office 9450 Seward Road (Street and Number) , Fairfield, OH 45014 (City or Town, State and Zip Code)

Main Administrative Office 175 Berkeley Street (Street and Number)

Boston, MA 02116 (City or Town, State and Zip Code) 617-357-9500 (Area Code) (Telephone Number)

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

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

Internet Web Site Address www.lmac.com

Statutory Statement Contact Pamela Heenan (Name) 617-357-9500 x44689 (Area Code) (Telephone Number) (Extension)

Statutory.Compliance@LibertyMutual.com (E-Mail Address) 617-574-5955 (Fax Number)

OFFICERS

Chairman of the Board

James Paul Condrin, III #

	Name	Title
1.	James Paul Condrin, III #	President and Chief Executive Officer
2.	Dexter Robert Legg	Secretary
3.	James Paul McKenney #	Treasurer and Chief Financial Officer

VICE-PRESIDENTS

Name	Title	Name	Title
Anthony Alexander Fontanes	EVP and Chief Investment Officer	Michael Joseph Fallon #	Executive Vice President

DIRECTORS OR TRUSTEES

James Paul Condrin, III #	John Derek Doyle	Michael Joseph Fallon	Dexter Robert Legg #
Christopher Charles Mansfield	James Paul McKenney #		

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)
James Paul Condrin, III #	Dexter Robert Legg	James Paul McKenney #
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and Chief Executive Officer	Secretary	Treasurer and Chief Financial Officer
(Title)	(Title)	(Title)

Subscribed and sworn to (or affirmed) before me on this 23rd day of January , 2012, by

a. Is this an original filing? [X] Yes [ ] No

b. If no: 1. State the amendment number

2. Date filed

3. Number of pages attached

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	120,609,853		120,609,853	116,414,426
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 ($ 4,393,879, Schedule DA)	4,393,879		4,393,879	7,782,658
6. Contract loans (including $ 0 premium notes)				
7. Derivatives (Schedule DB)				
8. Other invested assets (Schedule BA)				
9. Receivables for securities	1,020,000		1,020,000	
10. Securities lending reinvested collateral assets (Schedule DL)	1,530,020		1,530,020	2,875,648
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	127,553,752		127,553,752	127,072,732
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,108,780		1,108,780	1,055,412
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,714,947	310,641	2,404,306	2,153,867
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 37,583 earned but unbilled premiums)	18,096,449	3,758	18,092,691	17,322,522
15.3 Accrued retrospective premiums	30,781	3,075	27,706	54,965
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	9,966,619		9,966,619	10,588,803
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				1,320,813
18.2 Net deferred tax asset	4,338,000	965,604	3,372,396	3,242,042
19. Guaranty funds receivable or on deposit	72,140		72,140	101,381
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets ($ 0)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	10,326,705		10,326,705	9,580,451
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	585,527	72,520	513,007	525,688
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	174,793,700	1,355,598	173,438,102	173,018,676
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	174,793,700	1,355,598	173,438,102	173,018,676

DETAILS OF WRITE-IN LINES				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Cash Surrender Value Life Insurance	354,376		354,376	348,797
2502. Equities and deposits in pools and associations	157,171		157,171	158,718
2503. Other assets	73,980	72,520	1,460	18,173
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	585,527	72,520	513,007	525,688

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	54,086,229	53,583,274
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	4,037,077	3,595,299
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	11,959,430	11,959,061
4.	Commissions payable, contingent commissions and other similar charges	1,683,922	1,618,419
5.	Other expenses (excluding taxes, licenses and fees)	942,855	473,665
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	445,161	541,243
7.1	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))	147,785	
7.2	Net deferred tax liability		
8.	Borrowed money $ 0 and interest thereon $ 0		
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 69,133,206 and including warranty reserves of $ 0 and accrued accident and healthexperience rating refunds including $ 0 for medical loss ratio rebate per the Public Health Service Act)	30,234,732	29,118,946
10.	Advance premium	206,385	197,359
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders	8,279	5,624
12.	Ceded reinsurance premiums payable (net of ceding commissions)	10,639,517	10,186,100
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	59,853	36,419
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	2,136,444	1,963,969
19.	Payable to parent, subsidiaries and affiliates	9,450,797	11,479,911
20.	Derivatives		
21.	Payable for securities		
22.	Payable for securities lending	1,530,020	2,875,648
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	996,858	1,027,752
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	128,565,344	128,662,689
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	128,565,344	128,662,689
29.	Aggregate write-ins for special surplus funds	611,090	701,392
30.	Common capital stock	3,500,001	3,500,001
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	13,648,270	13,648,270
35.	Unassigned funds (surplus)	27,113,397	26,506,324
36.	Less treasury stock, at cost:		
	36.1 0 shares common (value included in Line 30 $ 0)		
	36.2 0 shares preferred (value included in Line 31 $ 0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	44,872,758	44,355,987
38.	Totals (Page 2, Line 28, Col. 3)	173,438,102	173,018,676

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	532,230	572,406
2502.	Other liabilities	432,308	311,315
2503.	Amounts held under uninsured plans	32,320	64,565
2598.	Summary of remaining write-ins for Line 25 from overflow page		79,466
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	996,858	1,027,752
2901.	SSAP 10R incremental change	484,955	571,618
2902.	Special surplus from retroactive reinsurance	126,135	129,774
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	611,090	701,392
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	62,827,443	61,885,080
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	38,870,113	34,674,826
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	7,590,028	7,305,613
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	20,255,411	20,797,335
5.	Aggregate write-ins for underwriting deductions	(6,422)	(3,385)
6.	Total underwriting deductions (Lines 2 through 5)	66,709,130	62,774,389
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(3,881,687)	(889,309)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	4,199,579	4,734,346
10.	Net realized capital gains (losses) less capital gains tax of $ 0 (Exhibit of Capital Gains (Losses))		
11.	Net investment gain (loss) (Lines 9 + 10)	4,199,579	4,734,346
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 2,225 amount charged off $ 142,654)	(140,429)	(260,034)
13.	Finance and service charges not included in premiums	530,450	546,079
14.	Aggregate write-ins for miscellaneous income	(142,891)	(777,243)
15.	Total other income (Lines 12 through 14)	247,130	(491,198)
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	565,022	3,353,839
17.	Dividends to policyholders	126,170	(21,146)
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)	438,852	3,374,985
19.	Federal and foreign income taxes incurred	58,000	734,750
20.	Net income (Line 18 minus Line 19) (to Line 22)	380,852	2,640,235
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	44,355,987	41,833,061
22.	Net income (from Line 20)	380,852	2,640,235
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 0		17,258
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	1,070,820	(412,798)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Col. 3)	(896,317)	344,811
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	48,079	
32.	Capital changes:		
	32.1 Paid in		125,958
	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 36.1 and 36.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	(86,663)	(192,538)
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	516,771	2,522,926
39.	Surplus as regards policyholders, December 31 current year (Lines 21 plus Line 38) (Page 3, Line 37)	44,872,758	44,355,987

	DETAILS OF WRITE-IN LINES		
0501.	Private passenger auto escrow	(6,422)	(3,385)
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 05 from overflow page		
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 05 above)	(6,422)	(3,385)
1401.	Retroactive reinsurance gain/(loss)	(12,808)	(766,367)
1402.	Other income/(expense)	(130,083)	(10,876)
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(142,891)	(777,243)
3701.	Other changes in surplus		(36,481)
3702.	SSAP 10R incremental change	(86,663)	(156,057)
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(86,663)	(192,538)

CASH FLOW

		1	2
	Cash from Operations	Current Year	Prior Year
1.	Premiums collected net of reinsurance	63,375,918	61,834,731
2.	Net investment income	4,793,792	5,113,964
3.	Miscellaneous income	246,282	(810,497)
4.	Total (Lines 1 through 3)	68,415,992	66,138,198
5.	Benefit and loss related payments	37,130,724	40,137,071
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	27,358,379	30,961,269
8.	Dividends paid to policyholders	123,515	24,170
9.	Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	(1,410,598)	2,951,887
10.	Total (Lines 5 through 9)	63,202,020	74,074,397
11.	Net cash from operations (Line 4 minus Line 10)	5,213,972	(7,936,199)
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	20,442,682	24,235,708
12.2	Stocks		1,250,000
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets	11,458,126	
12.6	Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds	(1,020,000)	
12.8	Total investment proceeds (Lines 12.1 to 12.7)	30,880,808	25,485,708
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	25,285,690	24,286,088
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets	10,112,498	2,875,648
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	35,398,188	27,161,736
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(4,517,380)	(1,676,028)
	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		125,958
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)	(4,085,371)	8,337,030
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(4,085,371)	8,462,988
	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)	(3,388,779)	(1,149,239)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	7,782,658	8,931,897
19.2	End of year (Line 18 plus Line 19.1)	4,393,879	7,782,658

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds		3,901,963
20.0002	12.2 - Proceeds from investments sold, matured or repaid - Stocks		1,245,300
20.0003			

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 – PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year- per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire	1,210,961	598,426	638,930	1,170,457
2. Allied lines	1,005,286	496,892	546,110	956,068
3. Farmowners multiple peril	500,267	232,874	250,926	482,215
4. Homeowners multiple peril	10,021,884	4,805,745	5,330,335	9,497,294
5. Commercial multiple peril	11,192,748	5,695,474	5,613,774	11,274,448
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	1,013,278	488,262	488,924	1,012,616
10. Financial guaranty				
11.1 Medical professional liability—occurrence	4,413	2,168	1,747	4,834
11.2 Medical professional liability—claims-made	596	251	275	572
12. Earthquake	211,347	104,312	109,197	206,462
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation	5,304,982	2,282,980	2,061,719	5,526,243
17.1 Other liability—occurrence	3,202,797	1,602,113	1,568,201	3,236,709
17.2 Other liability—claims-made	136,276	64,129	61,290	139,115
17.3 Excess workers' compensation				
18.1 Products liability—occurrence	78,456	44,659	39,635	83,480
18.2 Products liability—claims-made				
19.1,19.2 Private passenger auto liability	11,551,098	4,255,740	4,721,334	11,085,504
19.3,19.4 Commercial auto liability	4,899,624	2,451,821	2,368,038	4,983,407
21. Auto physical damage	8,970,240	3,507,412	3,813,272	8,664,380
22. Aircraft (all perils)				
23. Fidelity	38,650	32,113	31,547	39,216
24. Surety	4,454,696	2,614,879	2,607,688	4,461,887
26. Burglary and theft	1,683	895	840	1,738
27. Boiler and machinery	652	497	355	794
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-nonproportional assumed property				
32. Reinsurance-nonproportional assumed liability				
33. Reinsurance-nonproportional assumed financial lines				
34. Aggregate write-ins for other lines of business				
35. TOTALS	63,799,934	29,281,642	30,254,137	62,827,439

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A – RECAPITULATION OF ALL PREMIUMS

	Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire	638,930				638,930
2.	Allied lines	546,110				546,110
3.	Farmowners multiple peril	250,926				250,926
4.	Homeowners multiple peril	5,330,335				5,330,335
5.	Commercial multiple peril	5,592,385	42	21,009	338	5,613,774
6.	Mortgage guaranty					
8.	Ocean marine					
9.	Inland marine	487,692	1,232			488,924
10.	Financial guaranty					
11.1	Medical professional liability—occurrence	1,747				1,747
11.2	Medical professional liablity—claims-made	274	1			275
12.	Earthquake	109,197				109,197
13.	Group accident and health					
14.	Credit accident and health (group and individual)					
15.	Other accident and health					
16.	Workers' compensation	2,069,719		22,781	(30,781)	2,061,719
17.1	Other liability—occurrence	1,555,922	6,325	6,292	(338)	1,568,201
17.2	Other liability—claims-made	60,547	714	29		61,290
17.3	Excess workers' compensation					
18.1	Products liability—occurrence	39,562		73		39,635
18.2	Products liability—claims-made					
19.1,19.2	Private passenger auto liability	4,721,334				4,721,334
19.3,19.4	Commercial auto liability	2,350,005	18,033			2,368,038
21.	Auto physical damage	3,810,280	2,992			3,813,272
22.	Aircraft (all perils)					
23.	Fidelity	11,156	20,391			31,547
24.	Surety	1,793,099	814,589			2,607,688
26.	Burglary and theft	840				840
27.	Boiler and machinery	355				355
28.	Credit					
29.	International					
30.	Warranty					
31.	Reinsurance-nonproportional assumed property					
32.	Reinsurance-nonproportional assumed liability					
33.	Reinsurance-nonproportional assumed financial lines					
34.	Aggregate write-ins for other lines of business					
35.	TOTALS	29,370,415	864,319	50,184	(30,781)	30,254,137
36.	Accrued retrospective premiums based on experience					30,781
37.	Earned but unbilled premiums					(50,183)
38.	Balance (Sum of Lines 35 through 37)					30,234,735

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B – PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1. Fire	325,238	1,210,961		325,238		1,210,961
2. Allied lines	278,773	1,005,286		278,773		1,005,286
3. Farmowners multiple peril		500,267				500,267
4. Homeowners multiple peril	11,320,359	10,021,884		11,320,359		10,021,884
5. Commercial multiple peril	56,174,224	11,192,748		56,174,224		11,192,748
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine	360,670	1,013,278		360,670		1,013,278
10. Financial guaranty						
11.1 Medical professional liability--occurrence		4,413				4,413
11.2 Medical professional liability--claims-made		596				596
12. Earthquake	165,187	211,347		165,187		211,347
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation	17,448,950	5,304,982		17,448,950		5,304,982
17.1 Other liability—occurrence	7,393,322	3,202,797		7,393,322		3,202,797
17.2 Other liability—claims-made	706	136,276		706		136,276
17.3 Excess workers' compensation						
18.1 Products liability—occurrence	1,069,020	78,456		1,069,020		78,456
18.2 Products liability—claims-made						
19.1,19.2 Private passenger auto liability	9,931,552	11,551,098		9,931,552		11,551,098
19.3,19.4 Commercial auto liability	28,409,662	4,899,624		28,409,662		4,899,624
21. Auto physical damage	13,026,961	8,970,240		13,026,961		8,970,240
22. Aircraft (all perils)						
23. Fidelity	(652)	38,650		(652)		38,650
24. Surety	2,110,025	4,454,696		2,110,025		4,454,696
26. Burglary and theft		1,683				1,683
27. Boiler and machinery	9,866	652		9,866		652
28. Credit						
29. International						
30. Warranty						
31. Reinsurance-nonproportional assumed property	X X X					
32. Reinsurance-nonproportional assumed liability	X X X					
33. Reinsurance-nonproportional assumed financial lines	X X X					
34. Aggregate write-ins for other lines of business						
35. TOTALS	148,023,863	63,799,934		148,023,863		63,799,934

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

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

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 – LOSSES PAID AND INCURRED

	Losses Paid Less Salvage				5	6	7	8
	1	2	3	4				
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Recovered	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	765,305	388,465	765,305	388,465	201,661	195,524	394,602	33.713
2. Allied lines	273,220	812,169	273,220	812,169	177,665	163,560	826,274	86.424
3. Farmowners multiple peril		319,495		319,495	101,469	139,248	281,716	58.421
4. Homeowners multiple peril	9,077,600	7,638,180	9,077,600	7,638,180	2,860,808	2,345,241	8,153,747	85.853
5. Commercial multiple peril	48,334,444	6,944,713	48,334,444	6,944,713	11,147,890	10,293,045	7,799,558	69.179
6. Mortgage guaranty								
8. Ocean marine		3		3	144	(5)	152	
9. Inland marine	10,047	412,924	10,047	412,924	61,093	85,426	388,591	38.375
10. Financial guaranty								
11.1 Medical professional liability—occurrence		530		530	16,156	14,185	2,501	51.738
11.2 Medical professional liability—claims-made					3,175	2,899	276	48.252
12. Earthquake		97		97	10	237	(130)	(0.063)
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health		2,353		2,353	278,537	271,805	9,085	
16. Workers' compensation	17,217,117	3,973,234	17,217,117	3,973,234	17,686,173	16,721,461	4,937,946	89.354
17.1 Other liability—occurrence	3,550,229	1,700,700	3,550,229	1,700,700	5,143,706	5,778,168	1,066,238	32.942
17.2 Other liability—claims-made		46,003		46,003	215,065	314,170	(53,102)	(38.171)
17.3 Excess workers' compensation								
18.1 Products liability—occurrence	124,209	28,420	124,209	28,420	192,685	127,433	93,672	112.209
18.2 Products liability—claims-made								
19.1,19.2 Private passenger auto liability	7,336,665	6,355,207	7,336,665	6,355,207	8,045,692	8,363,274	6,037,625	54.464
19.3,19.4 Commercial auto liability	16,626,657	3,137,149	16,626,657	3,137,149	5,639,354	5,657,582	3,118,921	62.586
21. Auto physical damage	9,637,608	5,429,355	9,637,608	5,429,355	322,825	349,522	5,402,658	62.355
22. Aircraft (all perils)		(19)		(19)	2,779	473	2,287	
23. Fidelity	(150)	4,881	(150)	4,881	12,718	4,857	12,742	32.492
24. Surety	10,356,632	1,125,384	10,356,632	1,125,384	788,328	1,580,263	333,449	7.473
26. Burglary and theft		698		698	18	21	695	39.988
27. Boiler and machinery		(95)		(95)	(518)	312	(925)	(116.499)
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-nonproportional assumed property	XXX							
32. Reinsurance-nonproportional assumed liability	XXX	47,313		47,313	1,188,796	1,174,575	61,534	
33. Reinsurance-nonproportional assumed financial lines	XXX							
34. Aggregate write-ins for other lines of business								
35. TOTALS	123,309,583	38,367,159	123,309,583	38,367,159	54,086,229	53,583,276	38,870,112	61.868

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

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

	Reported Losses				Incurred But Not Reported			8	9
Line of Business	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1. Fire		129,080		129,080	5,962	72,581	5,962	201,661	16,736
2. Allied lines	133,897	161,035	133,897	161,035	4,250	16,630	4,250	177,665	10,679
3. Farmowners multiple peril		100,224		100,224		1,245		101,469	33,000
4. Homeowners multiple peril	2,719,272	1,884,030	2,719,272	1,884,030	2,016,723	976,778	2,016,723	2,860,808	441,271
5. Commercial multiple peril	44,697,931	6,806,083	44,697,931	6,806,083	24,974,150	4,341,807	24,974,150	11,147,890	4,571,957
6. Mortgage guaranty									
8. Ocean marine		170		170		(26)		144	
9. Inland marine		64,766		64,766	7,419	(3,673)	7,419	61,093	9,959
10. Financial guaranty									
11.1 Medical professional liablity—occurrence		2,363		2,363		13,793		16,156	8,309
11.2 Medical professional liablity—claims-made						3,175		3,175	897
12. Earthquake		10		10				10	101
13. Group accident and health								(a)	(15)
14. Credit accident and health (group and individual)									
15. Other accident and health		61,201		61,201		217,336		(a) 278,537	37,099
16. Workers' compensation	78,654,527	11,142,998	78,654,527	11,142,998	37,250,787	6,543,175	37,250,787	17,686,173	2,099,913
17.1 Other liability—occurrence	9,218,725	2,002,310	9,218,725	2,002,310	5,633,478	3,141,396	5,633,478	5,143,706	1,455,469
17.2 Other liability—claims-made		88,089		88,089		126,976		215,065	140,354
17.3 Excess workers' compensation									2
18.1 Products liability—occurrence	597,945	141,341	597,945	141,341	976,383	51,344	976,383	192,685	70,187
18.2 Products liability—claims-made									
19.1,19.2 Private passenger auto liability	8,877,962	6,902,048	8,877,962	6,902,048	1,474,530	1,143,644	1,474,530	8,045,692	1,566,502
19.3,19.4 Commercial auto liability	19,807,987	3,628,250	19,807,987	3,628,250	11,830,634	2,011,103	11,830,634	5,639,353	857,873
21. Auto physical damage	1,161,763	167,294	1,161,763	167,294	232,694	155,531	232,694	322,825	58,320
22. Aircraft (all perils)		2,767		2,767		12		2,779	
23. Fidelity		2,676		2,676		10,042		12,718	4,597
24. Surety	2,596,076	(454,349)	2,596,076	(454,349)	735,268	1,242,677	735,268	788,328	543,253
26. Burglary and theft		2		2		16		18	79
27. Boiler and machinery		(435)		(435)		(83)		(518)	226
28. Credit									
29. International									
30. Warranty									
31. Reinsurance-nonproportional assumed property	X X X				X X X				
32. Reinsurance-nonproportional assumed liability	X X X	505,332		505,332	X X X	683,464		1,188,796	32,662
33. Reinsurance-nonproportional assumed financial lines	X X X				X X X				
34. Aggregate write-ins for other lines of business									
35. TOTALS	168,466,085	33,337,285	168,466,085	33,337,285	85,142,278	20,748,943	85,142,278	54,086,228	11,959,430

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

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

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	16,417,134			16,417,134
1.2 Reinsurance assumed	2,947,472			2,947,472
1.3 Reinsurance ceded	16,417,134			16,417,134
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	2,947,472			2,947,472
2. Commission and brokerage:				
2.1 Direct, excluding contingent		20,148,229		20,148,229
2.2 Reinsurance assumed, excluding contingent		9,488,515		9,488,515
2.3 Reinsurance ceded, excluding contingent		20,148,229		20,148,229
2.4 Contingent—direct		36,641		36,641
2.5 Contingent—reinsurance assumed		888,491		888,491
2.6 Contingent—reinsurance ceded		36,641		36,641
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)		10,377,006		10,377,006
3. Allowances to manager and agents	465	3,418		3,883
4. Advertising	42,520	487,196	2,159	531,875
5. Boards, bureaus and associations	9,376	131,381	62	140,819
6. Surveys and underwriting reports	713	389,561	1,536	391,810
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	2,699,794	3,426,287	138,770	6,264,851
8.2 Payroll taxes	73,555	388,165	4,660	466,380
9. Employee relations and welfare	393,603	1,381,140	17,761	1,792,504
10. Insurance	205,092	55,266	2,556	262,914
11. Directors' fees	8	12		20
12. Travel and travel items	195,237	256,481	4,711	456,429
13. Rent and rent items	120,964	439,036	5,698	565,698
14. Equipment	97,152	236,823	3,092	337,067
15. Cost or depreciation of EDP equipment and software	23,849	221,059	6,600	251,508
16. Printing and stationery	42,366	53,835	593	96,794
17. Postage, telephone and telegraph, exchange and express	257,393	210,880	6,432	474,705
18. Legal and auditing	12,854	40,901	9,441	63,196
19. Totals (Lines 3 to 18)	4,174,941	7,721,441	204,071	12,100,453
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $ 19,559		1,410,729		1,410,729
20.2 Insurance department licenses and fees		177,346		177,346
20.3 Gross guaranty association assessments		11,393		11,393
20.4 All other (excluding federal and foreign income and real estate)		124,967		124,967
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		1,724,435		1,724,435
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	467,617	432,527	39,633	939,777
25. Total expenses incurred	7,590,030	20,255,409	243,704	(a) 28,089,143
26. Less unpaid expenses—current year	11,959,430	3,071,938		15,031,368
27. Add unpaid expenses—prior year	11,959,061	2,633,327		14,592,388
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	7,589,661	19,816,798	243,704	27,650,163

DETAILS OF WRITE-IN LINES				
2401. Other expenses	467,617	432,527	39,633	939,777
2402.				
2403.				
2498. Sum of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	467,617	432,527	39,633	939,777

(a) Includes management fees of $ 670,668 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 1,419,504	1,363,734
1.1	Bonds exempt from U.S. tax	(a) 397,611	389,903
1.2	Other bonds (unaffiliated)	(a) 2,577,183	2,694,276
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) 9,556	9,310
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	(13,940)	(13,940)
10.	Total gross investment income	4,389,914	4,443,283
11.	Investment expenses		(g) 243,704
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)		243,704
17.	Net investment income (Line 10 minus Line 16)		4,199,579

	DETAILS OF WRITE-IN LINES		
0901.	Micellaneous Income/(Expense)	(13,940)	(13,940)
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)	(13,940)	(13,940)
1501.			
1502.	NONE		
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 $ 49,309 accrual of discount less $ 696,890 amortization of premium and less $ 141,787 paid for accrued interest on purchases.
(b) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.
(e) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.
(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.
(g) Includes $ 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.
(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds					
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)					
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	NONE				
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)					

	DETAILS OF WRITE-IN LINES					
0901.						
0902.		NONE				
0903.						
0998.	Summary of remaining write-ins for Line 09 from overflow page					
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives (Schedule DB)			
8. Other invested assets (Schedule BA)			
9. Receivables for securities			
10. Securities lending reinvested collateral assets (Schedule DL)			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Lines 1 to 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	310,641	259,846	(50,795)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,758	402	(3,356)
15.3 Accrued retrospective premiums	3,075	6,098	3,023
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset	965,604	25,138	(940,466)
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivables from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable			
25. Aggregate write-ins for other than invested assets	72,520	81,135	8,615
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,355,598	372,619	(982,979)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Lines 26 and 27)	1,355,598	372,619	(982,979)

DETAILS OF WRITE-IN LINES			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)			
2501. Other assets	72,520	81,135	8,615
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	72,520	81,135	8,615

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the State of Ohio, the accompanying financial statements of American Fire and Casualty Insurance Company (the "Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual* ("APP Manual").

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

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

C. Accounting Policies

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

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

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or fair value as specified by the SVO Manual.
3. Common stocks are carried at fair value, except that investments in stocks of subsidiaries, controlled and affiliated ("SCA") companies are carried according to Note 1C(7).
4. Preferred stocks are carried at cost or fair value as specified by the SVO Manual. Preferred stocks of SCA companies are carried according to Note 1C(7).
5. Mortgage loans are carried at unpaid principal balances, less impairments as specified by the SVO Manual.
6. Mortgage backed/asset backed securities are carried at amortized cost or fair value based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. Investments in SCA companies are carried in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities, A Replacement of SSAP No. 88,* and the SVO Manual.
8. Investments in joint ventures, partnerships, and limited liability companies are carried in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies,* and the SVO Manual.
9. Derivative Securities, refer to Note 8.
10. Investment income is anticipated as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, *Property Casualty Contracts - Premiums*. Refer to Note 30.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods, for making such estimates and for establishing the resulting liability, are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2011.
13. The Company has no pharmaceutical rebate receivables.

Note 2 - Accounting Changes and Correction of Errors

A. The Company adopted SSAP No. 35R, *Guaranty Fund and Other Assessments*, effective January 1, 2011. The cumulative effect of adopting SSAP No. 35R is reported in the Capital and Surplus Account and is not considered material.

The Company adopted SSAP No. 5R, *Liabilities, Contingencies and Impairments of Assets*, effective December 31, 2011. The adoption of SSAP No. 5R has no impact on the Company.

NOTES TO FINANCIAL STATEMENTS

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

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

Note 4 - Discontinued Operations

The Company has no discontinued operations.

Note 5 - Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company does not invest in mortgage loans.

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

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

2. All Loan-Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of December 31, 2011: None

3. Each Loan-Backed Security with a recognized other-than-temporary impairment held by the Company at December 31, 2011: None

4. All impaired Loan-Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of December 31, 2011: None

5. The Company reviews fixed income securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to: (a) the extent of the decline in fair value below book value, (b) the duration of the decline, (c) significant adverse changes in the financial condition or near term prospects of the investment or issuer, (d) significant change in the business climate or credit ratings of the issuer, (e) general market conditions and volatility, (f) industry factors, and (g) the past impairment of the security holding or the issuer. If the Company believes a decline in the value of a particular investment is temporary, the decline is recorded as an unrealized loss in policyholders' surplus. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

E. Repurchase Agreements and Securities Lending

1. The Company did not enter into any repurchase agreements during the year. Refer to Note 17B for the policy on requiring collateral for securities lending.

2. The Company has not pledged any of its assets as collateral as of December 31, 2011.

3. Aggregate Amount of Contractually open cash collateral positions:

Aging of Collateral	Total Fair Value
Open	$ 1,530,020
30 Days or Less	-
31 to 60 Days	-
61 to 90 Days	-
Greater than 90 Days	-
Sub-Total	1,530,020
Securities Received	-
Total Collateral Received	$ 1,530,020

NOTES TO FINANCIAL STATEMENTS

4. Securities Lending Transactions Administered by an Affiliated Agent

   The Company's security lending transactions are not administered by an affiliate agent.

5. Collateral Reinvestment

   a. Aggregate Amount Cash Collateral Reinvested

	Amortized Cost	Fair Value
Open	$ -	$ -
30 Days or Less	379,087	379,088
31 to 60 Days	748,308	748,321
61 to 90 Days	402,761	402,785
90 to 120 Days	-	-
121 to 180 Days	-	-
181 to 365 Days	-	-
1 to 2 Years	-	-
2 to 3 Years	-	-
Greater than 3 Years	-	-
Subtotal	1,530,156	1,530,195
Securities Received	-	-
Total Collateral Reinvested	$ 1,530,156	$ 1,530,195

   b. The reporting entity's sources of cash that it uses to return the cash collateral is dependent on the liquidity of the current market conditions. Under current conditions, the reporting entity could liquidate all or a portion of its cash collateral reinvestment securities in order to meet the collateral calls that could come due under a worst-case scenario.

F. Real Estate

The Company does not own real estate.

G. Investments in Low-Income Housing Tax Credits

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

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

A. Investments in joint ventures, partnerships and limited liability companies that exceed 10% of its admitted assets

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

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

The Company does not own any investments in joint ventures, partnerships, and limited liability companies.

Note 7 - Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2011.

Note 8 - Derivative Instruments

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

Note 9 - Income Taxes

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

NOTES TO FINANCIAL STATEMENTS

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross Deferred Tax Assets	4,620,000	-	4,620,000	5,259,190	-	5,259,190	(639,190)	-	(639,190)
Statutory Valuation Allowance Adjustment	-	-	-	-	-	-	-	-	-
Adjusted Gross Deferred Tax Assets	4,620,000	-	4,620,000	5,259,190	-	5,259,190	(639,190)	-	(639,190)
Deferred Tax Liabilities	(192,750)	(89,250)	(282,000)	(1,135,273)	(856,737)	(1,992,010)	942,523	767,487	1,710,010
Net DTA (DTL)	4,427,250	(89,250)	4,338,000	4,123,917	(856,737)	3,267,180	303,333	767,487	1,070,820
Deferred Tax Assets Nonadmitted	(965,604)	-	(965,604)	(25,138)	-	(25,138)	(940,466)	-	(940,466)
Net Admitted DTA (DTL)	3,461,646	(89,250)	3,372,396	4,098,779	(856,737)	3,242,042	(637,133)	767,487	130,354

The Company has elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10e. The current period election does not differ from the prior reporting period. The Company does not utilize tax planning strategies.

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10a.)	83,925	-	83,925	2,670,423	-	2,670,423	(2,586,498)	-	(2,586,498)
Lesser of:									
Expected to be recognized within one year (10bi.)	2,803,516	-	2,803,516	-	-	-	2,803,516	-	2,803,516
10% of adjusted capital and surplus (10bii.)			4,032,153			3,955,548			
Adj. gross DTAs offset against existing DTLs (10c.)	192,750	89,250	282,000	1,135,273	856,737	1,992,010	(942,523)	(767,487)	(1,710,010)
Total	3,080,191	89,250	3,169,441	3,805,696	856,737	4,662,433	(725,505)	(767,487)	(1,492,992)

The amount of each result or component of the calculation, by tax character, of paragraphs 10ei., 10eiia., 10eiib., and 10eiii.:

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Recoverable through loss carrybacks (10ei.)	83,925	-	83,925	2,990,579	-	2,990,579	(2,906,654)	-	(2,906,654)
Lesser of:									
Expected to be recognized within three years (10eiia.)	3,288,471	-	3,288,471	251,462	-	251,462	3,037,009	-	3,037,009
15% of adjusted capital and surplus (10eiib.)			6,048,230			5,933,322			
Adj. gross DTAs offset against existing DTLs (10eiii.)	192,750	89,250	282,000	1,135,273	856,737	1,992,010	(942,523)	(767,487)	(1,710,010)
Total	3,565,146	89,250	3,654,396	4,377,314	856,737	5,234,051	(812,168)	(767,487)	(1,579,655)

Used in SSAP No. 10R, Paragraph 10.d.	December 31, 2011	December 31, 2010	Change
Total Adjusted Capital	44,387,803	43,784,369	603,434
Authorized Control Level	5,717,728	5,714,841	2,887

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

	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	2,976,691	(89,250)	2,887,441	3,527,160	(856,737)	2,670,423	(550,469)	767,487	217,018
Admitted Assets			173,438,102			173,018,676			
Adjusted Statutory Surplus*			40,321,534			39,555,478			
Total Adjusted Capital from DTAs	2,976,691	(89,250)	2,887,441	3,527,160	(856,737)	2,670,423	(550,469)	767,487	217,018

* As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No.10R, Paragraph 10bii

NOTES TO FINANCIAL STATEMENTS

Increase due to SSAP No. 10R, Paragraph 10.e.	December 31, 2011			December 31, 2010			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(Col 1 + 2)			(Col 4 + 5)	(Col 1 - 4)	(Col 2- 5)	(Col 7 + 8)
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admitted Deferred Tax Assets	484,955	-	484,955	571,619	-	571,619	(86,664)	-	(86,664)
Admitted Assets	484,955	-	484,955	571,619	-	571,619	(86,664)	-	(86,664)
Adjusted Statutory Surplus	484,955	-	484,955	571,619	-	571,619	(86,664)	-	(86,664)

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

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

	2011	2010
Federal	58,000	734,750
Foreign	0	0
Realized capital gains	0	0
Federal and foreign income taxes incurred	58,000	734,750

The Company’s DTAs and DTLs result primarily from limits on unearned premium reserves and discounting of unpaid losses and LAE reserves.

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

	2011
Change in net deferred income tax (without unrealized gain or loss)	1,070,820
Change in tax effect of unrealized (gains) losses	0
Total change in net deferred income tax	1,070,820

D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax exempt interest, unearned premium reserves and discounting on unpaid losses and LAE reserves.

E. The amount of Federal income taxes incurred and available for recoupment in the event of future losses is $76,000 from the current year and none from the preceding year.

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

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

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

Access Insurance Services, Co. (Dissolved 10/24/2011)
AMBCO Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company
American Economy Insurance Company
American Fire & Casualty Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance Company
Barrier Ridge LLC
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Court Corporation
Capitol Agency, Inc., The (Arizona corporation) (Dissolved 1/20/2011)
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Commercial Aviation Insurance, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Diversified Settlements, Inc.
Emerald City Insurance Agency, Inc.
Employers Insurance Company of Wausau
Excelsior Insurance Company
Liberty Mutual Holding Company Inc.
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation
LIH-RE of America Corporation
LIU Specialty Insurance Agency Inc.
LM General Insurance Company
LM Insurance Corporation
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings Inc.
LRE Properties, Inc.
Mid-American Fire & Casualty Company
North Pacific Insurance Company
OCASCO Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Security Insurance Company
Open Seas Solutions, Inc.
Oregon Automobile Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
Pilot Insurance Services, Inc.
Rianoc Research Corporation

NOTES TO FINANCIAL STATEMENTS

F.B. Beattie & Co., Inc.
First National Insurance Company of America
First State Agency Inc.
General America Corporation
General America Corporation of Texas
General Insurance Company of America
Golden Eagle Insurance Corporation
Gulf States AIF, Inc.
Hawkeye-Security Insurance Company
Heritage-Summit HealthCare, Inc.
Indiana Insurance Company
Insurance Company of Illinois
LEXCO Limited
Liberty-USA Corporation
Liberty Assignment Corporation
Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters Inc.*
Liberty International Europe 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 Mexico Holdings Inc.
Liberty Mutual Agency Corporation
Liberty Mutual Fire Insurance Company
Liberty Mutual Group Asset Management Inc.**
Liberty Mutual Group Inc.
S.C. Bellevue, Inc.
SAFECARE Company, Inc.
Safeco Corporation
Safeco General Agency, Inc.
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Properties, Inc.
Safeco Surplus Lines Insurance Company
San Diego Insurance Company
SCIT, Inc.
St. James Insurance Company Ltd.
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
The Ohio Casualty Insurance Company
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company
Winmar Company, Inc.
Winmar of the Desert, Inc.
Winmar Oregon, Inc.
Winmar-Metro, Inc.

* Merged with and into LM Personal Insurance Company and LM Personal Insurance Company changed its name to Liberty Insurance Underwriters Inc. on January 3, 2011.

** This company joined the consolidated group in 2011 and its activity from the date it joined the group is included in the consolidated return.

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

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

A. All of the outstanding shares of capital stock of the Company are held by The Ohio Casualty Insurance Company (“OCIC”), an Ohio insurance company. OCIC is wholly owned by Ohio Casualty Corporation, an Ohio insurance holding company. Ohio Casualty Corporation is owned by Liberty Mutual Insurance Company (“LMIC” 78%), a Massachusetts insurance company; Liberty Mutual Fire Insurance Company (“LMFIC” 6%), a Wisconsin insurance company; Employers Insurance Company of Wausau (“EICOW” 8%), a Wisconsin insurance company; and Peerless Insurance Company (“PIC” 8%), a New Hampshire insurance company. The ultimate parent of LMIC, LMFIC, EICOW and PIC is Liberty Mutual Holding Company Inc. (“LMHC”), a Massachusetts company.

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

C. There have been no material transactions with the Company’s affiliates during 2011.

D. At December 31, 2011, the Company reported a net $875,908 due from affiliates. In general, the terms of the intercompany arrangements require settlement at least quarterly.

E. The Company has not made any guarantees or initiated any undertakings, written or otherwise for the benefit of affiliates.

F. Refer to Note 26 for information regarding the Amended and Restated Reinsurance Pooling Agreement.

The Company is a party to a management services agreement (the “Agreement”) with PIC. The Agreement allows PIC to provide services related to common management function including, but not limited to, coordinating marketing and advertising, information systems support, payroll and human resource services, actuarial support, accounting and other financial services, as well as consulting and other services as the parties may request.

NOTES TO FINANCIAL STATEMENTS

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

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

G. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.

H. The Company does not own investments in subsidiary, controlled or affiliated companies that exceed 10% of its admitted assets.

I. The Company does not own any investments in subsidiary, controlled or affiliated entities, as such no impairments were recognized.

J. The Company does not hold any investments in foreign insurance subsidiaries.

K. The Company does not hold any investments in downstream non-insurance holding companies.

Note 11 - Debt

A. Debt (Including Capital Notes)

The Company has no debt, including capital notes.

B. Federal Home Loan Bank Agreements

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

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

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

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

1. The Company has 2,000,000 shares authorized and 1,166,667 shares issued and outstanding as of December 31, 2011. All shares have a stated par value of $3.

2. Preferred Stock

   Not applicable

3. There are no dividend restrictions.

4. The Company did not pay any dividends to its parent during 2011.

5. The maximum amount of dividends which can be paid to shareholders by Ohio-domiciled insurance companies without the prior approval of the Insurance Commissioner is the greater of (a) 10% of surplus, or (b) net income. The maximum dividend payout which may be made without prior approval in 2012 is $4,487,276.

6. As of December 31, 2011, the Company has restricted surplus of $484,955 from recording the increase in admitted deferred tax assets as a result of applying the revised guidance in SSAP No. 10R, *Income Taxes,* and pre-tax restricted surplus of $126,135 resulting from retroactive reinsurance contracts.

7. The Company had no advances to surplus.

8. The Company does not hold stock for special purposes.

9. The Company had changes in special surplus funds resulting from prior year's retroactive reinsurance contracts during 2011 and from the adoption of the revised guidance on calculating admitted deferred tax assets in SSAP 10R.

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

11. Surplus Notes

    Not applicable

12. Quasi-reorganization (dollar impact)

    Not applicable

13. Quasi-reorganization (effective date)

    Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 14 - Contingencies

A. Contingent Commitments

1. The Company has made no commitments or contingent commitments on behalf of affiliates.

2. 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 and premium-based assessments are presumed probable when the premium on which the assessments are expected to be based are written. In the case of loss-based assessments, the event that obligates the entity is an entity incurring the losses on which the assessments are expected to be based.

The Company has accrued a liability for guaranty funds and other assessments of $244,949 that is offset by future premium tax credits of $31,481. Current assessments are expected to be paid out in the next two years, while premium tax offsets are expected to be realized in the next eleven years, beginning in 2012. During 2011 there were no material insolvencies to report. The Company continues to remit payments relating to prior year insolvencies.

Reconciliation of paid and accrued premium tax offsets and policy surcharges at prior year-end to current year-end:

a.	Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	$ 50,008
b.	Decreases current year: Premium tax offset applied	18,527
c.	Increases current year: Premium tax offset increase	-
d.	Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	$ 31,481

C. Gain Contingencies

Not applicable

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

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

E. Product Warranties

The Company does not write product warranty business.

F. All Other Contingencies

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

Note 15 - Leases

A. Lessee Leasing Arrangements

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

NOTES TO FINANCIAL STATEMENTS

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

Year(s)	Sale Lease-back	All Other Operating Lease Arrangements
2012	$ 34,035	$ 241,780
2013	34,035	240,888
2014	2,836	223,576
2015	-	174,312
2016	-	158,563
2017 & thereafter	-	195,373
Total	$ 70,907	$ 1,234,492

The amount of liability the Company recognized in its financial statements for lease agreements for which it is no longer using the leased property benefits is $85,698.

B. Leasing as a Significant Part of Lessor's Business Activities

Leasing is not a significant part of the Company's business activities.

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

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

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

A. Transfers of Receivables Reported as Sales

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

B. Transfers and Servicing of Financial Assets

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income and mortgage backed securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The Company does not participate in term loans; therefore, the Company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities, such as Treasuries and Agency Bonds. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. Cash collateral is carried as an asset with an offsetting liability on the balance sheet, as the collateral is unrestricted and the Company can exercise discretion as to how the collateral is invested. The loaned securities remain a recorded asset of the Company.

At December 31, 2011 the total fair value of securities on loan was $1,498,134, with corresponding collateral value of $1,530,020 of which $1,530,020 represents cash collateral.

C. Wash Sales

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

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

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

In 2008, certain members of the PIC Amended and Restated Reinsurance Pooling Agreement (refer to Note 26) agreed to become participating insurers of the California Earthquake Authority ("CEA"), a publicly-managed, privately funded organization that provides residential earthquake insurance in California. As participating insurers of the CEA, the companies act as third party administrators and perform certain administrative services on behalf of the CEA, including underwriting, policy issuance, premium collection, and claims payment. The CEA reimburses the companies for commissions and claims paid on behalf of the CEA. The companies also receive an administrative fee equal to 3.43% of premium and 9% of claims paid. These administrative fees are subject to the inter-company pooling agreement. In 2011, the Company recorded net CEA administrative fees of $6,871.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

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

Note 20 - Fair Value Measurements

Pursuant to the guidance in SSAP No. 100, *Fair Value Measurements*, the Company has no assets or liabilities measured at fair value.

Note 21 - Other Items

A. Extraordinary Items

The Company has no extraordinary items to report.

B. Troubled Debt Restructuring: Debtors

Not applicable

C. Other Disclosures

1) Assets in the amount of $24,601,330 and $24,316,794 as of December 31, 2011 and 2010, respectively, were on deposit with government authorities or trustees as required by law.

2) Interrogatory 6.2

The Company employs industry recognized catastrophe modeling software to estimate the Probable Maximum Loss. For property exposures, the Company employs RiskLink v11.0 from RMS and AIR Clasic/2 v12.0. For workers' compensation, Liberty Mutual utilizes RiskLink v11.0 from RMS.

Interrogatory 6.3

In 2011, the Company ceded 100% of its business to Peerless Insurance Company and had the benefit, together with its affiliates that cede business to the Peerless Insurance Company or that are members of the inter-company reinsurance pool of which Peerless Insurance Company is the lead company, of traditional prop cat excess of loss reinsurance with limits of $742,500,000,000 part of $825,000,000 xs $500,000,000 purchased by Peerless Insurance Company and covering Peerless' direct and assumed from affiliates property business.

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

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable and Non-transferable Tax Credits

The Company does not hold state transferable and/or non-transferable tax credits

G. Subprime-Mortgage-Related Risk Exposure

1. The Company has not purchased securities characterized by the market as subprime. The Company reviews such factors as average FICO scores, loan to value ratios, and levels of documentation when evaluating securities.

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

3. The Company does not have any direct exposure through other investments.

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

Note 22 - Events Subsequent

A. The Company evaluated subsequent events through February 24, 2012, the date the financial statements were available to be issued.

There were no events subsequent to December 31, 2011 that would require disclosure.

Note 23 - Reinsurance

A. Unsecured Reinsurance Recoverable

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

NOTES TO FINANCIAL STATEMENTS

B. Reinsurance Recoverable in Dispute

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

C. Reinsurance Assumed & Ceded

1. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2011.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	$ 30,234,732	$ 4,535,210	$ 69,133,206	$ 10,369,981	$ (38,898,474)	$ (5,834,771)
All Other	-	-	-	-	-	-
Total	$ 30,234,732	$ 4,535,210	$ 69,133,206	$ 10,369,981	$ (38,898,474)	$ (5,834,771)

Direct Unearned Premium Reserve: $ 69,133,206

2. Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2011 are as follows:

Description	Direct	Assumed	Ceded	Net
Contingent commissions	$ -	$ 1,673,088	$ -	$ 1,673,088
Sliding scale adjustments	-	-	-	-
Other profit commissions	-	-	-	-
Totals	$ -	$ 1,673,088	$ -	$ 1,673,088

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

D. Uncollectible Reinsurance

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

E. Commutation of Ceded Reinsurance

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

F. Retroactive Reinsurance

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

		Assumed	Ceded
a.	Reserves Transferred:		
	1. Initial	$ 2,848,900	-
	2. Adjustments – Prior Year(s)	(2,276,493)	-
	3. Adjustments – Current Year	(40,176)	-
	4. Total	$ 532,230	-
b.	Consideration Paid or Received:		
	1. Initial	$ 2,344,334	-
	2. Adjustments – Prior Year(s)	89,358	-
	3. Adjustments – Current Year	-	-
	4. Total	$ 2,433,692	-
c.	Amounts Recovered / Paid – Cumulative:		
	1. Initial		
	2. Adjustments – Prior Year(s)	$ 2,882,917	-
	3. Adjustments – Current Year	43,751	-
	4. Total	$ 2,926,668	-
d.	Special Surplus from Retroactive Reinsurance:		
	1. Initial Surplus Gain or Loss	$ (592,397)	-
	2. Adjustments – Prior Year(s)	(517,066)	-
	3. Adjustments – Current Year	(3,575)	-
	4. Current Year Special Surplus	126,135	-
	5. Cumulative Total Transferred to Unassigned Funds	$ (1,239,173)	-
e.	All cedents and reinsurers included in the above transactions:		
	Peerless Insurance Company	$ 532,230	-
			-
	Total	$ 532,230	-

NOTES TO FINANCIAL STATEMENTS

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

G. Reinsurance Accounted for as a Deposit

The Company has not entered into any reinsurance agreements that have been accounted for as deposits as of December 31, 2011.

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

The Company has not entered into any agreements which have been approved by their domiciliary regulator and have qualified pursuant to SSAP No. 62R, *Property and Casualty Reinsurance* to receive P&C Run-off Accounting Treatment.

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

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

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

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

D. Medical Loss Ratio Rebates

The Company does not recognize a liability for medical loss ratio rebates pursuant to the Public Health Service Act, as the Company does not write direct comprehensive major medical health business.

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

a. Total accrued retro premium	$30,781
b. Unsecured amount	
c. Less: Nonadmitted amount (10%)	3,075
d. Less: Nonadmitted for any person for whom agents' balances or uncollected premiums are non-admitted	
e. Admitted amount (a) - (c) - (d)	$27,706

Note 25 - Changes in Incurred Losses and Loss Adjustment Expenses

Incurred loss and loss adjustment expense attributed to insured events on prior years has decreased $1,758,631 during 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $751,528, Other Liability $662,211, Fidelity/Surety $532,459, and Private Passenger Auto Liability / Medical $478,925 lines. This was partially offset by deteriorating loss trends in the Workers Compensation $670,099 line. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

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

		NAIC Company Number	Pooling Percentage	Line of Business
Lead Company:	Peerless Insurance Company ("PIC")	24198	25.20%	All Lines
Affiliated Pool Companies:	The Ohio Casualty Insurance Company ("OCIC")	24074	20.40%	All Lines
	Safeco Insurance Company of America ("SICOA")	24740	15.20%	All Lines
	General Insurance Company of America ("GICA")	24732	9.20%	All Lines
	American States Insurance Company ("ASIC")	19704	7.60%	All Lines
	American Economy Insurance Company ("AEIC")	19690	5.60%	All Lines
	Indiana Insurance Company ("IIC")	22659	4.80%	All Lines
	Golden Eagle Insurance Corporation ("GEIC")	10836	3.00%	All Lines
	Peerless Indemnity Insurance Company ("PIIC")	18333	3.00%	All Lines
	Safeco Insurance Company of Illinois ("SICIL")	39012	2.00%	All Lines
	The Netherlands Insurance Company ("NIC")	24171	1.80%	All Lines
	American States Preferred Insurance Company ("ASPCO")	37214	0.80%	All Lines
	First National Insurance Company of America ("FNICA")	24724	0.80%	All Lines

NOTES TO FINANCIAL STATEMENTS

	American Fire and Casualty Company ("AFCIC")	24066	0.60%	All Lines
	America First Insurance Company ("AFIC")	12696	0.00%	All Lines
	America First Lloyd's Insurance Company ("AFLIC")	11526	0.00%	All Lines
	American States Insurance Company of Texas ("ASICT")	19712	0.00%	All Lines
	American States Lloyds Insurance Company ("ASLCO")	31933	0.00%	All Lines
	Colorado Casualty Insurance Company ("CCIC")	41785	0.00%	All Lines
	Consolidated Insurance Company ("CIC")	22640	0.00%	All Lines
	Excelsior Insurance Company ("EIC")	11045	0.00%	All Lines
	Hawkeye-Security Insurance Company ("HSIC")	36919	0.00%	All Lines
	Mid-American Fire & Casualty Company ("MAFCC")	23507	0.00%	All Lines
	The Midwestern Indemnity Company ("MWIC")	23515	0.00%	All Lines
	Montgomery Mutual Insurance Company ("MMIC")	14613	0.00%	All Lines
	National Insurance Association ("NIA")	27944	0.00%	All Lines
	Ohio Security Insurance Company ("OSIC")	24082	0.00%	All Lines
	Safeco Insurance Company of Indiana ("SICIN")	11215	0.00%	All Lines
	Safeco Insurance Company of Oregon ("SICOR")	11071	0.00%	All Lines
	Safeco Lloyds Insurance Company ("SLICO")	11070	0.00%	All Lines
	Safeco National Insurance Company ("SNIC")	24759	0.00%	All Lines
	Safeco Surplus Lines Insurance Company ("SSLIC")	11100	0.00%	All Lines
	West American Insurance Company ("WAIC")	44393	0.00%	All Lines
			100.0%	
100% Quota Share Affiliated Companies:	Liberty Northwest Insurance Corporation ("LNW")	41939	0.00%	All Lines
	North Pacific Insurance Company ("NPIC")	23892	0.00%	All Lines
	Oregon Automobile Insurance Company ("OAIC")	23922	0.00%	All Lines
	Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC")	14486	0.00%	All Lines

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

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

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

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

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

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

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

(g) Amounts due (to)/from affiliated entities participating in the PIC Amended and Restated Reinsurance Pooling Agreement as of December 31, 2011:

Affiliate:	Amount:
Peerless Insurance Company	$ 232,069

Note 27 - Structured Settlements

A. As a result of purchased annuities with the claimant as payee, The Company no longer carries reserves of $735,599 after applying Intercompany Reinsurance Agreement percentages. The Company is contingently liable should the issuers of the purchased annuities fail to perform under the terms of the annuities. The amount of unrecorded loss contingencies related to the purchased annuities was $735,599 as of December 31, 2011.

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

Note 28 - Health Care Receivables

Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 29 - Participating Policies

Not applicable

Note 30 - Premium Deficiency Reserves

1. Liability carried for premium deficiency reserves	$ -
2. Date of the most recent evaluation of this liability	12/31/2011
3. Was anticipated investment income utilized in the calculation?	Yes

Note 31 - High Dollar Deductible Policies

Not applicable

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

For Workers Compensation, the Company discounts its reserves for unpaid losses using a tabular discount on the long-term annuity portion of certain workers compensation claims. The tabular discount is based on the Unit Statistical Plan tables as approved by the respective states at an annual discount rate of 4.0%. The December 31, 2011 liabilities subject to discount were carried at a value representing a discount of $797,039 net of all reinsurance.

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

Note 33 - Asbestos/Environmental Reserves

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

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

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

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

In the third quarter of 2011, the Company completed ground-up asbestos and environmental reserve studies. The studies were completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and they included all major segments of the Company’s direct, assumed, and ceded asbestos and environmental claims. As part of the internal reviews, potential exposures of certain policyholders were individually evaluated using the Company's proprietary stochastic model, which is consistent with published actuarial papers on asbestos reserving. Among the factors reviewed in depth by the team of specialists were the type of business, level of exposure, coverage limits, geographic distribution of products, types of injury, state jurisdictions, legal defenses, and reinsurance potential. The remaining policyholders (those with less potential exposure) were evaluated using aggregate methods that utilized information and experience specific to these insureds. The studies resulted in an increase to reserves. Between comprehensive studies, the Company monitors asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted.

NOTES TO FINANCIAL STATEMENTS

Uncertainty Regarding Reserving Methodologies

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

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

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

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2011, 2010, 2009, 2008, and 2007:

Asbestos:

	2007	2008	2009	2010	2011
Direct Basis					
Beginning Reserves	1,028,885	970,641	1,004,294	939,601	845,521
Incurred losses and LAE	56,197	147,992	12,826	(78)	(170,251)
Calendar year payments	102,440	114,339	77,519	94,002	59,211
Ending Reserves	982,642	1,004,294	939,601	845,521	616,060
Assumed Reinsurance Basis					
Beginning Reserves	646,158	798,033	683,111	951,649	830,335
Incurred losses and LAE	183,872	(27,116)	337,676	(335)	147,217
Calendar year payments	61,906	87,806	69,139	120,979	56,731
Ending Reserves	768,124	683,111	951,648	830,335	920,820
Net of Ceded Reinsurance Basis					
Beginning Reserves	1,353,139	1,433,141	1,374,823	1,618,838	1,423,916
Incurred losses and LAE	198,522	72,253	381,258	762	(10,681)
Calendar year payments	136,832	130,571	137,243	195,684	168,709
Ending Reserves	1,414,829	1,374,823	1,618,838	1,423,916	1,244,527

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	92,722
Assumed Reinsurance Basis	4,675
Net of Ceded Reinsurance Basis	48,008
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	180,890
Assumed Reinsurance Basis	7,841
Net of Ceded Reinsurance Basis	122,138

Environmental:	2007	2008	2009	2010	2011
Direct Basis					
Beginning Reserves	1,173,353	1,115,601	953,081	811,867	726,711
Incurred losses and LAE	308,705	24,563	(41,371)	(4,342)	146,061
Calendar year payments	223,085	187,083	99,843	80,814	104,429
Ending Reserves	1,258,973	953,081	811,867	726,711	768,343
Assumed Reinsurance Basis					
Beginning Reserves	220,379	214,197	205,965	148,259	135,668
Incurred losses and LAE	3,219	12	(52,492)	2,729	(14,575)
Calendar year payments	5,620	8,244	5,214	15,319	16,907
Ending Reserves	217,978	205,965	148,259	135,669	104,186

NOTES TO FINANCIAL STATEMENTS

Net of Ceded Reinsurance Basis					
Beginning Reserves	1,227,371	1,227,309	1,046,725	837,359	745,631
Incurred losses and LAE	340,608	(21,611)	(110,611)	467	(90)
Calendar year payments	189,298	158,973	98,756	92,194	(57,973)
Ending Reserves	1,378,681	1,046,725	837,358	745,632	803,514

Ending Reserves for Bulk + IBNR included above (Loss & LAE)	
Direct Basis	55,969
Assumed Reinsurance Basis	200
Net of Ceded Reinsurance Basis	46,848
Ending Reserves for LAE included above (Case, Bulk & IBNR)	
Direct Basis	130,212
Assumed Reinsurance Basis	1,349
Net of Ceded Reinsurance Basis	119,063

Upon entering the PIC Pool, effective January 1, 2008 (refer to Note 26), the Ohio Casualty Companies' asbestos and environmental claims coding was revised to reflect the definition employed by the PIC Pool, which is consistent with industry practice. As a result, the 2007 ending balances for asbestos and environmental reserves, which is the sum of the former PIC Pool's amounts and the Ohio Casualty Companies' Pool amounts, differ from the 2008 beginning balances, which reflect a single common definition.

Note 34 - Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

Note 35 - Multiple Peril Crop Insurance

Not applicable

Note 36 - Financial Guaranty Insurance

Not applicable

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

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

1.3 State Regulating? Ohio

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2008

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. 12/31/2008

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). 05/28/2010

3.4 By what department or departments?
Ohio Department of Insurance

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

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

4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

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

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

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
	00000	
	00000	
	00000	

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

GENERAL INTERROGATORIES

6.2 If yes, give full information:

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

7.2 If yes,

7.21 State the percentage of foreign control. 0.00 %

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

1 Nationality	2 Type of Entity

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

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

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

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

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP
200 Clarendon Street
Boston, MA 02116

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If response to 10.3 is yes, provide information related to this exemption:

GENERAL INTERROGATORIES

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain:

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Kristen M. Bessette, FCAS, MAAA
175 Berkeley Street Boston, MA 02116
Sr. Vice President & Chief Actuary of Liberty Mutual Agency Corporation

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11	Name of real estate holding company	
12.12	Number of parcels involved	0
12.13	Total book/adjusted carrying value	$ 0

12.2 If yes, provide explanation:

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

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

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

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

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules, and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code. Yes [X] No [ ]

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [X] No [ ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
In 2011, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. Several non-material Code changes were also made to clarify existing provisions.

GENERAL INTERROGATORIES

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes [X] No [ ]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount
61121122	Metro Bank	Failure to pay and expiring	570,912
0			0
0			0

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

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

20.11 To directors or other officers $ 0
20.12 To stockholders not officers $ 0
20.13 Trustees, supreme or grand (Fraternal only) $ 0

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

20.21 To directors or other officers $ 0
20.22 To stockholders not officers $ 0
20.23 Trustees, supreme or grand (Fraternal only) $ 0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

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

21.21 Rented from others $ 0
21.22 Borrowed from others $ 0
21.23 Leased from others $ 0
21.24 Other $ 0

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment $ 0
22.22 Amount paid as expenses $ 0
22.23 Other amounts paid $ 0

GENERAL INTERROGATORIES

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes [X] No [ ]

24.2 If no, give full and complete information, relating thereto:

24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided):
Please reference Note 17B

24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ] N/A [ ]

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. $ 1,530,020

24.6 If answer to 24.4 is no, report amount of collateral for other programs. $ 0

24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [X] No [ ] N/A [ ]

24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [X] No [ ] N/A [ ]

24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [X] No [ ] N/A [ ]

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes [X] No [ ]

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

25.21	Subject to repurchase agreements	$ 0
25.22	Subject to reverse repurchase agreements	$ 0
25.23	Subject to dollar repurchase agreements	$ 0
25.24	Subject to reverse dollar repurchase agreements	$ 0
25.25	Pledged as collateral	$ 0
25.26	Placed under option agreements	$ 0
25.27	Letter stock or securities restricted as to sale	$ 0
25.28	On deposit with state or other regulatory body	$ 24,601,330
25.29	Other	$ 0

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		0
		0
		0

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

26.2 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.

GENERAL INTERROGATORIES

27.1 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]

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

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

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

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase	1 Chase Manhattan Plaza, New York, NY 10005

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

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

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02216
N/A	Liberty Mutual Group Asset Managemen	175 Berkeley Street, Boston, MA 02216

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

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
		0
		0
		0
29.2999 TOTAL		0

GENERAL INTERROGATORIES

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

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

30. 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 (+)
30.1 Bonds	125,003,732	132,481,390	7,477,658
30.2 Preferred stocks	0	0	0
30.3 Totals	125,003,732	132,481,390	7,477,658

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

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

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

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

32.2 If no, list exceptions:

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 0

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

1 Name	2 Amount Paid
	$ 0
	$ 0
	$ 0

34.1 Amount of payments for legal expenses, if any? $ 12,645

GENERAL INTERROGATORIES

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

1 Name	2 Amount Paid
	$ 0
	$ 0
	$ 0

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 3,072

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	$ 0
	$ 0
	$ 0

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

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

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

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

1.31 Reason for excluding

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

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

1.6 Individual policies:

Most current three years:

1.61	Total premium earned	$ 0
1.62	Total incurred claims	$ 0
1.63	Number of covered lives	0

All years prior to most current three years:

1.64	Total premium earned	$ 0
1.65	Total incurred claims	$ 0
1.66	Number of covered lives	0

1.7 Group policies:

Most current three years:

1.71	Total premium earned	$ 0
1.72	Total incurred claims	$ 0
1.73	Number of covered lives	0

All years prior to most current three years:

1.74	Total premium earned	$ 0
1.75	Total incurred claims	$ 0
1.76	Number of covered lives	0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 62,827,443	$ 61,885,080
2.3	Premium Ratio (2.1/2.2)	0.00	0.00
2.4	Reserve Numerator	$ 315,621	$ 302,371
2.5	Reserve Denominator	$ 100,317,467	$ 98,329,625
2.6	Reserve Ratio (2.4/2.5)	0.00	0.00

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

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

3.21	Participating policies	$ 1,092,072
3.22	Non-participating policies	$ 146,931,791

4. For Mutual reporting entities and Reciprocal Exchanges only:

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

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

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

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

5. For Reciprocal Exchanges Only:

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

5.2 If yes, is the commission paid:

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

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

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

5.5 If yes, give full information

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit loss:
In 2011, the Company was a member of an intercompany reinsurance pooling arrangement where it ceded its business to Peerless Insurance Company.

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:
See Note 21C

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

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

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

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

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

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

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

8.2 If yes, give full information

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

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

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

9.4 Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

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

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

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [ ] N/A [ ]

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [ ] No [X]

11.2 If yes, give full information

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses $ 2,055,639

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $ 191,220

12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $ 25,572

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [X] No [ ] N/A [ ]

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

12.41 From 0.00 %

12.42 To 9.00 %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No [ ]

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

12.61 Letters of Credit $ 4,765,269

12.62 Collateral and other funds $ 1,068,641

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 2,804,100

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [X]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [X]

14.5 If the answer to 14.4 is no, please explain:

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]

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

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

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 – PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [ ] No [X]

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

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

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

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

18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0

18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

18.4 If yes, please provide the balance of the funds adminstered as of the reporting date. $ 0

FIVE – YEAR HISTORICAL DATA

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

	1 2011	2 2010	3 2009	4 2008	5 2007
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	89,431,454	93,218,544	100,841,461	120,535,300	79,550,516
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	26,569,624	28,051,828	30,705,014	31,285,924	22,553,289
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	89,220,000	95,771,615	99,678,782	116,464,513	85,823,504
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	6,602,719	6,706,345	7,087,960	8,255,687	860,358
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)			1		
6. Total (Line 35)	211,823,797	223,748,332	238,313,218	276,541,424	188,787,667
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3,19.4)	25,178,242	25,804,487	28,661,379	39,478,417	
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	12,412,795	12,405,818	13,302,248	11,247,162	
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	21,715,551	20,663,454	18,994,709	28,137,038	
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	4,493,346	4,383,283	4,891,558	5,869,099	
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)			1		
12. Total (Line 35)	63,799,934	63,257,042	65,849,895	84,731,716	
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	(3,881,687)	(889,309)	2,639,998	1,785,873	(300)
14. Net investment gain (loss) (Line 11)	4,199,579	4,734,346	5,414,634	5,888,812	1,857,302
15. Total other income (Line 15)	247,130	(491,198)	(107,569)	(844,389)	
16. Dividends to policyholders (Line 17)	126,170	(21,146)	268,950	390,474	
17. Federal and foreign income taxes incurred (Line 19)	58,000	734,750	2,750,937	6,478,560	490,623
18. Net income (Line 20)	380,852	2,640,235	4,927,176	(38,738)	1,366,379
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	173,438,102	173,018,676	165,385,565	157,231,383	37,032,712
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 15.1)	2,404,306	2,153,867	2,377,159	2,063,477	
20.2 Deferred and not yet due (Line 15.2)	18,092,691	17,322,522	16,878,992	15,926,912	
20.3 Accrued retrospective premiums (Line 15.3)	27,706	54,965	97,978	306,525	
21. Total liabilities excluding protected cell business (Page 3, Line 26)	128,565,344	128,662,689	123,552,504	121,454,258	1,344,639
22. Losses (Page 3, Line 1)	54,086,229	53,583,274	56,401,789	59,102,119	
23. Loss adjustment expenses (Page 3, Line 3)	11,959,430	11,959,061	13,428,273	13,533,773	
24. Unearned premiums (Page 3, Line 9)	30,234,732	29,118,946	27,606,805	25,294,731	
25. Capital paid up (Page 3, Lines 30 & 31)	3,500,001	3,500,001	3,374,043	3,374,043	3,374,043
26. Surplus as regards policyholders (Page 3, Line 37)	44,872,758	44,355,987	41,833,061	35,777,125	35,688,072
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	5,213,972	(7,936,199)	8,060,890	88,931,433	1,396,392
Risk-Based Capital Analysis					
28. Total adjusted capital	44,872,758	44,355,987	41,833,061	35,777,125	35,688,072
29. Authorized control level risk-based capital	5,718,502	5,716,015	5,833,995	5,802,527	2,853,849
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1)	94.6	91.6	92.0	87.4	92.3
31. Stocks (Lines 2.1 & 2.2)			1.0	0.8	3.5
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	3.4	6.1	7.0	11.8	4.3
35. Contract loans (Line 6)					
36. Derivatives (Line 7)			XXX	XXX	XXX
37. Other invested assets (Line 8)					
38. Receivables for securities (Line 9)	0.8				
39. Securities lending reinvested collateral assets (Line 10)	1.2	2.3	XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11)					
41. Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
42. Affiliated bonds, (Sch. D, Summary, Line 12, Col. 1)					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
46. Affiliated mortgage loans on real estate					
47. All other affiliated					
48. Total of above Lines 42 to 47					
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)					

FIVE – YEAR HISTORICAL DATA
(Continued)

		1 2011	2 2010	3 2009	4 2008	5 2007
	Capital and Surplus Accounts (Page 4)					
50.	Net unrealized capital gains (losses) (Line 24)		17,258	139,133	(130,530)	(12,188)
51.	Dividends to stockholders (Line 35)				(3,568,807)	(3,500,000)
52.	Change in surplus as regards policyholders for the year (Line 38)	516,771	2,522,926	6,055,936	89,051	(2,134,841)
	Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
53.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	60,096,120	62,895,399	66,700,817	22,687,435	43,729,915
54.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	17,729,888	16,119,073	19,405,558	15,845,829	11,621,541
55.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	72,314,321	58,532,372	51,398,164	41,565,137	12,283,009
56.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,489,100	1,291,515	965,770	(784,028)	20,460,752
57.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	47,313	128,466	(1,115,953)	(7,387)	
58.	Total (Line 35)	161,676,742	138,966,825	137,354,356	79,306,986	88,095,217
	Net Losses Paid (Page 9, Part 2, Col. 4)					
59.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	15,241,243	19,127,604	17,351,097	(28,833,158)	
60.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	7,043,708	6,357,225	6,261,568	3,620,346	
61.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	14,902,277	11,012,679	11,391,290	(1,776,424)	
62.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	1,132,618	867,367	691,446	(782,453)	
63.	Nonproportional reinsurance lines (Lines 31, 32 & 33)	47,313	128,466	(1,115,953)	(7,387)	
64.	Total (Line 35)	38,367,159	37,493,341	34,579,448	(27,779,076)	
	Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65.	Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
66.	Losses incurred (Line 2)	61.9	56.0	50.7	52.4	
67.	Loss expenses incurred (Line 3)	12.1	11.8	11.9	10.8	
68.	Other underwriting expenses incurred (Line 4)	32.2	33.6	33.2	33.8	
69.	Net underwriting gain (loss) (Line 8)	(6.2)	(1.4)	4.2	3.0	
	Other Percentages					
70.	Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0	31.4	33.6	31.9	24.9	
71.	Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	73.9	67.8	62.6	63.2	
72.	Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 37, Col. 1 x 100.0)	142.2	142.6	157.4	236.8	
	One Year Loss Development (000 omitted)					
73.	Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(1,691)	(718)	(4,629)	(5,329)	
74.	Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100.0)	(3.8)	(1.7)	(12.9)	(14.9)	
	Two Year Loss Development (000 omitted)					
75.	Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(1,519)	(3,691)	(6,669)	(9,200)	
76.	Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)	(3.6)	(10.3)	(18.7)	(24.3)	

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

If no, please explain:

Not applicable

SCHEDULE P – ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P – PART 1 – SUMMARY

($000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported Direct and Assumed
	Direct and Assumed	Ceded	Net (Cols. 1–2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	X X X	X X X	X X X	1,483	176	205	11	79	17	20	1,563	X X X
2. 2002	54,701	5,378	49,323	30,191	3,017	2,287	215	3,876	196	1,776	32,926	X X X
3. 2003	59,719	4,988	54,731	29,250	2,561	2,056	150	4,381	208	1,828	32,768	X X X
4. 2004	64,268	3,546	60,722	30,006	1,219	1,889	67	4,295	91	2,263	34,813	X X X
5. 2005	66,953	2,712	64,241	30,689	1,244	1,975	72	4,507	71	2,163	35,784	X X X
6. 2006	66,864	2,986	63,878	30,855	699	1,945	84	4,567	102	1,888	36,482	X X X
7. 2007	68,246	3,333	64,913	31,044	684	1,885	71	4,538	64	2,033	36,648	X X X
8. 2008	68,112	2,532	65,580	33,945	1,034	1,741	75	5,030	53	1,787	39,554	X X X
9. 2009	63,904	3,997	59,907	27,091	1,774	1,116	85	4,414	38	1,595	30,724	X X X
10. 2010	63,162	1,277	61,885	24,883	170	694	7	4,676	9	1,606	30,067	X X X
11. 2011	63,989	1,161	62,828	21,674	77	283	3	3,677	7	1,216	25,547	X X X
12. Totals	X X X	X X X	X X X	291,111	12,655	16,076	840	44,040	856	18,175	336,876	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding Direct and Assumed
1. Prior	7,302	2,551	3,611	529	246	56	703	84	592		172	9,234	X X X
2. 2002	1,308	204	170	71	15	1	50	4	57		1	1,320	X X X
3. 2003	486	73	239	33	10		96	4	46		26	767	X X X
4. 2004	605	149	337	41	16		96	5	62		111	921	X X X
5. 2005	748	83	389	57	23		187	7	78		133	1,278	X X X
6. 2006	1,157	154	395	58	36		261	12	116		360	1,741	X X X
7. 2007	1,953	92	713	143	63		349	28	181		132	2,996	X X X
8. 2008	2,718	59	1,376	273	111	1	706	33	333		433	4,878	X X X
9. 2009	4,273	90	2,414	253	133	4	1,052	42	507		453	7,990	X X X
10. 2010	6,280	57	3,699	243	147	1	1,642	60	880		749	12,287	X X X
11. 2011	10,071	50	9,225	115	120		1,965	11	1,457	25	1,259	22,637	X X X
12. Totals	36,901	3,562	22,568	1,816	920	63	7,107	290	4,309	25	3,829	66,049	X X X

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	7,833	1,401
2. 2002	37,954	3,708	34,246	69.384	68.948	69.432			0.600	1,203	117
3. 2003	36,564	3,029	33,535	61.227	60.726	61.272			0.600	619	148
4. 2004	37,306	1,572	35,734	58.048	44.332	58.849			0.600	752	169
5. 2005	38,596	1,534	37,062	57.646	56.563	57.692			0.600	997	281
6. 2006	39,332	1,109	38,223	58.824	37.140	59.838			0.600	1,340	401
7. 2007	40,726	1,082	39,644	59.675	32.463	61.073			0.600	2,431	565
8. 2008	45,960	1,528	44,432	67.477	60.348	67.752			0.600	3,762	1,116
9. 2009	41,000	2,286	38,714	64.159	57.193	64.623			0.600	6,344	1,646
10. 2010	42,901	547	42,354	67.922	42.835	68.440			0.600	9,679	2,608
11. 2011	48,472	288	48,184	75.751	24.806	76.692			0.600	19,131	3,506
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	54,091	11,958

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

SCHEDULE P – PART 2 – SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										DEVELOPMENT	
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011	11 One Year	12 Two Year
1. Prior	31,407	33,562	33,910	34,958	35,379	35,761	35,020	36,632	37,418	37,443	25	811
2. 2002	31,584	31,423	31,139	30,481	30,371	30,125	29,923	30,107	30,100	30,547	447	440
3. 2003	XXX	31,108	30,538	29,777	29,624	29,828	29,599	29,490	29,371	29,345	(26)	(145)
4. 2004	XXX	XXX	34,985	34,136	33,692	32,226	32,030	31,660	31,575	31,503	(72)	(157)
5. 2005	XXX	XXX	XXX	36,508	35,119	33,382	33,170	32,766	32,678	32,579	(99)	(187)
6. 2006	XXX	XXX	XXX	XXX	35,929	35,196	34,277	33,511	33,621	33,678	57	167
7. 2007	XXX	XXX	XXX	XXX	XXX	38,511	37,490	35,146	35,127	35,031	(96)	(115)
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	41,683	39,788	39,632	39,168	(464)	(620)
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	35,584	34,462	33,871	(591)	(1,713)
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	37,714	36,842	(872)	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	43,099	XXX	XXX
										12. Totals	(1,691)	(1,519)

SCHEDULE P – PART 3 – SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										11	12
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
1. Prior	000	9,322	15,122	18,869	21,411	23,198	24,714	25,682	26,828	28,328	XXX	XXX
2. 2002	14,394	21,070	24,249	26,470	27,605	28,263	28,679	28,903	29,143	29,246	XXX	XXX
3. 2003	XXX	14,525	20,916	23,980	25,979	27,329	27,918	28,273	28,464	28,595	XXX	XXX
4. 2004	XXX	XXX	15,070	22,632	26,159	28,254	29,491	30,103	30,396	30,609	XXX	XXX
5. 2005	XXX	XXX	XXX	15,428	22,908	26,489	28,817	30,275	30,981	31,347	XXX	XXX
6. 2006	XXX	XXX	XXX	XXX	15,712	23,344	26,667	29,350	31,007	32,016	XXX	XXX
7. 2007	XXX	XXX	XXX	XXX	XXX	16,327	24,252	27,893	30,531	32,175	XXX	XXX
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	18,931	27,994	31,941	34,577	XXX	XXX
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	15,813	22,919	26,349	XXX	XXX
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	17,368	25,400	XXX	XXX
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	21,877	XXX	XXX

SCHEDULE P – PART 4 – SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)									
	1 2002	2 2003	3 2004	4 2005	5 2006	6 2007	7 2008	8 2009	9 2010	10 2011
1. Prior	11,960	9,570	7,329	6,295	5,703	4,855	4,684	5,067	5,169	4,144
2. 2002	9,592	4,876	2,776	1,603	1,176	797	528	489	291	184
3. 2003	XXX	8,699	4,332	2,477	1,716	1,249	915	622	394	327
4. 2004	XXX	XXX	10,922	5,435	3,589	1,935	1,423	770	565	422
5. 2005	XXX	XXX	XXX	12,200	6,067	3,068	1,902	1,083	747	543
6. 2006	XXX	XXX	XXX	XXX	11,004	5,540	3,378	1,627	924	622
7. 2007	XXX	XXX	XXX	XXX	XXX	11,377	5,935	2,796	1,521	933
8. 2008	XXX	XXX	XXX	XXX	XXX	XXX	12,371	5,443	3,247	1,823
9. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,844	5,491	3,210
10. 2010	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	10,708	5,073
11. 2011	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	11,081

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated By States and Territories

States, Etc.		1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama	AL	L	2,069,632	2,310,296		3,375,944	7,004,754	5,612,160	10,384	
2. Alaska	AK	L	3,161,043	2,723,790		485,185	686,374	786,590	15,860	
3. Arizona	AZ	L	987,278	1,197,812		2,302,783	996,976	830,531	4,953	
4. Arkansas	AR	L	282,845	362,525		576,373	208,154	364,871	1,419	
5. California	CA	L	4,549,828	3,619,099		8,018,481	16,930,283	27,729,359	22,828	
6. Colorado	CO	L	357,907	552,862		149,077	(44,894)	420,709	1,796	
7. Connecticut	CT	L	5,017,661	5,762,977		6,385,929	10,510,738	15,136,327	25,175	
8. Delaware	DE	L	196,375	207,449		90,316	26,976	1,557,857	985	
9. District of Columbia	DC	L	129,143	426,920		350,737	150,622	760,979	648	
10. Florida	FL	L	6,971,348	7,372,756		7,944,079	13,370,064	12,334,187	34,977	
11. Georgia	GA	L	2,723,198	2,267,530		596,021	1,580,925	1,935,891	13,663	
12. Hawaii	HI	N								
13. Idaho	ID	L	1,548,322	1,802,192		710,480	761,593	791,180	7,768	
14. Illinois	IL	L	3,571,577	3,718,822		2,441,656	2,683,326	5,376,542	17,920	
15. Indiana	IN	L	2,135,844	2,181,982		987,676	985,990	792,806	10,716	
16. Iowa	IA	L	545,809	247,336		755,526	839,383	1,246,280	2,738	
17. Kansas	KS	L	331,487	414,204		390,678	574,634	651,661	1,663	
18. Kentucky	KY	L	10,748,840	12,063,099		5,335,756	5,695,253	9,278,360	53,930	
19. Louisiana	LA	L	951,733	1,170,818		696,118	1,442,021	1,891,047	4,775	
20. Maine	ME	N								
21. Maryland	MD	L	6,585,741	7,268,262		4,992,752	4,404,360	15,410,721	33,042	
22. Massachusetts	MA	L	1,204,653	1,383,128		1,329,168	1,633,874	3,132,511	6,044	
23. Michigan	MI	L	1,845,312	1,939,179		1,498,658	1,637,752	2,542,867	9,258	
24. Minnesota	MN	L	473,541	324,489		63,607	92,706	1,250,655	2,376	
25. Mississippi	MS	L	2,443,369	3,192,920		1,790,566	3,463,833	3,641,701	12,259	
26. Missouri	MO	L	1,225,323	1,475,088		1,031,814	1,279,468	1,675,538	6,148	
27. Montana	MT	L	1,056,201	1,039,484		1,018,977	353,460	379,797	5,299	
28. Nebraska	NE	L	198,972	130,376		28,043	(38,527)	118,937	998	
29. Nevada	NV	L	93,381	121,992		9,059	(127)	29,167	469	
30. New Hampshire	NH	L	(263)	(821)						
31. New Jersey	NJ	L	11,708,490	12,874,290	158,629	14,183,657	15,578,117	26,710,653	58,745	
32. New Mexico	NM	L	775,170	899,501		344,087	31,885	772,199	3,889	
33. New York	NY	L	3,972,500	4,488,592		3,098,095	2,327,736	8,722,849	19,931	
34. North Carolina	NC	L	5,950,937	5,841,150		12,595,969	4,783,756	8,585,308	29,857	
35. North Dakota	ND	L	83,113	106,972		55,058	5,906	13,766	417	
36. Ohio	OH	L	6,080,674	6,086,177		4,414,306	5,502,605	5,081,404	30,508	
37. Oklahoma	OK	L	3,541,943	3,815,939		2,694,146	2,046,063	2,008,452	17,771	
38. Oregon	OR	L	6,835,832	6,579,042		2,199,017	3,315,859	3,868,016	34,297	
39. Pennsylvania	PA	L	17,746,019	19,139,098		16,751,272	17,342,318	52,688,200	89,036	
40. Rhode Island	RI	L	21,478	21,187			1,314	3,035	108	
41. South Carolina	SC	L	2,486,256	2,432,119		1,513,068	1,232,191	3,892,351	12,474	
42. South Dakota	SD	L	135,685	111,817		28,044	43,444	31,444	681	
43. Tennessee	TN	L	2,631,678	2,689,987		2,603,132	3,622,008	3,746,159	13,204	
44. Texas	TX	L	3,110,044	3,377,933		1,032,400	2,649,059	3,661,331	15,604	
45. Utah	UT	L	1,089,101	1,207,799		732,260	706,039	949,216	5,464	
46. Vermont	VT	L								
47. Virginia	VA	L	2,478,504	2,833,947	30,740	1,920,399	1,866,620	4,804,214	12,435	
48. Washington	WA	L	14,608,317	13,777,891		4,003,733	6,460,752	9,526,040	73,294	
49. West Virginia	WV	L	1,739,876	1,770,521		901,542	753,010	699,488	8,729	
50. Wisconsin	WI	L	1,282,404	1,059,438	101,524	809,412	912,042	2,023,243	6,434	
51. Wyoming	WY	L	339,744	333,115		74,531	67,212	141,776	1,705	
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	XXX								
59. Totals		(a) 49	148,023,865	154,723,081	290,893	123,309,587	146,477,907	253,608,375	742,674	

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

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

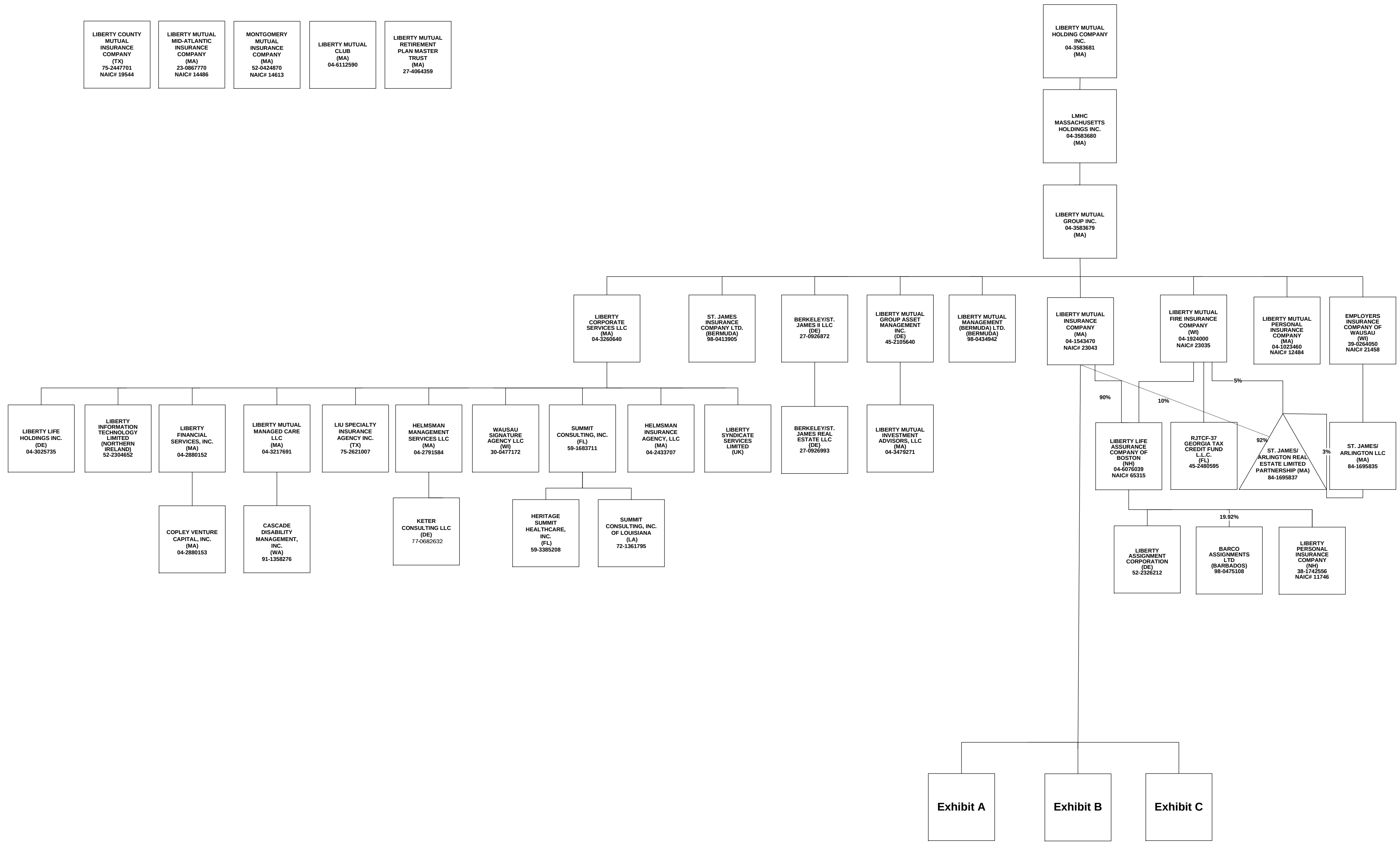
Explanation of basis of allocation of premiums by states, etc.

*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
*States employee's main work place - Worker's Compensation
*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
*Principal Location of business or location of coverage - Liability other than Auto, Fidelity, Warranty
*Point of origin of shipment or principal location of assured - Inland Marine
*State in which employees regularly work - Group Accident and Health
*Location of Court or obligee - Surety
*Address of Assured - Other Accident and Health
*Location of Properties covered - Burglary and Theft
*Principal Location of Assured - Ocean Marine, Credit
*Primary residence of Assured - Aircraft (all perils)

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

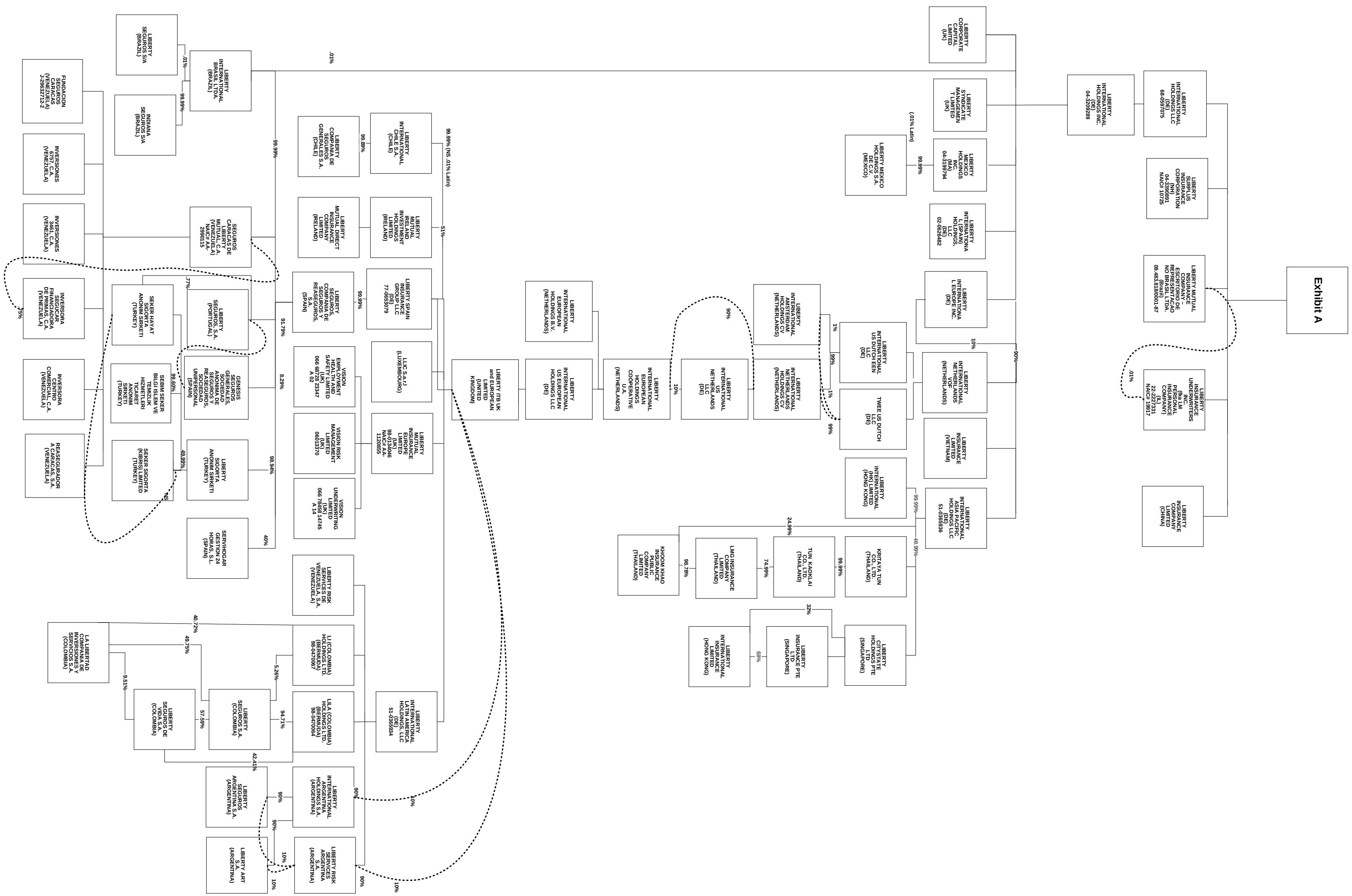
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



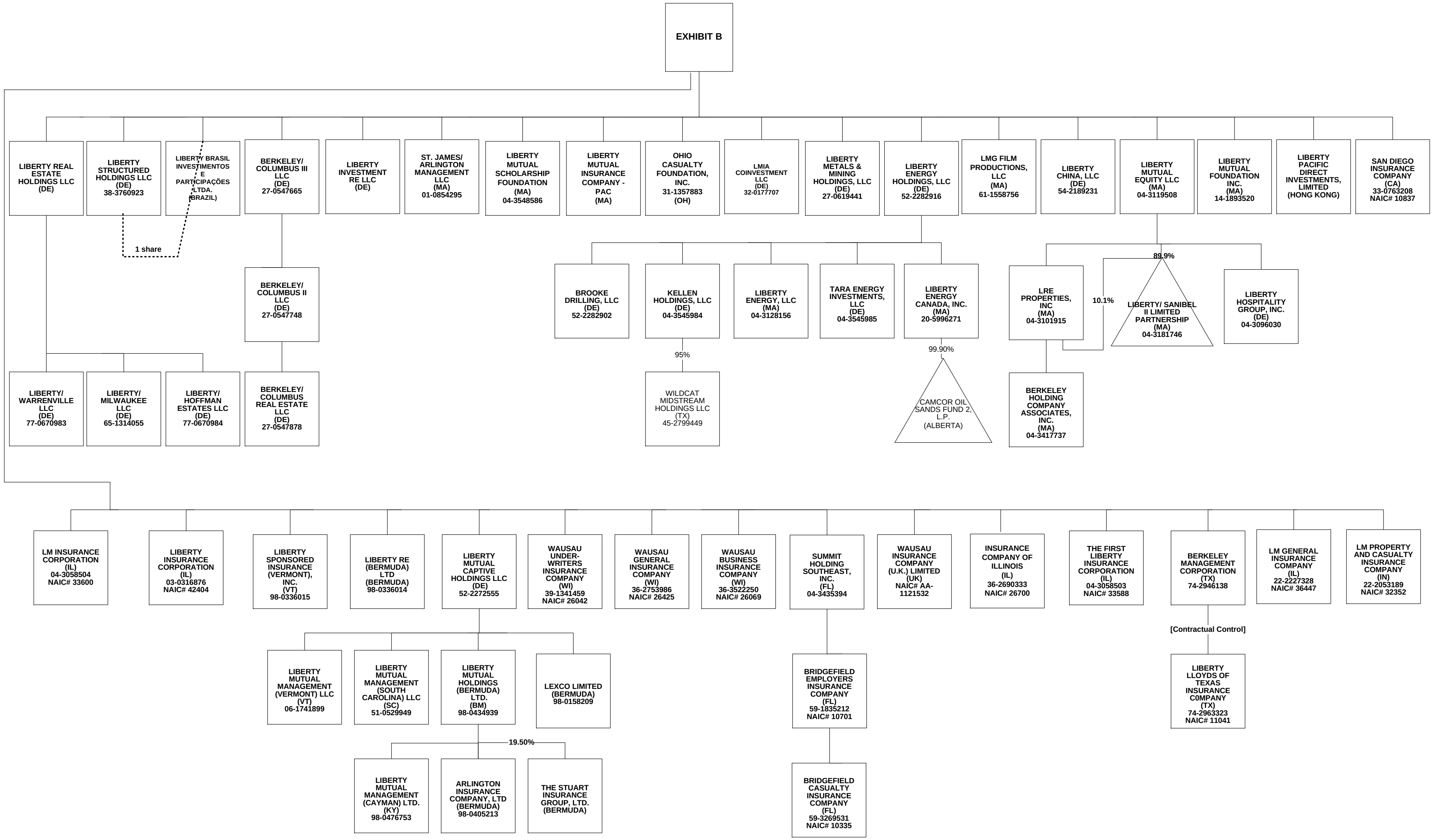
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

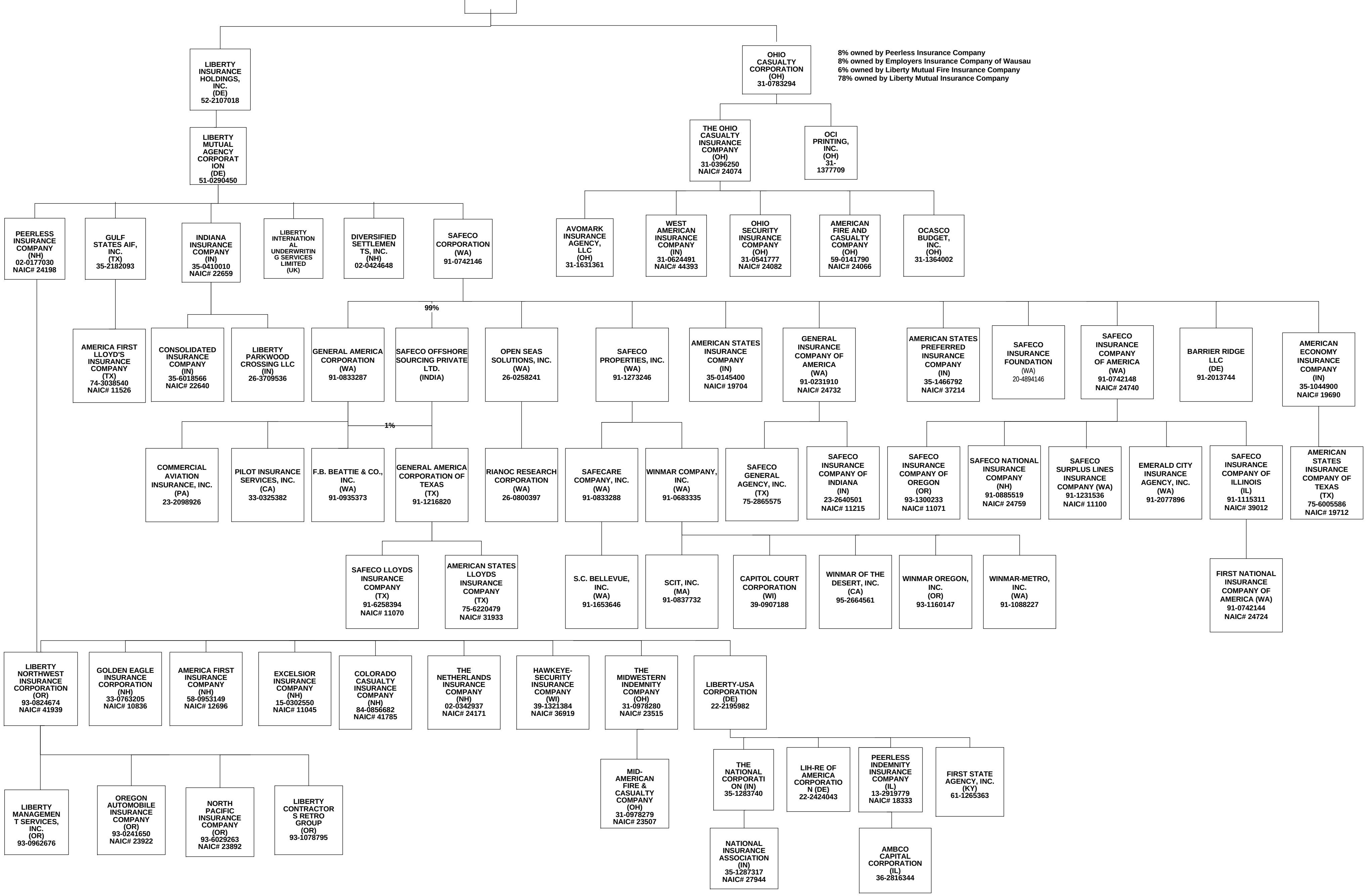
PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART

Exhibit C



OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Year	2 Prior Year
2504. Accrued return retrospective premiums		73,045
2505. Private passenger auto escrow		6,421
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)		79,466

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT

ALPHABETICAL INDEX TO PROPERTY ANNUAL STATEMENT