MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000
www.insurance.wa.gov

OFFICE OF
INSURANCE COMMISSIONER

November 7, 2011

Patricia Petersen, Chief Hearing Officer
Office of the Insurance Commissioner
Hearings Unit
P.O. Box 40255
Olympia, WA 98504-0255
5000 Capitol Blvd.
Tumwater, WA 98501

Re: Redomestication Applications for Safeco Insurance Company of America, Safeco Surplus Lines Insurance Company, First National Insurance Company of America and General Insurance Company of America.

Dear Ms. Petersen:

Attached please find the redomestication applications and associated supplementary documents for Safeco Insurance Company of America, Safeco Surplus Lines Insurance Company, First National Insurance Company of America and General Insurance Company of America. The applications relate to a proposal to redomesticate from Washington State to New Hampshire.

The companies have requested an approval date prior to year end 2011.

The Company Supervision division is satisfied that the redomestication applications are complete and requests that a hearing be scheduled in this matter. Mr. Chuck Brown is the OIC Senior Staff Attorney assigned to this case.

If you have any questions, please call me at 360-725-7210 or Mr. Brown at 360-725-7044.

Sincerely,

Gayle Pasero

Gayle Pasero, CPCU
Company Licensing Manager
Company Supervision Division

cc: James T. Odiorne, Deputy Insurance Commissioner, Washington State Office of the Insurance Commissioner
Chuck Brown, Senior Staff Attorney, Washington State Office of the Insurance Commissioner
Melvin N. Sorensen, Attorney, Carney, Badley, Spellman

Pasero, Gayle (OIC)

From: Quinlan, Richard [Richard.Quinlan@LibertyMutual.com]
Sent: Wednesday, November 02, 2011 11:06 AM
To: Pasero, Gayle (OIC)
Cc: Sorensen, Melvin
Subject: RE: Safeco redomestication

Dear Ms. Pasero,

Thank you for your attached note.
We have discussed and reviewed your inquiry with the appropriate senior managers at Liberty Mutual and note that there is no strategic plan to restructure, consolidate, eliminate or to move the Applicants' Washington-based operations or employee population. In addition, the proposed redomestications will be seamless to the Applicants' Washington policyholders because they will not result in any changes to the Applicants' producer base or to their methods and ability to handle claims and service policyholders. The proposed redomestications, if approved, will not have any substantive impact on the contractual or statutory rights of the Applicants' Washington policyholders. Nor will the redomestications have a material impact on any pending litigation filed in Washington involving the Applicants' Washington policyholders. In light of economic uncertainties and the intensely competitive nature of the property-casualty insurance industry, however, the Applicants must reserve their right to make operational and staffing changes as their business judgment deems appropriate in the future.

Thank you for your assistance and for forwarding this to the Hearing Officer. We hope that a hearing date can be set in the near-term with the goal of accomplishing this transaction prior to December 31, 2011.

Best Regads,

Richard P. Quinlan, Esq.
Deputy General Counsel
Senior Vice President and Manager, Corporate Group
Liberty Mutual Group
175 Berkeley Street
Boston, MA 02116
617-574-5655 phone
617-574-5830 fax
617-429-7983 cell
Richard.Quinlan@libertymutual.com

From: Pasero, Gayle (OIC) [mailto:GayleP@OIC.WA.GOV]
Sent: Thursday, October 20, 2011 5:34 PM
To: Quinlan, Richard
Cc: Sorensen, Melvin
Subject: Safeco redomestication

Dear Mr. Quinlan,

I have completed my review of the applications for redomestication to New Hampshire for Safeco Insurance Company of America, Safeco Surplus Lines Insurance Company, First National Insurance Company of America and General Insurance Company of America.

You indicated that this change will not affect Liberty Mutual's business operations and employees in the State of Washington. Please elaborate further on the following:

- What are the strategic plans for the next 5 years for the location of the company operations and staff currently in Washington? 10 years?
- Are there plans to restructure, consolidate, eliminate or move any of the staff or current operations located in Washington?

Thank you for your assistance with this. Once I receive your response the applications will be referred to our Hearing Officer who will review the files and then set a date for the hearing.

Best regards,

Gayle Pasero, CPCU
Company Licensing Manager
Company Supervision
Washington State Office of the Insurance Commissioner
360.725.7210 | Gaylep@oic.wa.gov | www.insurance.wa.gov
P.O. Box 40259, Olympia, WA 98504-0255

Pasero, Gayle (OIC)

From: Pasero, Gayle (OIC)
Sent: Thursday, October 20, 2011 2:34 PM
To: 'Richard.Quinlan@libertymutual.com'
Cc: Sorensen, Melvin
Subject: Safeco redomestication

Dear Mr. Quinlan,

I have completed my review of the applications for redomestication to New Hampshire for Safeco Insurance Company of America, Safeco Surplus Lines Insurance Company, First National Insurance Company of America and General Insurance Company of America.

You indicated that this change will not affect Liberty Mutual's business operations and employees in the State of Washington. Please elaborate further on the following:

- What are the strategic plans for the next 5 years for the location of the company operations and staff currently in Washington? 10 years?
- Are there plans to restructure, consolidate, eliminate or move any of the staff or current operations located in Washington?

Thank you for your assistance with this. Once I receive your response the applications will be referred to our Hearing Officer who will review the files and then set a date for the hearing.

Best regards,

Gayle Pasero, CPCU
Company Licensing Manager
Company Supervision
Washington State Office of the Insurance Commissioner
360.725.7210 | Gaylep@oic.wa.gov | www.insurance.wa.gov
P.O. Box 40259, Olympia, WA 98504-0255

CARNEY
BADLEY
SPELLMAN
Melvin N. Sorensen

Law Offices
A Professional Service Corporation

701 Fifth Avenue, Suite 3600
Seattle, Washington 98104-7010
T (206) 622-8020
F (206) 467-8215
Direct Line (206) 607-4152

Email: sorensen@carneylaw.com

August 19, 2011

RECEIVED
AUG 19 2011
INSURANCE COMMISSIONER

The Honorable Mike Kreidler
Insurance Commissioner
Washington State Office of the Insurance Commissioner
5000 Capitol Blvd.
P.O. Box 40255
Tumwater, WA 98512

Re: Request for Transfer of Domicile

Dear Commissioner Kreidler:

Enclosed for your review is a letter from Mr. Richard P. Quinlan, Senior Vice President, Deputy General Counsel, Liberty Mutual Group, together with related documents requesting to transfer the domicile of Safeco Insurance Company of America, Safeco Surplus Lines Insurance Company, First National Insurance Company of America, and General Insurance Company of America, all Washington stock insurance companies (the "Applicants"), to New Hampshire.

On behalf of the Applicants, we request that the OIC withhold from public disclosure the personal, non-public information contained in the biographical affidavits included in the materials referenced above. This request includes information such as personal addresses and social security numbers. Please do not hesitate to contact me if you or your staff have any questions regarding this matter.

Respectfully Submitted,

CARNEY BADLEY SPELLMAN, P.S.

Melvin N. Sorensen

Enclosure

MNS:jc

Liberty Mutual.

RICHARD P. QUINLAN
SENIOR VICE PRESIDENT &
DEPUTY GENERAL COUNSEL
175 Berkeley Street
Boston, MA 02116
Telephone: 617-357-9500 Ext 45655
Richard.Quinlan@libertymutual.com

August 18, 2011

The Hon. Mike Kriedler
Insurance Commissioner
Washington State Office of the Insurance Commissioner
5000 Capitol Blvd.
PO Box 40255
Tumwater, WA 98512

Subject: Request for Transfer of Domicile

Dear Commissioner Kriedler:

Please treat this letter as the official request pursuant to Washington Revised Code §48.07.210(2) to transfer the domicile of (or "redomesticate") Safeco Insurance Company of America, Safeco Surplus Lines Insurance Company, First National Insurance Company of America and General Insurance Company of America, all Washington stock insurance companies (the "Applicants"), to New Hampshire.

The purpose of the redomestication is two-fold. First, in December 2008, the Massachusetts Commissioner of Insurance met with the Board of Directors of Liberty Mutual Holding Company Inc. ("Liberty Mutual") to request that they reduce the complexity of Liberty Mutual's corporate structure, including reducing the number of domiciliary states for its insurance companies. By virtue of its significant growth through various acquisitions over the last decade, Liberty Mutual had accumulated insurance companies domiciled in 19 different states. Liberty Mutual promptly responded to this request and has to date consolidated domiciliary operations in several jurisdictions where it already had domestic entities, such as New Hampshire, which has regulated Liberty Mutual affiliates for more than 100 years. Over the last three years, Liberty Mutual efforts in this regard have resulted in a reduction in the total number of domiciliary jurisdictions regulating its insurance affiliates from 19 to 11. Liberty Mutual has continued to evaluate opportunities with respect to this initiative and believes that the redomestication of the Applicants will serve to further this objective by allowing a further reduction in its domiciliary jurisdictions.

Second, Liberty Mutual will realize significant corporate efficiencies by affecting the change in domicile. Liberty Mutual continually analyzes strategic opportunities and reviews its corporate structure to seek capital and operational efficiencies. Liberty Mutual currently has ten affiliated insurance companies domiciled in New Hampshire, including Peerless Insurance Company, the lead company of the intercompany pool of which the Applicants are members. The redomestications should make regulating oversight of the pool members more efficient for both our domiciliary regulators and Liberty Mutual, and will increase the efficiency of the pool's operations from a retaliatory tax perspective. However, the redomestications should have no negative revenue impact to the State of Washington.

This requested change in the Applicants' state of domicile will not affect Liberty Mutual's business operations and employees in the State of Washington. Since the acquisition of Safeco Corporation in 2008, Liberty Mutual has maintained a significant presence in Washington and the Pacific Northwest. The headquarters of Safeco Insurance have remained in Seattle, Washington, and Liberty Mutual maintains significant operations and employees in the State.

The Safeco Foundation remains a valued and active partner to numerous charitable and community organizations within the State. The Safeco Foundation has consistently made significant contributions to such organizations over the last three years. The Safeco Foundation's purpose has been fortified by its alignment with Liberty Mutual's other charitable activities and its history of community giving. This transaction will not adversely impact the continuation of the Foundation's goals, objectives and continued vibrancy in the Washington community. Finally, Safeco Field remains a prominent landmark in Seattle and a visible sign of Liberty Mutual's commitment to the Safeco brand.

Pursuant to RCW 48.07.210(2), the statutory standard for review of a request for redomestication by the Office of the Insurance Commissioner states that such a request shall be approved if it cannot be found "that the transfer is not in the best interests of the public or the insurer's policyholders in this state." In accordance with RCW 48.07.210(2), the Applicants respectfully request transfer of their domiciles to New Hampshire on October 1, 2011, a date that is at least thirty days after this notice. Please hold confidential, pursuant to RCW 48.02.065 as appropriate, those items in this filing that are confidential and protected from publication and public disclosure.

Please be advised that, simultaneously with filing the enclosed duplicate applications with you, we are making filings to request approval of the transfers of domicile with the New Hampshire Insurance Department. Our contact there is Ms. Pat Gosselin, Insurance Company Examiner II, New Hampshire Insurance Department, Suite 14, Concord, NH 03301, Telephone: 603-271-7973, x207.

Please let us know at your earliest convenience if a public hearing will be required with respect to this matter and what if any additional documentation you would like for your review. We look forward to working with you and the Staff of the OIC during the review process. If you have any questions regarding this request, please do not hesitate to contact me.

Very truly yours,

Richard P. Quinlan

Richard P. Quinlan
Senior Vice President, Deputy General Counsel

Cc: Paul Mattera, Liberty Mutual Group
Gary Strannigan, Liberty Mutual Group
Mel Sorensen, Carney, Badley & Spellman, P.C.

Liberty Mutual.

RICHARD P. QUINLAN
SENIOR VICE PRESIDENT &
DEPUTY GENERAL COUNSEL
175 Berkeley Street
Boston, MA 02116
Telephone: 617-357-9500 Ext 45655
Richard.Quinlan@libertymutual.com

August 18, 2011

Ms. Pat Gosselin
Insurance Company Examiner II
New Hampshire Insurance Department
21 South Fruit Street, Suite 14
Concord, NH 03301

RE: Requests for Transfer of Domicile

Dear Ms. Gosselin:

Enclosed please find applications to transfer the domiciles of (or "redomesticate") the following Washington domiciled companies (the "Applicants") to New Hampshire pursuant to RSA§§ 405:62 through 405:65:

Safeco Insurance Company of America
Safeco Surplus Lines Insurance Company
General Insurance Company of America
First National Insurance Company of America

The purpose of the redomestications is to continue to reduce the complexity of the corporate structure of the Liberty Mutual Group and make the Group's insurance operations more efficient. As you may recall, in December of 2008, the Massachusetts Commissioner of Insurance met with the Board of Directors of Liberty Mutual Holding Company Inc. ("Liberty Mutual") to request that they reduce the complexity of Liberty Mutual's corporate structure, including reducing the number of domiciliary states for its insurance companies. Liberty Mutual promptly responded to this request. As part of its response, in 2009 Liberty Mutual transferred the domiciles of three affiliate companies (Safeco National Insurance Company, Colorado Casualty Insurance Company and Golden Eagle Insurance Corporation) to New Hampshire.

Liberty Mutual currently has ten affiliated insurance companies domiciled in New Hampshire, including Peerless Insurance Company, the lead company of the intercompany pool of which the Applicants are members. The redomestications should make regulating oversight of the pool members more efficient for both Liberty Mutual and its domiciliary regulators, and will increase the efficiency of the pool's operations from a tax perspective. Please be advised that, simultaneously with filing the enclosed applications with you, we are making filings to request the approval of the transfer of domicile with the Washington Office of the Insurance Commissioner. We will request that Gayle Pasero, Company Licensing

Manager with the Washington Office of the Insurance Commissioner contact you to coordinate the handling of Applicants' requested transfers of domicile. The Washington Office of the Insurance Commissioner has indicated that it would like a letter from the New Hampshire Insurance Department indicating that it has no objection to the filing of the UCAA Primary and redomestication application, discussed more fully below. The Applicants will submit to you information indicating they have complied with all the laws and requirements of their current state of domicile with reference to the proposed redomestication as soon as it is received. It is our goal to have the redomestications completed by year end.

Three of the Applicants (Safeco Insurance Company of America, General Insurance Company of America and First National Insurance Company of America) are already licensed to transact insurance business in New Hampshire. Safeco Surplus Lines Insurance Company does not currently have a New Hampshire certificate of authority, as it is a surplus lines insurer and licensed only in Washington. Please note that the three licensed applicants have submitted the redomestication elements of the UCAA Primary Application for your review and that the application for Safeco Surplus Lines Insurance Company is a full UCAA Primary Application and will also serve as an application for a certificate of authority. Please note that the enclosed applications include information, such as financial projections and biographical information, deemed confidential to the full extent permitted by New Hampshire law, with particular reference to RSA 400-A:37, IV-a (a). If you have any questions regarding these requests, please contact me.

Very truly yours,

Richard P. Quinlan

Richard P. Quinlan
Senior Vice President, Deputy General Counsel

cc: Commissioner Mike Kriedler, Washington OIC
George Roussos, Orr & Reno
Paul Mattera, Liberty Mutual Group
Donald Baldini, Liberty Mutual Group

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

No. 1528

I, MIKE KREIDLER, State Insurance Commissioner, do hereby certify that I am the state official charged with the general control and supervision of all insurance business (except State Workers' Compensation) transacted in the State of Washington and charged with the administration of the laws relating to insurance in said jurisdiction, and that this office is a department of record, having custody of original documents.

I FURTHER CERTIFY That ***FIRST NATIONAL INSURANCE COMPANY OF AMERICA,*** *Seattle, Washington, was duly organized and incorporated under the laws of the State of Washington, and, having complied with the requirements of said laws, has been authorized since November 1, 1928 to issue policies and transact the business of Property, Marine and Transportation, Vehicle, General Casualty, Surety, Ocean Marine and Foreign Trade Insurance as defined in RCW 48.11.040, 48.11.050, 48.11.060, 48.11.070, 48.11.080 and 48.11.105.*

IN WITNESS WHEREOF, *I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this 7th day of November, 2011.*

MIKE KREIDLER
Insurance Commissioner

By: [signature]
Deputy Insurance Commissioner

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

Uniform Certificate of Authority Application (UCAA)
Primary Application Checklist
For Primary Application Only

The application checklist is intended to help guide you with assembling your complete Primary Uniform Certificate of Authority Application (UCAA). Please be sure to complete the checklist by appropriately marking the boxes on the left side of the page prior to submitting your application for review. The completed checklist should be attached to the top of the application.

Regulator Use Only

1. **Application Form**, containing: ☐
   - [X] Completed Primary Application Checklist (Form 1P) ✓
   - [X] Original UCAA Primary Application executed and signed (Form 2P) ✓
   - [N/A] Include all lines of insurance applicant is licensed to transact, currently transacting and requesting authority to transact in all jurisdictions. (Form 3).
2. **Filing Fee** (pursuant to Section II Filing Requirements Item 2) containing: ☐
   - [X] Payment of required filing fee
   - [X] Copy of check
3. **Minimum Capital and Surplus Requirements** (pursuant to Section II Filing Requirements Item 3) ✓
   - [N/A] Provide explanation of compliance with minimum capital & surplus requirements for state for which application is prepared
4. **Statutory Deposit Requirements** (pursuant to Section II Filing Requirements Item 4) N/A
   - [N/A] An original Certificate of Deposit prepared by state of domicile (Form 7)
5. **Name Approval** (pursuant to Section II Filing Requirements Item 5) N/A
   - [N/A] Evidence of name approval request
6. **Plan of Operation** (pursuant to Section II Filing Requirements Item 6) ☐
   - [N/A] Completed Questionnaire (Form 8)
   - [N/A] Pro Forma
   - [N/A] Narrative
7. **Holding Company Form "B" Registration Statement** (pursuant to Section II Filing Requirements Item 7) ✓
   - [N/A] Included statement

   Reviewed online
8. **Statutory Membership(s)** N/A
   - [N/A] Submit documentation as listed in Section II Filing Requirements Item 8
9. **SEC Filings or Consolidated GAAP Financial Statement** Waive
   - [N/A] Submit documentation as listed in Section II Filing Requirements Item 9
10. **Debt-to-Equity Ratio Statement** Waive
    - [N/A] Submit documentation as listed in Section II Filing Requirements Item 10

Waive

11. **Custody Agreements**

[N/A] Submit documentation as listed in Section II Filing Requirements Item 11

12. **Public Records Package**

Submit ALL items in chart in Section II Item 12 including:

a. Articles of Incorporation, including: Restated
[N/A] Original certification by domiciliary state

b. Bylaws, including: Restated
[N/A] Original certification by applicant's corporate assistant

c. Statement with Attachments, including:
[N/A] Current Year Annual Statement*
Verified and signed,
including actuarial opinion; and

[N/A] Current Year Quarterly Statements-one copy for each quarter, verified and signed.

* 1. Updated Statements should be submitted on a timely basis while application is pending.

2. If Annual Statement for two preceding years have not been filed with NAIC, one copy of each year must be submitted with the application.

d. Independent CPA-Audit Report
[N/A]

13. **NAIC Biographical Affidavits for the following:**

[N/A] Officers (As listed on Jurat Page of most recent financial statement.)
[N/A] Directors (As listed on Jurat Page of most recent financial statement.)
[N/A] Key managerial personnel (Including any Vice Presidents or other individuals who will control the operations of the applicant.)
[N/A] Individuals with a 10% or more beneficial ownership in the applicant who will exercise control over the applicant or, Officers and Directors of an entity with a 10% or more beneficial ownership in the applicant who exercise control over the applicant; and
[N/A] Individuals with a 10% or more beneficial ownership in the applicant's ultimate controlling person who will exercise control over the applicant and Officers and Directors of the ultimate controlling person who will control the operations of the applicant.
[N/A] Originally signed and notarized within one year of application date.
[N/A] Certified by Independent Third Party

14. **State-Specific Information**

[N/A] Some jurisdictions may have additional requirements that must be met before a Certificate of Authority can be issued. Before completing a UCAA Primary Application the applicant should review a listing of requirements for the state to which you are applying

Filing Requirements – Redomestications Only

The requirements of this section are only for those insurers seeking to redomesticate from one state to another and are in addition to the requirements of Section II, items 1-14 of the Primary Checklist. A Redomestication is defined as the process where any insurer organized under the laws of any other state may become a domestic insurer that transfers its domicile to another state by merger or consolidation or any other lawful method. The Primary Application when used for a redomestication is filed with the insurer's new state of domicile.

15. **Annual Statement with Attachments** ☐

    [X] Submit documentation as listed in Section III, Filing Requirements Item 1

16. **Quarterly Statements** ☐

    [X] Submit documentation as listed in Section III, Filing Requirements Item 2

17. **Risk Based Capital Report** ☐

    [X] Submit documentation as listed in Section III, Filing Requirements Item 3

18. **Independent CPA Audit Report** ☐

    [X] Submit documentation as listed in Section III, Filing Requirements Item 4

19. **Reports of Examination** ☐

    [X] Submit documentation as listed in Section III, Filing Requirements Item 5

20. **Certificate of Compliance (pursuant to Section III,** Filing Requirements Item 6) ✓

    [X] Original certification of compliance (Form 6) completed by domiciliary state insurance regulatory agency.

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

Uniform Certificate of Authority Application (UCAA)
Primary Application

To the Insurance Commissioner/Director/Superintendent of the State of:

Alabama		Montana	
Alaska		Nebraska	
Arizona		Nevada	
Arkansas		New Hampshire	X
California		New Jersey	
Colorado		New Mexico	
District of Columbia		New York	
Connecticut		North Carolina	
Delaware		North Dakota	
Florida		Ohio	
Georgia		Oklahoma	
Hawaii		Oregon	
Idaho		Pennsylvania	
Illinois		Rhode Island	
Indiana		South Carolina	
Iowa		South Dakota	
Kansas		Tennessee	
Kentucky		Texas	
Louisiana		Utah	
Maine		Vermont	
Maryland		Virginia	
Massachusetts		Washington	
Michigan		West Virginia	
Minnesota		Wisconsin	
Mississippi		Wyoming	
Missouri			

(Check the appropriate states in which you are applying.)

The undersigned Insurer hereby certifies that the classes of insurance as indicated on the Lines of Insurance, Form 3, are all lines of business (a) currently authorized for transaction, (b) currently transacted and (c) which the Insurer is applying to transact.

Name of Insurer: First National Insurance Company of America NAIC # 24724 0111
Group Code

Home Office Address: 62 Maple Avenue, Keene, NH 03431

Administrative Office Address: 175 Berkeley Street, Boston, MA 02116

Mailing Address: 175 Berkeley Street, Boston, MA 02116

Phone: 617-357-9500 Fax: 617-574-5955

Are these addresses the same as those shown on your Annual Statement?

Yes [ ] No [x]

If not, indicate why.
Administrative office was updated earlier this year. New home office address will be effective with the redomestication.

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

Date Incorporated: October 10, 1928 Form of Organization: Corporation

Billing Address: Joanne Connolly, 175 Berkeley Street, Boston, MA 02116
E-Mail Address: joanne.connolly@libertymutual.com Phone: 617-357-9500 Fax: 617-574-5955

Premium Tax Statement Address: George Ryan, 175 Berkeley Street, Boston, MA 02116
E-Mail Address: George.ryan@libertymutual.com Phone: 617-357-9500 Fax: 617-574-5975

Producer Licensing Address: Vicki Rose, 9450 Seward Road, Fairfield, OH 45014
E-Mail Address: Vicki.rose@libertymutual.com Phone: 513-603-7953 Fax:513-603-3161

Rate/Form Filing Address: Patty McCollum, 1001 Fourth Avenue, Safeco Plaza, Seattle, WA 98154
E-Mail Address: patty.mccollum@safeco.com Phone: 206-473-5736 Fax: 206-473-6222

Consumer Affairs Address: Krista Young, 175 Berkeley Street Boston, MA 02116
E-Mail Address: krista.young@libertymutual.com Phone: 617-357-9500 Fax: 617-574-6688

State or Country of Domicile: Washington Date Organized October 10, 1928

Date of Last Amendment of Charter, Bylaws or Subscriber's Agreement Charter 2/28/1994; By-laws 1/1/2009

Date of Last Financial Examination: December 31, 2009

Date of Last Market Conduct Examination: September 2009

Par Value of Issued Stock: $ 250.00 Surplus as regards policyholders: $46,025,313

Certificate of Deposit (Home State) $ 18,581,000

Ultimate Owner/Holding Company: Liberty Mutual Holding Company Inc.

Has your company ever been refused admission to this or any other state prior to the date of this application?

Yes [ ] No [x]

If Yes, give full explanation in an attached letter.

The applicant hereby designates (name natural persons only) Vicki Rose , to appoint persons and entities to act as and to be licensed as agents in the State of New Hampshire , and to terminate the said appointments.

NOTE: This does not apply to those states that do not require appointments

The following information is required of the individual who is authorized to represent the applicant before the department.

Name Richard P. Quinlan
Title Senior Vice President and Deputy General Counsel
Mailing Address 175 Berkeley Street, Boston, MA 02116
E-Mail Address: richard.quinlan@libertymutual.com Phone: 617-357-9500 Fax:

If the representative is not employed by the applicant, please provide a company contact person in order to facilitate requests for detailed financial information.

Name
Title
Mailing Address
E-Mail Address: Phone: Fax:

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

Please provide a listing of all other applications filed by the applicant, or any of its affiliates, that are pending before the Department.

Redomestication applications for General Insurance Company of America, Safeco Insurance Company of America and Safeco Surplus Lines Insurance Company.

Applicant Officers' Certification and Attestation

One of the officers (listed below) of the Applicant must read the following very carefully:

1. I hereby certify, under penalty of perjury, that I have read the application, that I am familiar with its contents, and that all of the information, including the attachments, submitted in this application is true and complete. I am aware that submitting false information or omitting pertinent or material information in connection with this application is grounds for license discipline or other administrative action and may subject me or the Applicant, or both, to civil or criminal penalties.
2. I acknowledge that I am familiar with the insurance laws and regulations of said state, accept the Constitution of such state, in which the Applicant is licensed or to which the Applicant is applying for licensure.
3. I acknowledge that I am the Secretary of the Applicant, am authorized to execute and am executing this document on behalf of the Applicant.
4. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing is true and correct, executed this 26th day of July, 2011 at Boston, Massachusetts.

Date | Signature of President

Full Legal Name of President

7/26/2011
Date | Signature of Secretary

Dexter Robert Legg
Full Legal Name of Secretary

Date | Signature of Treasurer

Full Legal Name of Treasurer

First National Insurance Company of America
Applicant

Signature of Witness

Colleen Kerry Lynch
Full Legal Name of Witness

NH Secretary
Of State filing

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737641	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$135.00*******	000018

NON-NEGOTIABLE

ADDRESS INQUIRIES TO:
LIBERTY MUTUAL
DOVER ACCOUNTS PAYABLE
P.O. BOX 1525
DOVER, NH 03821-1525
(603) 749-2600 EXT. 31199

PAYEE NAME AND ADDRESS:
STATE OF NEW HAMPSHIRE
SECRETARY OF STATE
107 NORTH MAIN STREET
STATE HOUSE ROOM 204
CONCORD NH 03301-4989

LOC CODE: BD5 SOURCE: HFILE VENDOR#: 2200280005

PO/CONTRACT#	INVOICE#	INVDATE	GROSS INV AMT	FED. WITHHOLD AMT	STATE	ST. WITHHOLD AMT	NET INV AMT
0	NHS070801G	070811	135.00				135.00

CAREFULLY DETACH CHECK BEFORE DEPOSITING - RETAIN STATEMENT FOR YOUR RECORDS

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

DIS * 000018
MAILSTOP 02C
P.O. BOX 1525
DOVER, NH 03821-1525

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737641
51-44/119
002240015623

CHECK DATE
07/11/11

$ 135.00*******

B.CODE 121 OFFICE NUMBER 096 PAYMENT IDENTIFICATION 2200280005

VOID IF NOT PRESENTED WITHIN 6 MONTHS OF DATE OF CHECK

PAY **ONE HUNDRED THIRTY-FIVE AND 00/100

TO THE ORDER OF
STATE OF NEW HAMPSHIRE
SECRETARY OF STATE
107 NORTH MAIN STREET
STATE HOUSE ROOM 204
CONCORD NH 03301-4989

TWO SIGNATURES NECESSARY IF AMOUNT EXCEEDS $150,000

⑈70737641⑈ ⑆011900445⑆ 002240015623⑈

THE ORIGINAL DOCUMENT HAS A REFLECTIVE WATERMARK ON THE BACK. HOLD AT AN ANGLE TO VIEW WHEN CHECKING THE ENDORSEMENT

GF 1983 Rev. 2/0

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737641	07/11/1
CHECK AMOUNT	BLOCK NUMBER
$135.00*******	000018

NON-NEGOTIABLE

ADDRESS INQUIRIES TO:
LIBERTY MUTUAL
DOVER ACCOUNTS PAYABLE
P.O. BOX 1525
DOVER, NH 03821-1525
(603) 749-2600 EXT. 31199

PAYEE NAME AND ADDRESS:
STATE OF NEW HAMPSHIRE
SECRETARY OF STATE
107 NORTH MAIN STREET
STATE HOUSE ROOM 204
CONCORD NH 03301-4989

LOC CODE: BD5 SOURCE: HFILE VENDOR#: 2200280005

PO/CONTRACT#	INVOICE#	INVDATE	GROSS INV AMT	FED. WITHHOLD AMT	STATE	ST. WITHHOLD AMT	NET INV AMT
0	NHS070801G	070811	135.00				135.00

CAREFULLY DETACH CHECK BEFORE DEPOSITING - RETAIN STATEMENT FOR YOUR RECORDS

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

DIS * 000018
MAILSTOP: 02C
P.O. BOX 1525
DOVER, NH 03821-1525

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737641
51-44/119
002240015623

CHECK DATE
07/11/11

$ 135.00*******

VOID IF NOT PRESENTED WITHIN
6 MONTHS OF DATE OF CHECK

B.CODE	OFFICE NUMBER	PAYMENT IDENTIFICATION
121	096	2200280005

PAY ***ONE HUNDRED THIRTY-FIVE AND 00/100

TO THE ORDER OF
STATE OF NEW HAMPSHIRE
SECRETARY OF STATE
107 NORTH MAIN STREET
STATE HOUSE ROOM 204
CONCORD NH 03301-4989

TWO SIGNATURES NECESSARY
IF AMOUNT EXCEEDS $150,000

⑈70737641⑈ ⑆011900445⑆ 002240015623⑈

Restated
Articles
of Incorporation

RESTATED ARTICLES OF INCORPORATION
INCLUDING DESIGNATED AMENDMENT(S)

Pursuant to the provisions of RSA 401:6, the undersigned corporation, pursuant to a resolution duly adopted by its board of directors and its shareholders, hereby adopts and submits for approval under RSA 401:6, the following restated articles of incorporation:

FIRST: The name of the corporation as presently recorded is: First National Insurance Company of America (hereinafter called the "Company")

SECOND: Attached are the restated articles of incorporation, as amended, including the designated amendments.

THIRD: If the amendments provide for an exchange, reclassification, or cancellation of issued shares, provision for implementing the amendment if not contained in the amendments:

Not applicable.

FOURTH: Except for no change in the name of the Company, the Restated Articles of Incorporation change each of the corresponding provisions of the Articles of Incorporation as previously amended, and the Restated Articles of Incorporation together with the Amendments designated herein supersede the original Articles of Incorporation and all amendments to the Articles.

FIFTH: (Check one)

___ The restated articles contain amendment(s) adopted by the incorporators or board of directors without shareholder action and shareholder action was not required.

_X_ The restated articles were approved by the shareholders.

SIXTH: The amendments were adopted on July 20, 2011.

SEVENTH: The amendments were approved by the shareholders.

Designation (class or series) of voting group	Number of shares outstanding	Number of votes entitled to be cast	Number of votes indisputably represented at the meeting
Common	20,000	20,000	20,000

Designation (class or series) of voting group	Total number of votes cast: **FOR**	**AGAINST**
Common	20,000	0

EIGHTH: The number cast for the amendment(s) of each voting group was sufficient for approval.

Dated July 26, 2011, to be effective upon the approval of the redomestication of the Company by the New Hampshire Insurance Commissioner.

FIRST NATIONAL INSURANCE COMPANY OF AMERICA

Dexter R. Legg
Secretary

Approved By:

____
New Hampshire Insurance Department

This ____ day of ______________, 2011

RESTATED ARTICLES OF INCORPORATION

These Articles of Incorporation effect redomestication to New Hampshire of: First National Insurance Company of America, which was previously incorporated in the State Of Washington.

ARTICLE I

The name of the corporation is First National Insurance Company of America (hereinafter called the "Company").

ARTICLE II

The date on which the Company was originally incorporated in the State of Washington was October 10, 1928.

ARTICLE III

The purposes for which the Company is organized are as follows: (1) to write all kinds of insurance and reinsurance authorized by the State of New Hampshire, as specified in paragraphs III (life and annuities) and IV (accident and health) of New Hampshire RSA §401:1, as amended, and to do everything necessary, proper, advisable or convenient for the accomplishment of this purpose; (2) to engage in the business of and to conduct any other kinds of insurance or reinsurance not enumerated in New Hampshire RSA §401:1 as the Insurance Commissioner of the State of New Hampshire may permit pursuant to New Hampshire RSA §401:1; and (3) to engage in any other lawful business or activity.

ARTICLE IV

The street address of the Company's initial registered office is 14 Centre Street, Concord, New Hampshire 03301; and the name of the Company's initial registered agent at that office is Corporation Service Company d/b/a/ Lawyers Incorporating Service.

ARTICLE V

The shares of the Company shall be of one class, known as common shares, and the number of shares that the Company is authorized to issue is 20,000 shares, having $250.00 par value per share, making a total of $5,000,000.00 authorized capital.

ARTICLE VI

The duration of the existence of this Company shall be perpetual and forever.

ARTICLE VII

All corporate powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, its' Board of Directors.

The number of directors shall be fixed in the manner set forth in the bylaws of the Company.

ARTICLE VIII

Each of the following persons shall serve as a director of the Company until the first shareholder's meeting at which directors are elected and until his or her successor is elected and qualified:

J. Paul Condrin, III
John Derek Doyle
Michael Joseph Fallon
Joseph Anthony Gilles
Scott Rhodes Goodby
Christopher Charles Mansfield

ARTICLE IX

No person shall be liable to the Company or its shareholders for money damages for any action taken, or any failure to take any action, as a director or officer of the Company, provided that this provision shall not eliminate or limit liability for (i) the amount of a financial benefit received by a director or an officer to which he is not entitled, (ii) an intentional infliction of harm on the Company or the shareholders, (iii) a violation of the law imposing liability for unlawful distributions as set forth in Section 293-A:8.33 of the New Hampshire Revised Statutes Annotated, or (iv) an intentional violation of criminal law.

ARTICLE X

These Articles may be changed, altered or amended as provided under the laws of the State of New Hampshire.

Restated
Bylaws

First National Insurance Company of America

WHEREAS First National Insurance Company of America desires to redomesticate under the laws of the State of New Hampshire by complying with the provisions of Chapter 405 of the New Hampshire Revised Statutes Annotated and intends that, as of the date when its redomestication as a New Hampshire domestic company (the "Redomestication") has been effected, it shall be bound by all the terms and provisions of the New Hampshire Revised Statutes Annotated, applicable to similar domestic companies organized or incorporated thereunder;

NOW, THEREFORE, when the Redomestication has been effected, the Bylaws of First National Insurance Company of America shall be as attached hereto.

IN WITNESS WHEREOF, the undersigned officer of First National Insurance Company of America has executed these Bylaws on this 1st day of August, 2011.

Edmund C. Kenealy
Assistant Secretary

RESTATED
BY-LAWS
OF
FIRST NATIONAL INSURANCE COMPANY OF AMERICA

ARTICLE I
PLACE OF BUSINESS

The Corporation shall maintain its home office in or out of the State of New Hampshire, unless by law the home office is required to be maintained in the State of New Hampshire, at such location as the Board of Directors may designate. The Board may designate the Corporation's home office or some other location as the Corporation's principal place of business, its main administrative office, or the primary location of its books and records. The Corporation shall maintain in the State of New Hampshire a registered office, which shall be the business office of the Corporation's resident agent for service of process in the State of New Hampshire.

ARTICLE II
SHAREHOLDERS

Section 1. Annual Meetings. The Annual Meeting of the Shareholders of the Corporation shall be held on the date and at the time and place fixed, from time to time, by the Board of Directors, provided that the date shall be within six months after the end of the fiscal year of the Corporation. In lieu of holding the Annual Meeting, the Shareholders may take action without a meeting in accordance with Article II, Section 4 of these by-laws.

Section 2. Special Meetings. Special meetings of the Shareholders may be called as often as the Chairman, President, if there is no Chairman, or a majority of the Board of Directors may deem necessary, or if the holders of at least ten percent of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date, and deliver to the Corporation's Secretary one or more written demands for the meeting describing the purpose or purposes for which it is to be held. On such call or demand, such special Shareholders' Meeting shall be held on the date and at the time and place fixed, from time to time, by the Chairman, President, if there is no Chairman, Board of Directors or the Shareholders.

Section 3. Place of Meeting. All meetings of Shareholders shall be held at the principal office of the Corporation unless a different place is fixed by the directors or the Chairman of the Board and stated in the notice of the meeting.

Section 4. Unanimous Consent. Any action required or permitted by law to be taken at a Shareholders' Meeting may be taken without a meeting if the action is taken by unanimous consent of all the Shareholders entitled to vote on the action. The action must be evidenced by one or more written consents describing the action taken, signed by all the Shareholders entitled to vote on the action, and delivered to the Secretary for inclusion in the minutes for filing with the corporate records.

Section 5. Notices. The Corporation shall provide written notice to Shareholders, not less than ten, nor more than sixty days before the day of such meeting, of the date, time and place of each Annual and special Shareholders' Meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called.

A Shareholder's attendance at a meeting either in person or by proxy, (1) shall waive objection to lack of notice or defective notice of the meeting, unless the Shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (2) shall waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Shareholder objects to considering the matter when it is presented.

Section 6. Quorum. The holders of a majority in interest of all shares issued and outstanding and entitled to vote, when present in person or represented by proxy, shall constitute a quorum for the transaction of business at any meeting of the Shareholders. After a quorum has been established at an annual or special meeting, the subsequent withdrawal of shareholders, so as to reduce the number of shareholders entitled to vote at the meeting, shall not affect the validity of any action taken at the meeting or any adjournment thereof.

Section 7. Voting and Proxies. Each Shareholder entitled to vote may vote at any meeting of the Shareholders either in person or by proxy filed with the Secretary at or before such meeting. Each Shareholder entitled to vote shall be entitled to one vote for each share registered in the Shareholder's name on the records of the Corporation.

Section 8. Record Date. The Board may fix, in advance, a record date in order to determine the Shareholders entitled to notice of a Shareholders' Meeting, to demand a Special meeting, to vote, to take any other action, or to receive a dividend or distribution to Shareholders. A record date so fixed shall not be more than seventy days before the date of the meeting or action requiring a determination of Shareholders. A determination of Shareholders entitled to notice of or to vote at a shareholders' Meeting shall do if the meeting is adjourned to a date more than 120 days after the date for the original meeting.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers. The business and property of the Corporation shall be managed by a Board of Directors who shall have and may exercise all the power of the Corporation as established by law, by the Articles of Incorporation or by these By-laws.

Section 2. Election. The Directors shall be not less than five nor more than eleven in number, the exact number thereof to be fixed by resolution of the Board of Directors.

Directors shall be elected at the first Annual Shareholders' Meeting and at each Annual Meeting thereafter. A director need not be a shareholder. The terms of directors shall expire at the next Annual Shareholders' Meeting following their elections. A decrease in the number of directors shall not shorten an incumbent director's term. Despite the expiration of a director's term, such person shall continue to serve until such person's successor is elected and qualified or until there is a decrease in the number of directors.

Section 3. Vacancies. Any vacancy in the Board of Directors, caused by any reason, which occurs between Annual Meetings of the Shareholders may be filled by the Board of Directors or the Shareholders at a meeting called for that purpose. A vacancy in the Board of Directors shall not invalidate any action by the Board of Directors taken during such vacancy.

Section 4. Enlargement of the Board. In exercising its power to fix or change the number of directors, the Board may increase or decrease by thirty percent or less the number of directors last approved by the Shareholders, but only the Shareholders may increase or decrease by more than thirty percent the number of directors last approved by the Shareholders. Only the Shareholders may change this By-law with respect to the range for the size of the Board or change from a variable-range size Board to fixed size Board or vice versa.

Section 5. Tenure and resignation. Each director elected by the Shareholders shall, unless removed, hold office for one year or until such director's successor is elected and qualified.

A director may resign by delivering his written resignation to the Corporation at its principal office or to the Chairman of the Board or Secretary, and such resignation shall be effective upon receipt, unless it is specified to be effective at some other time or upon the happening of some other event.

Section 6. Removal. The Shareholders may remove one or more directors with, or without cause, but only at a meeting called for the purpose of removing the director and after notice stating that the purpose, or one of the purposes, of the meeting is removal of the director. A director may be removed only by majority vote of the Shareholders.

Section 7. Chairman of the Board and Vice Chairman of the Board. There may be elected a Chairman of the Board of Directors. The Chairman of the board, is so elected, shall be elected by a majority of the Board of Directors and shall hold office for one year, or until such time as he might be removed. The Chairman of the Board shall preside over the meetings of the Shareholders and the Board of Directors and serve on and act as the chairperson of the Executive Committee.

There may be elected a Vice-Chairman of the Board of Directors who shall preside over the meetings of the Board of Directors in the absence or inability of the Chairman to perform. The Vice-Chairman of the Board, if so elected, shall be elected by a majority of the Board of Directors and shall hold office for one year, or until such time as he might be removed.

Section 8. Annual Meetings. The Board of Directors shall hold its Annual Meeting immediately following each Annual Meeting of Shareholders for the purpose of the election of officers and the transaction of such other business as may come before the meeting. If a majority of the Directors are present at the Annual Meeting of Shareholders, no prior notice of the Annual Meeting of the Board of Directors shall be required. However, another place and time for such meeting may be fixed by written consent of all of the directors. If the Annual Meeting of the Board of Directors is not held as herein provided on the date herein specified, the appointment of officers may be hold at any meeting held thereafter pursuant to these By-laws.

Section 9. Regular Meetings. Regular meetings of the Board shall be held at such times and places as the Board may from time to time determine.

Section 10. Special Meetings. Special meetings of the Board may be called by the Chairman, President or the majority of directors on one day's notice to each director.

Section 11. Unanimous Consent. Any action required or permitted by law to be taken at a directors' meeting may be taken without a meeting if the action is taken by unanimous consent of all directors entitled to vote on the action. The action must be evidenced by one or more written consents describing the action taken, signed by all the directors entitled to vote on the action, and delivered to the secretary for inclusion in the minutes for filing with the corporate records. The action shall be deemed effective when the last director signs the consent unless the consent specifies a different effective date.

Section 12. Notice. No notice need be given for regular meetings. The Corporation shall provide notice of the date, time, place and purpose of each special meeting. Any director may waive notice of any meeting, either before, at or after such meeting by signing a waiver of notice and filing such notice with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting and waiver of any and all objections to the place of such meeting or the manner in which it has been called or convened, except when a director states at the beginning of the meeting any objection to the transaction of business because the meeting is not lawfully called or convened.

Section 13. Quorum. A quorum of the Board of Directors for the transaction of business at any meeting shall be a majority of the Directors duly elected and in office at the time of such meeting. If less than a quorum is present, then a majority of those directors present may adjourn the meeting from time to time until a quorum is present.

Section 14. Voting. Each director entitled to vote shall have one vote. The vote of a majority of directors present at a meeting at which a quorum is present shall constitute the action of the Board of Directors.

Section 15. Participation by Telephone at Meeting. The Board of Directors or of any committee of the Board may permit any or all directors or committee members to participate in a regular or special meeting by, or conduct the meeting through the use of any means of communication by which all directors or committee members participating may simultaneously hear each other during the meeting. A director or committee member participating in a meeting by this means shall be deemed to be present in person at the meeting.

Section 16. Committees. The Board may create one or more committees. Each committee shall have two or more members, who shall serve at the pleasure of the Chairman or President. The provisions of these By-laws, which govern the Board of Directors, shall apply to committees and their members as well. To the extent specified by the Board and not prohibited by law, a committee may exercise the authority of the Board. Each committee shall report to the Board any actions taken by it.

Section 17. Compensation of Directors. The Board of Directors may by vote establish a system of compensation, including allowances for expenses, of directors for their services. Directors shall not be precluded from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV
OFFICERS

Section 1. Enumeration and Election. The officers of the Corporation shall consist of a President, a Secretary and a Treasurer. Each of said officers shall be elected by a majority of the Board and shall hold office for one year, or until such time as they might be removed.

The President or the Chairman may appoint the number of Vice Presidents, Assistant Secretaries, Assistant Treasurers or any such officer as the President or Chairman may determine is required in the best interest of the Corporation. The officer exercising such appointive power shall determine the duties and the powers of such officials and representatives.

Any two or more offices may be held by the same person.

Section 2. Tenure and Resignation. Each officer elected by the board shall unless removed, hold office for one year or until such officer's successor is elected and qualified.

Any elected officer may resign by delivering his written resignation to the Corporation at its principal office or to the Chairman of the Board or Secretary, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Section 3. Removal. Any elected officer may be removed, with or without cause, by action of the Board of Directors.

Any appointed officer may be removed, with or without cause, by action of the Chief Executive Officer or President.

Section 4. Vacancies. Vacancies in offices, however occasioned, may be filled at any time by appointment by the Board of Directors of officers to serve the unexpired terms of such offices, or by the President or Chairman of the Board with respect to those officers appointed by such individual.

Section 5. Powers and Duties of the Chairman of the Board. The Chairman of the Board, if such officer has been elected, shall preside at all meetings of the Shareholders and of the Board and shall perform such other duties as may be imposed by law, by these By-laws, and by the Board. He shall have the general powers and duties of supervision and management usually vested in the office of Chairman of the Board of a Corporation.

In the event that the Chairman of the Board shall be disabled or incapacitated and thus unable to person the duties of his office, the Board of Directors may select a person to fulfill the duties and responsibilities of the office of the Chairman of the Board until the Chairman of the Board is able to resume the duties of the office of Chairman of the Board.

Section 6. President. The President shall be the Chief Operating Officer of the Corporation subject to the direction of the Board and of the Chairman, if the Chairman is the Chief Executive Officer of the Corporation. Except when the Chairman has been so designated, the President shall be the Chief Executive Officer. In the absence of the Chairman, the President shall preside at all meetings of the Shareholders and of the Board. The President shall also perform such duties as may be imposed by law, by these By-laws, and by the board. The President shall have those powers to perform such duties as the Chairman of the Board shall from time to time designate.

Section 7. Vice Presidents. The Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall perform such duties as may be assigned to them from time to time by the Chairman of the Board, President or the Board of Directors.

The Assistant Vice Presidents shall perform such duties as may be assigned from time to time by the Chairman of the Board, the President, or the Board of Directors.

Section 8. Treasurer. The Treasurer shall exercise such powers and duties as may be prescribed by law, by these By-laws, by the Chairman of the Board, the President, or the Board of Directors. During the absence or inability to act of the Treasurer, an Assistant Treasurer, authorized in writing by the Chief Executive Officer, shall exercise the powers and duties of the Treasurer.

Section 9. Assistant Treasurer. Assistant Treasurers shall have such duties as are assigned by the Treasurer, the Chairman of the Board, the President, or the Board of Directors.

Section 10. Secretary. In general, the Secretary shall perform all the duties generally incident to the office of Secretary, subject to the control of the Board of Directors or the Chairman of the Board or the President.

The Secretary shall be responsible for preparing the minutes of the meetings of the Shareholders, Directors, and committees of directors and for authenticating records of the Corporation; shall have charge of the share ledger of the Corporation; shall give such notice as is required by law and by these By-laws of all meetings of the Shareholders, the Board, and any committee of the Board; shall keep such books and records as the Board or the Chief Executive Officer may require; shall execute all instruments coming within the jurisdiction of the office of Secretary; shall perform such duties as are or may be required by law, by these By-laws, by the Board, or by the Chief Executive Officer; shall have custody of the corporate seal and shall furnish copies thereof to such officers and attorneys-in-fact as shall be authorized to impress the same. During the absence or inability to act of the Secretary, an Assistant Secretary, authorized in writing by the Chief Executive Officer, shall exercise the powers and duties of the Secretary. If the Secretary is not a resident of the State of New Hampshire or does not maintain a business office at the Corporation's registered office, the Board shall elect a clerk who shall (1) be a resident of the State of New Hampshire, (2) maintain a business at the Corporation's registered office, and (3) be the Corporation's agent for service of process in the State of New Hampshire.

Section 11. Assistant Secretary. Assistant Secretaries shall have such duties as are assigned by the Secretary, the Chairman of the Board, the President, or the Board of Directors.

Section 12. Powers of Attorney. Any officer or other official of the Corporation authorized for that purpose in writing by the Chairman or the President, and subject to such limitation as the Chairman or the President may prescribe, shall appoint such attorneys-in-fact, as may be necessary to act in behalf of the Corporation to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations. Such attorneys-in-fact, subject to the limitations set forth in their respective powers of attorney, shall have full power to bind the Corporation by their signature and execution of such instruments and to attach thereto the seal of the Corporation. When so executed, such instruments shall be as binding as if signed by the President and attested to by the Secretary.

Any power or authority granted to any representative or attorney-in-fact under the provisions of this article may be revoked at any time by the Board, the Chairman, the President or by the officer or officers granting such power or authority.

ARTICLE V
STOCK

Section 1. Issuance of Shares. The Board of Directors may authorize the Corporation to issue shares for any legally permissible consideration. Before the Corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for shares to be issued is adequate.

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person except as may be otherwise expressly provided by law.

Section 2. Share Certificates; Shares without Certificates. Shares of the Corporation may, but need not be represented by certificates. If certificates are issued, each certificate shall certify the number of shares the certificate represents and shall be signed, either manually or in facsimile, by any two officers. The Board may authorize the issue of some or all of the shares without certificates.

Section 3. Replacement of Certificates. The Corporation may issue a new share certificate in place of one which is claimed to have been lost, destroyed, or mutilated, upon proof of such claim satisfactory to the Corporation, and, if the Corporation shall so require, upon furnishing of an indemnity bond of an acceptable corporate surety in such penalty and form as the Corporation shall require.

Section 4. Share Transfers. Upon compliance with provisions restricting the transfer or registration of transfer of shares, if any, transfers or registration of transfers of shares of the Corporation shall be made only on the share ledger of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation or with a transfer agent or a registrar, if any, and on surrender of the certificate, if any, for such shares properly endorsed and the payment of all taxes due thereon.

ARTICLE VI
DIVIDENDS TO AND POLICYHOLDERS AND SHAREHOLDERS

Section 1. Participating and Non-Participating Policies. The Corporation may issue participating or non-participating policies or both participating and non-participating policies and may pay dividends thereon as may be permitted or required by state law.

Section 2. Dividends. The Board of Directors in its discretion, from time to time, may declare dividends upon the capital stock from funds legally available therefor. Any such dividend payment shall be made in accordance with the applicable state laws and regulations governing the Corporation. This Article shall not be interpreted to require any payment of dividends.

ARTICLE VII
RESERVES AND SURPLUS

The Board may determine what amounts in addition to amounts required by statute shall be set aside from time to time as contingent and special reserves and may also determine what part of the Corporation's surplus is distributable in the form of dividends or refunds, the conditions of any such distribution, what part shall be retained and with respect to such retained surplus, may determine its application to the payment of losses, expenses or other obligations of the Corporation.

ARTICLE VIII
SEAL

The seal of the Corporation shall be circular in form, bearing its name, the word "New Hampshire" and the year of its incorporation.

ARTICLE XI
FISCAL YEAR

The fiscal year of the Corporation shall be the year ending with the 31st day of December in each year.

ARTICLE X
INDEMNIFICATION

To the fullest extent permitted by law, the Corporation shall indemnify any person made a party to a proceeding because such person is or was a director or officer of the Corporation against liability incurred in such proceeding if (1) such person conducted himself in good faith and (2) such person reasonably believed (i) in the case of conduct in such person's official capacity with the Corporation, that such person's conduct was in the best interests of the Corporation; and (ii) in all other cases, that such person's conduct was at least not opposed to the best interests of the Corporation; and (3) in the case of any criminal proceeding, such person had no reasonable cause to believe such person's conduct was unlawful. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not be, of itself, determinative that the person did not meet the standard of conduct described in this article.

ARTICLE XI
AMENDMENTS

These By-laws may be amended, altered, or repealed in whole or in part, and new By-laws may be adopted upon a vote of not less than a majority of the Board of Directors, or upon a vote of not less than majority of the Shareholders. The Shareholders, in amending or repealing a particular By-law, may provide expressly that the Board of Directors shall not amend or repeal that By-law.

Form
SRA

Form SRA – Addendum to Business Organization and Registration Forms
Statement of Compliance with New Hampshire Securities Laws

Part I – Business Identification and Contact Information

Business Name: First National Insurance Company of America

Business Address (include city, state, zip): 62 Maple Avenue, Keene, NH 03431

Telephone Number: (617) 357-9500 E-mail: Edmund.Kenealy@libertymutual.com

Contact Person: Edmund C. Kenealy

Contact Person Address (if different): 175 Berkely Street, Boston, MA 02116

Part II – Check *ONE* of the following items in Part II. If more than one item is checked, the form will be rejected. [*PLEASE NOTE:* Most small businesses registering in New Hampshire qualify for the exemption in Part II, Item 1 below. ***However***, you must insure that your business meets all of the requirements spelled out in A), B), and C)]:

1. ✓ Ownership interests in this business are exempt from the registration requirements of the state of New Hampshire because the business meets *ALL* of the following three requirements:
   A) This business has ***10 or fewer owners***; and
   B) Advertising ***relating to the sale of ownership interests*** has not been circulated; and
   C) Sales of ownership interests – if any – will be ***completed within 60 days*** of the formation of this business.
2. ____ This business will offer securities in New Hampshire under another exemption from registration or will notice file for federal covered securities. Enter the citation for the exemption or notice filing claimed - ________________.
3. ____ This business has registered or will register its securities for sale in New Hampshire. Enter the date the registration statement was or will be filed with the Bureau of Securities Regulation - ____________.
4. ____ This business was formed in a state other than New Hampshire and will not offer or sell securities in New Hampshire.

Part III – Check *ONE* of the following items in Part III:

1. ____ This business ***is not being*** formed in New Hampshire.
2. ✓ This business *is* being formed in New Hampshire and the registration document states that any sale or offer for sale of ownership interests in the business will comply with the requirements of the New Hampshire Uniform Securities Act.

Part IV – Certification of Accuracy

(NOTE: The information in Part IV must be certified by: 1) all of the incorporators of a corporation to be formed; or 2) an executive officer of an existing corporation; or 3) all of the general partners or intended general partners of a limited partnership; or 4) one or more authorized members or managers of a limited liability company; or 5) one or more authorized partners of a registered limited liability partnership or foreign registered limited liability partnership.)

I (We) certify that the information provided in this form is true and complete. (Original signatures *only*)

Name (print): Dexter R. Legg
Secretary
Signature: [signature]
Date signed: 7/27/2011

Name (print): ____________ Signature: ____________
Date signed: ____________

Name (print): ____________ Signature: ____________
Date signed: ____________

Board and Shareholders Resolutions

FIRST NATIONAL INSURANCE COMPANY OF AMERICA

Secretary's Certificate

The undersigned, Dexter R. Legg, hereby certifies that he is the duly elected Secretary of First National Insurance Company of America (the "Company") and further certifies that:

1. The following is a resolution dated July 20, 2011 and circulated for adoption via Action by Unanimous Consent of Directors Without a Meeting:

VOTED to recommend to the sole shareholder to transfer the Company's domicile from Washington to New Hampshire;

to recommend to the sole shareholder to adopt the Articles of Incorporation in their entirety in the form attached, effective as of the effective date of the redomestication; and

that the Chief Executive Officer, the Chief Financial Officer, the Secretary and their designees, either jointly or severally, are authorized to do all things necessary or desirable to enable the Company to transfer its domicile from Washington to New Hampshire. Any documents shall be in a form satisfactory to the General Counsel of Liberty Mutual Group Inc. or his designees.

VOTED that the Bylaws attached hereto are approved, effective as of the effective date of the redomestication.

VOTED that the home office address of the Company is 62 Maple Avenue, Keene, NH 03431, effective as of the effective date of the redomestication.

VOTED that the principal administrative office of the Company is 175 Berkeley Street, Boston, Massachusetts 02116, effective as of the effective date of the redomestication.

VOTED that the President or Secretary of the Company be and are hereby authorized by the board of directors and directed to sign and execute the Uniform Consent to Service of Process to give irrevocable consent that actions may be commenced against said entity in the proper court of any jurisdiction in the state(s) of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming in which the action shall arise, or in which plaintiff may reside, by service of process in the state(s) indicated above and irrevocably appoints the officer(s) of the state(s) and their successors in such offices or appoints the agent(s) so designated in the Uniform Consent to

Service of Process and stipulate and agree that such service of process shall be taken and held in all courts to be as valid and binding as if due service had been made upon said entity according to the laws of said state.

VOTED that the seal, an impression of which is made in the margin of this writing is adopted as the seal of the Company.

2. The following is a resolution dated July 20, 2011 and circulated for adoption via Action by Unanimous Consent of the Sole Shareholder Without a Meeting:

VOTED to transfer the Company's domicile from Washington to New Hampshire; and

to adopt the Articles of Incorporation in their entirety in the form attached, effective as of the effective date of the redomestication.

WITNESS my hand and the seal of the said Company this 26th day of July, 2011.

Dexter R. Legg
Secretary

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF SUFFOLK

On the 26th day of July, 2011 before me personally appeared Dexter R. Legg, Secretary of First National Insurance Company of America, known to me to be the individual described herein and who executed the foregoing instrument, and he duly acknowledged to me that she executed the same.

Notary Public
My Commission Expires: 2/13/2015

RESTATED ARTICLES OF INCORPORATION
INCLUDING DESIGNATED AMENDMENT(S)

Pursuant to the provisions of RSA 401:6, the undersigned corporation, pursuant to a resolution duly adopted by its board of directors and its shareholders, hereby adopts and submits for approval under RSA 401:6, the following restated articles of incorporation:

FIRST: The name of the corporation as presently recorded is: First National Insurance Company of America (hereinafter called the "Company")

SECOND: Attached are the restated articles of incorporation, as amended, including the designated amendments.

THIRD: If the amendments provide for an exchange, reclassification, or cancellation of issued shares, provision for implementing the amendment if not contained in the amendments:

Not applicable.

FOURTH: Except for no change in the name of the Company, the Restated Articles of Incorporation change each of the corresponding provisions of the Articles of Incorporation as previously amended, and the Restated Articles of Incorporation together with the Amendments designated herein supersede the original Articles of Incorporation and all amendments to the Articles.

FIFTH: (Check one)

___ The restated articles contain amendment(s) adopted by the incorporators or board of directors without shareholder action and shareholder action was not required.

X The restated articles were approved by the shareholders.

SIXTH: The amendments were adopted on July 20, 2011.

SEVENTH: The amendments were approved by the shareholders.

Designation (class or series) of voting group	Number of shares outstanding	Number of votes entitled to be cast	Number of votes indisputably represented at the meeting
Common	20,000	20,000	20,000

Designation (class or series) of voting group	Total number of votes cast: **FOR**	**AGAINST**
Common	20,000	0

EIGHTH: The number cast for the amendment(s) of each voting group was sufficient for approval.

Dated [____________] _____, 2011, to be effective upon the approval of the redomestication of the Company by the New Hampshire Insurance Commissioner.

FIRST NATIONAL INSURANCE COMPANY OF AMERICA

____

[______________________________]

Approved By:

____

New Hampshire Insurance Department

This ____ day of _______________, 2011

RESTATED ARTICLES OF INCORPORATION

These Articles of Incorporation effect redomestication to New Hampshire of: First National Insurance Company of America, which was previously incorporated in the State Of Washington.

ARTICLE I

The name of the corporation is First National Insurance Company of America (hereinafter called the "Company").

ARTICLE II

The date on which the Company was originally incorporated in the State of Washington was October 10, 1928.

ARTICLE III

The purposes for which the Company is organized are as follows: (1) to write all kinds of insurance and reinsurance authorized by the State of New Hampshire, as specified in paragraphs III (life and annuities) and IV (accident and health) of New Hampshire RSA §401:1, as amended, and to do everything necessary, proper, advisable or convenient for the accomplishment of this purpose; (2) to engage in the business of and to conduct any other kinds of insurance or reinsurance not enumerated in New Hampshire RSA §401:1 as the Insurance Commissioner of the State of New Hampshire may permit pursuant to New Hampshire RSA §401:1; and (3) to engage in any other lawful business or activity.

ARTICLE IV

The street address of the Company's initial registered office is 14 Centre Street, Concord, New Hampshire 03301; and the name of the Company's initial registered agent at that office is Corporation Service Company d/b/a/ Lawyers Incorporating Service.

ARTICLE V

The shares of the Company shall be of one class, known as common shares, and the number of shares that the Company is authorized to issue is 20,000 shares, having $250.00 par value per share, making a total of $5,000,000.00 authorized capital.

ARTICLE VI

The duration of the existence of this Company shall be perpetual and forever.

ARTICLE VII

All corporate powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, its' Board of Directors.

The number of directors shall be fixed in the manner set forth in the bylaws of the Company.

ARTICLE VIII

Each of the following persons shall serve as a director of the Company until the first shareholder's meeting at which directors are elected and until his or her successor is elected and qualified:

J. Paul Condrin, III
John Derek Doyle
Michael Joseph Fallon
Joseph Anthony Gilles
Scott Rhodes Goodby
Christopher Charles Mansfield

ARTICLE IX

No person shall be liable to the Company or its shareholders for money damages for any action taken, or any failure to take any action, as a director or officer of the Company, provided that this provision shall not eliminate or limit liability for (i) the amount of a financial benefit received by a director or an officer to which he is not entitled, (ii) an intentional infliction of harm on the Company or the shareholders, (iii) a violation of the law imposing liability for unlawful distributions as set forth in Section 293-A:8.33 of the New Hampshire Revised Statutes Annotated, or (iv) an intentional violation of criminal law.

ARTICLE X

These Articles may be changed, altered or amended as provided under the laws of the State of New Hampshire.

RESTATED
BY-LAWS
OF
FIRST NATIONAL INSURANCE COMPANY OF AMERICA

ARTICLE I
PLACE OF BUSINESS

The Corporation shall maintain its home office in or out of the State of New Hampshire, unless by law the home office is required to be maintained in the State of New Hampshire, at such location as the Board of Directors may designate. The Board may designate the Corporation's home office or some other location as the Corporation's principal place of business, its main administrative office, or the primary location of its books and records. The Corporation shall maintain in the State of New Hampshire a registered office, which shall be the business office of the Corporation's resident agent for service of process in the State of New Hampshire.

ARTICLE II
SHAREHOLDERS

Section 1. Annual Meetings. The Annual Meeting of the Shareholders of the Corporation shall be held on the date and at the time and place fixed, from time to time, by the Board of Directors, provided that the date shall be within six months after the end of the fiscal year of the Corporation. In lieu of holding the Annual Meeting, the Shareholders may take action without a meeting in accordance with Article II, Section 4 of these by-laws.

Section 2. Special Meetings. Special meetings of the Shareholders may be called as often as the Chairman, President, if there is no Chairman, or a majority of the Board of Directors may deem necessary, or if the holders of at least ten percent of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date, and deliver to the Corporation's Secretary one or more written demands for the meeting describing the purpose or purposes for which it is to be held. On such call or demand, such special Shareholders' Meeting shall be held on the date and at the time and place fixed, from time to time, by the Chairman, President, if there is no Chairman, Board of Directors or the Shareholders.

Section 3. Place of Meeting. All meetings of Shareholders shall be held at the principal office of the Corporation unless a different place is fixed by the directors or the Chairman of the Board and stated in the notice of the meeting.

Section 4. Unanimous Consent. Any action required or permitted by law to be taken at a Shareholders' Meeting may be taken without a meeting if the action is taken by unanimous consent of all the Shareholders entitled to vote on the action. The action must be evidenced by one or more written consents describing the action taken, signed by all the Shareholders entitled to vote on the action, and delivered to the Secretary for inclusion in the minutes for filing with the corporate records.

Section 5. Notices. The Corporation shall provide written notice to Shareholders, not less than ten, nor more than sixty days before the day of such meeting, of the date, time and place of each Annual and special Shareholders' Meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called.

A Shareholder's attendance at a meeting either in person or by proxy, (1) shall waive objection to lack of notice or defective notice of the meeting, unless the Shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (2) shall waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Shareholder objects to considering the matter when it is presented.

Section 6. Quorum. The holders of a majority in interest of all shares issued and outstanding and entitled to vote, when present in person or represented by proxy, shall constitute a quorum for the transaction of business at any meeting of the Shareholders. After a quorum has been established at an annual or special meeting, the subsequent withdrawal of shareholders, so as to reduce the number of shareholders entitled to vote at the meeting, shall not affect the validity of any action taken at the meeting or any adjournment thereof.

Section 7. Voting and Proxies. Each Shareholder entitled to vote may vote at any meeting of the Shareholders either in person or by proxy filed with the Secretary at or before such meeting. Each Shareholder entitled to vote shall be entitled to one vote for each share registered in the Shareholder's name on the records of the Corporation.

Section 8. Record Date. The Board may fix, in advance, a record date in order to determine the Shareholders entitled to notice of a Shareholders' Meeting, to demand a Special meeting, to vote, to take any other action, or to receive a dividend or distribution to Shareholders. A record date so fixed shall not be more than seventy days before the date of the meeting or action requiring a determination of Shareholders. A determination of Shareholders entitled to notice of or to vote at a shareholders' Meeting shall do if the meeting is adjourned to a date more than 120 days after the date for the original meeting.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers. The business and property of the Corporation shall be managed by a Board of Directors who shall have and may exercise all the power of the Corporation as established by law, by the Articles of Incorporation or by these By-laws.

Section 2. Election. The Directors shall be not less than five nor more than eleven in number, the exact number thereof to be fixed by resolution of the Board of Directors.

Directors shall be elected at the first Annual Shareholders' Meeting and at each Annual Meeting thereafter. A director need not be a shareholder. The terms of directors shall expire at the next Annual Shareholders' Meeting following their elections. A decrease in the number of directors shall not shorten an incumbent director's term. Despite the expiration of a director's term, such person shall continue to serve until such person's successor is elected and qualified or until there is a decrease in the number of directors.

Section 3. Vacancies. Any vacancy in the Board of Directors, caused by any reason, which occurs between Annual Meetings of the Shareholders may be filled by the Board of Directors or the Shareholders at a meeting called for that purpose. A vacancy in the Board of Directors shall not invalidate any action by the Board of Directors taken during such vacancy.

Section 4. Enlargement of the Board. In exercising its power to fix or change the number of directors, the Board may increase or decrease by thirty percent or less the number of directors last approved by the Shareholders, but only the Shareholders may increase or decrease by more than thirty percent the number of directors last approved by the Shareholders. Only the Shareholders may change this By-law with respect to the range for the size of the Board or change from a variable-range size Board to fixed size Board or vice versa.

Section 5. Tenure and resignation. Each director elected by the Shareholders shall, unless removed, hold office for one year or until such director's successor is elected and qualified.

A director may resign by delivering his written resignation to the Corporation at its principal office or to the Chairman of the Board or Secretary, and such resignation shall be effective upon receipt, unless it is specified to be effective at some other time or upon the happening of some other event.

Section 6. Removal. The Shareholders may remove one or more directors with, or without cause, but only at a meeting called for the purpose of removing the director and after notice stating that the purpose, or one of the purposes, of the meeting is removal of the director. A director may be removed only by majority vote of the Shareholders.

Section 7. Chairman of the Board and Vice Chairman of the Board. There may be elected a Chairman of the Board of Directors. The Chairman of the board, is so elected, shall be elected by a majority of the Board of Directors and shall hold office for one year, or until such time as he might be removed. The Chairman of the Board shall preside over the meetings of the Shareholders and the Board of Directors and serve on and act as the chairperson of the Executive Committee.

There may be elected a Vice-Chairman of the Board of Directors who shall preside over the meetings of the Board of Directors in the absence or inability of the Chairman to perform. The Vice-Chairman of the Board, if so elected, shall be elected by a majority of the Board of Directors and shall hold office for one year, or until such time as he might be removed.

Section 8. Annual Meetings. The Board of Directors shall hold its Annual Meeting immediately following each Annual Meeting of Shareholders for the purpose of the election of officers and the transaction of such other business as may come before the meeting. If a majority of the Directors are present at the Annual Meeting of Shareholders, no prior notice of the Annual Meeting of the Board of Directors shall be required. However, another place and time for such meeting may be fixed by written consent of all of the directors. If the Annual Meeting of the Board of Directors is not held as herein provided on the date herein specified, the appointment of officers may be hold at any meeting held thereafter pursuant to these By-laws.

Section 9. Regular Meetings. Regular meetings of the Board shall be held at such times and places as the Board may from time to time determine.

Section 10. Special Meetings. Special meetings of the Board may be called by the Chairman, President or the majority of directors on one day's notice to each director.

Section 11. Unanimous Consent. Any action required or permitted by law to be taken at a directors' meeting may be taken without a meeting if the action is taken by unanimous consent of all directors entitled to vote on the action. The action must be evidenced by one or more written consents describing the action taken, signed by all the directors entitled to vote on the action, and delivered to the secretary for inclusion in the minutes for filing with the corporate records. The action shall be deemed effective when the last director signs the consent unless the consent specifies a different effective date.

Section 12. Notice. No notice need be given for regular meetings. The Corporation shall provide notice of the date, time, place and purpose of each special meeting. Any director may waive notice of any meeting, either before, at or after such meeting by signing a waiver of notice and filing such notice with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting and waiver of any and all objections to the place of such meeting or the manner in which it has been called or convened, except when a director states at the beginning of the meeting any objection to the transaction of business because the meeting is not lawfully called or convened.

Section 13. Quorum. A quorum of the Board of Directors for the transaction of business at any meeting shall be a majority of the Directors duly elected and in office at the time of such meeting. If less than a quorum is present, then a majority of those directors present may adjourn the meeting from time to time until a quorum is present.

Section 14. Voting. Each director entitled to vote shall have one vote. The vote of a majority of directors present at a meeting at which a quorum is present shall constitute the action of the Board of Directors.

Section 15. Participation by Telephone at Meeting. The Board of Directors or of any committee of the Board may permit any or all directors or committee members to participate in a regular or special meeting by, or conduct the meeting through the use of any means of communication by which all directors or committee members participating may simultaneously hear each other during the meeting. A director or committee member participating in a meeting by this means shall be deemed to be present in person at the meeting.

Section 16. Committees. The Board may create one or more committees. Each committee shall have two or more members, who shall serve at the pleasure of the Chairman or President. The provisions of these By-laws, which govern the Board of Directors, shall apply to committees and their members as well. To the extent specified by the Board and not prohibited by law, a committee may exercise the authority of the Board. Each committee shall report to the Board any actions taken by it.

Section 17. Compensation of Directors. The Board of Directors may by vote establish a system of compensation, including allowances for expenses, of directors for their services. Directors shall not be precluded from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV
OFFICERS

Section 1. Enumeration and Election. The officers of the Corporation shall consist of a President, a Secretary and a Treasurer. Each of said officers shall be elected by a majority of the Board and shall hold office for one year, or until such time as they might be removed.

The President or the Chairman may appoint the number of Vice Presidents, Assistant Secretaries, Assistant Treasurers or any such officer as the President or Chairman may determine is required in the best interest of the Corporation. The officer exercising such appointive power shall determine the duties and the powers of such officials and representatives.

Any two or more offices may be held by the same person.

Section 2. Tenure and Resignation. Each officer elected by the board shall unless removed, hold office for one year or until such officer's successor is elected and qualified.

Any elected officer may resign by delivering his written resignation to the Corporation at its principal office or to the Chairman of the Board or Secretary, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Section 3. Removal. Any elected officer may be removed, with or without cause, by action of the Board of Directors.

Any appointed officer may be removed, with or without cause, by action of the Chief Executive Officer or President.

Section 4. Vacancies. Vacancies in offices, however occasioned, may be filled at any time by appointment by the Board of Directors of officers to serve the unexpired terms of such offices, or by the President or Chairman of the Board with respect to those officers appointed by such individual.

Section 5. Powers and Duties of the Chairman of the Board. The Chairman of the Board, if such officer has been elected, shall preside at all meetings of the Shareholders and of the Board and shall perform such other duties as may be imposed by law, by these By-laws, and by the Board. He shall have the general powers and duties of supervision and management usually vested in the office of Chairman of the Board of a Corporation.

In the event that the Chairman of the Board shall be disabled or incapacitated and thus unable to person the duties of his office, the Board of Directors may select a person to fulfill the duties and responsibilities of the office of the Chairman of the Board until the Chairman of the Board is able to resume the duties of the office of Chairman of the Board.

Section 6. President. The President shall be the Chief Operating Officer of the Corporation subject to the direction of the Board and of the Chairman, if the Chairman is the Chief Executive Officer of the Corporation. Except when the Chairman has been so designated, the President shall be the Chief Executive Officer. In the absence of the Chairman, the President shall preside at all meetings of the Shareholders and of the Board. The President shall also perform such duties as may be imposed by law, by these By-laws, and by the board. The President shall have those powers to perform such duties as the Chairman of the Board shall from time to time designate.

Section 7. Vice Presidents. The Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall perform such duties as may be assigned to them from time to time by the Chairman of the Board, President or the Board of Directors.

The Assistant Vice Presidents shall perform such duties as may be assigned from time to time by the Chairman of the Board, the President, or the Board of Directors.

Section 8. Treasurer. The Treasurer shall exercise such powers and duties as may be prescribed by law, by these By-laws, by the Chairman of the Board, the President, or the Board of Directors. During the absence or inability to act of the Treasurer, an Assistant Treasurer, authorized in writing by the Chief Executive Officer, shall exercise the powers and duties of the Treasurer.

Section 9. Assistant Treasurer. Assistant Treasurers shall have such duties as are assigned by the Treasurer, the Chairman of the Board, the President, or the Board of Directors.

Section 10. Secretary. In general, the Secretary shall perform all the duties generally incident to the office of Secretary, subject to the control of the Board of Directors or the Chairman of the Board or the President.

The Secretary shall be responsible for preparing the minutes of the meetings of the Shareholders, Directors, and committees of directors and for authenticating records of the Corporation; shall have charge of the share ledger of the Corporation; shall give such notice as is required by law and by these By-laws of all meetings of the Shareholders, the Board, and any committee of the Board; shall keep such books and records as the Board or the Chief Executive Officer may require; shall execute all instruments coming within the jurisdiction of the office of Secretary; shall perform such duties as are or may be required by law, by these By-laws, by the Board, or by the Chief Executive Officer; shall have custody of the corporate seal and shall furnish copies thereof to such officers and attorneys-in-fact as shall be authorized to impress the same. During the absence or inability to act of the Secretary, an Assistant Secretary, authorized in writing by the Chief Executive Officer, shall exercise the powers and duties of the Secretary. If the Secretary is not a resident of the State of New Hampshire or does not maintain a business office at the Corporation's registered office, the Board shall elect a clerk who shall (1) be a resident of the State of New Hampshire, (2) maintain a business at the Corporation's registered office, and (3) be the Corporation's agent for service of process in the State of New Hampshire.

Section 11. Assistant Secretary. Assistant Secretaries shall have such duties as are assigned by the Secretary, the Chairman of the Board, the President, or the Board of Directors.

Section 12. Powers of Attorney. Any officer or other official of the Corporation authorized for that purpose in writing by the Chairman or the President, and subject to such limitation as the Chairman or the President may prescribe, shall appoint such attorneys-in-fact, as may be necessary to act in behalf of the Corporation to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations. Such attorneys-in-fact, subject to the limitations set forth in their respective powers of attorney, shall have full power to bind the Corporation by their signature and execution of such instruments and to attach thereto the seal of the Corporation. When so executed, such instruments shall be as binding as if signed by the President and attested to by the Secretary.

Any power or authority granted to any representative or attorney-in-fact under the provisions of this article may be revoked at any time by the Board, the Chairman, the President or by the officer or officers granting such power or authority.

ARTICLE V
STOCK

Section 1. Issuance of Shares. The Board of Directors may authorize the Corporation to issue shares for any legally permissible consideration. Before the Corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for shares to be issued is adequate.

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person except as may be otherwise expressly provided by law.

Section 2. Share Certificates; Shares without Certificates. Shares of the Corporation may, but need not be represented by certificates. If certificates are issued, each certificate shall certify the number of shares the certificate represents and shall be signed, either manually or in facsimile, by any two officers. The Board may authorize the issue of some or all of the shares without certificates.

Section 3. Replacement of Certificates. The Corporation may issue a new share certificate in place of one which is claimed to have been lost, destroyed, or mutilated, upon proof of such claim satisfactory to the Corporation, and, if the Corporation shall so require, upon furnishing of an indemnity bond of an acceptable corporate surety in such penalty and form as the Corporation shall require.

Section 4. Share Transfers. Upon compliance with provisions restricting the transfer or registration of transfer of shares, if any, transfers or registration of transfers of shares of the Corporation shall be made only on the share ledger of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation or with a transfer agent or a registrar, if any, and on surrender of the certificate, if any, for such shares properly endorsed and the payment of all taxes due thereon.

ARTICLE VI
DIVIDENDS TO AND POLICYHOLDERS AND SHAREHOLDERS

Section 1. Participating and Non-Participating Policies. The Corporation may issue participating or non-participating policies or both participating and non-participating policies and may pay dividends thereon as may be permitted or required by state law.

Section 2. Dividends. The Board of Directors in its discretion, from time to time, may declare dividends upon the capital stock from funds legally available therefor. Any such dividend payment shall be made in accordance with the applicable state laws and regulations governing the Corporation. This Article shall not be interpreted to require any payment of dividends.

ARTICLE VII
RESERVES AND SURPLUS

The Board may determine what amounts in addition to amounts required by statute shall be set aside from time to time as contingent and special reserves and may also determine what part of the Corporation's surplus is distributable in the form of dividends or refunds, the conditions of any such distribution, what part shall be retained and with respect to such retained surplus, may determine its application to the payment of losses, expenses or other obligations of the Corporation.

ARTICLE VIII
SEAL

The seal of the Corporation shall be circular in form, bearing its name, the word "New Hampshire" and the year of its incorporation.

ARTICLE XI
FISCAL YEAR

The fiscal year of the Corporation shall be the year ending with the 31st day of December in each year.

ARTICLE X
INDEMNIFICATION

To the fullest extent permitted by law, the Corporation shall indemnify any person made a party to a proceeding because such person is or was a director or officer of the Corporation against liability incurred in such proceeding if (1) such person conducted himself in good faith and (2) such person reasonably believed (i) in the case of conduct in such person's official capacity with the Corporation, that such person's conduct was in the best interests of the Corporation; and (ii) in all other cases, that such person's conduct was at least not opposed to the best interests of the Corporation; and (3) in the case of any criminal proceeding, such person had no reasonable cause to believe such person's conduct was unlawful. The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not be, of itself, determinative that the person did not meet the standard of conduct described in this article.

ARTICLE XI
AMENDMENTS

These By-laws may be amended, altered, or repealed in whole or in part, and new By-laws may be adopted upon a vote of not less than a majority of the Board of Directors, or upon a vote of not less than majority of the Shareholders. The Shareholders, in amending or repealing a particular By-law, may provide expressly that the Board of Directors shall not amend or repeal that By-law.

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

UNIFORM CERTIFICATE OF AUTHORITY APPLICATION (UCAA)
Management Information Form
Complete Listing of Incorporators*, Officers
Directors and Shareholders (10% or more)

Incorporators*	Titles:	Ownership Percentage:
N/A		
Officers:		N/A
J. Paul Condrin, III	Chairman of the Board, Chief Executive Officer President	
A. Alexander Fontanes	Executive Vice President, Chief Investment Officer	
Scott Rhodes Goodby	Executive Vice President, Chief Operating Officer	
Michael Joseph Fallon	Chief Financial Officer, Treasurer	
Dexter Robert Legg	Secretary	
Directors:		N/A
J. Paul Condrin, III		
John Derek Doyle		
Michael Joseph Fallon		
Scott Rhodes Goodby		
Christopher Charles Mansfield		
Shareholders:		
Sole Shareholder: Safeco Insurance Company of Illinois		100%

* Primary Application Only

Certificate
of
Authority

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737649	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$300.00*******	000026

NON-NEGOTIABLE

ADDRESS INQUIRIES TO:
LIBERTY MUTUAL
DOVER ACCOUNTS PAYABLE
P.O. BOX 1525
DOVER, NH 03821-1525
(603) 749-2600 EXT. 31199

PAYEE NAME AND ADDRESS:
TREASURER OF NEW HAMPSHIRE
NEW HAMPSHIRE INSURANCE DEPT
56 OLD SUNCOOK ROAD
CONCORD NH 03301-7317

LOC CODE: BD5 SOURCE: HFILE VENDOR#: 2200280001

PO/CONTRACT#	INVOICE#	INVDATE	GROSS INV AMT	FED. WITHHOLD AMT	STATE	ST. WITHHOLD AMT	NET INV AMT
0	NHT070801H	070811	300.00				300.00

CAREFULLY DETACH CHECK BEFORE DEPOSITING - RETAIN STATEMENT FOR YOUR RECORDS

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

DIS * 000026
MAILSTOP 02C
P.O. BOX 1525
DOVER, NH 03821-1525

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737649
51-44/119
002240015623

CHECK DATE
07/11/11

$ 300.00*******

B.CODE 121 OFFICE NUMBER 096 PAYMENT IDENTIFICATION 2200280001

VOID IF NOT PRESENTED WITHIN 6 MONTHS OF DATE OF CHECK

PAY **THREE HUNDRED AND 00/100

TO THE ORDER OF
TREASURER OF NEW HAMPSHIRE
NEW HAMPSHIRE INSURANCE DEPT
56 OLD SUNCOOK ROAD
CONCORD NH 03301-7317

TWO SIGNATURES NECESSARY
IF AMOUNT EXCEEDS $150,000

⑈70737649⑈ ⑆011900445⑆ 002240015623⑈

THE ORIGINAL DOCUMENT HAS A REFLECTIVE WATERMARK ON THE BACK. HOLD AT AN ANGLE TO VIEW WHEN CHECKING THE ENDORSEMENT.

GF 1983 Rev. 2/0

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737649	07/11/1
CHECK AMOUNT	BLOCK NUMBER
$300.00*******	000026

NON-NEGOTIABLE

ADDRESS INQUIRIES TO:
LIBERTY MUTUAL
DOVER ACCOUNTS PAYABLE
P.O. BOX 1525
DOVER, NH 03821-1525
(603) 749-2600 EXT. 31199

PAYEE NAME AND ADDRESS:
TREASURER OF NEW HAMPSHIRE
NEW HAMPSHIRE INSURANCE DEPT
56 OLD SUNCOOK ROAD
CONCORD NH 03301-7317

LOC CODE: BD5 SOURCE: HFILE VENDOR#: 2200280001

PO/CONTRACT#	INVOICE#	INVDATE	GROSS INV AMT	FED. WITHHOLD AMT	STATE	ST. WITHHOLD AMT	NET INV AMT
0	NHT070801H	070811	300.00				300.00

CAREFULLY DETACH CHECK BEFORE DEPOSITING - RETAIN STATEMENT FOR YOUR RECORDS

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DOVER, NH 03821-1525

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737649
51-44/119
002240015623

CHECK DATE
07/11/11

$ 300.00*******

VOID IF NOT PRESENTED WITHIN 6 MONTHS OF DATE OF CHECK

B.CODE	OFFICE NUMBER	PAYMENT IDENTIFICATION
121	096	2200280001

PAY **THREE HUNDRED AND 00/100

TO THE ORDER OF
TREASURER OF NEW HAMPSHIRE
NEW HAMPSHIRE INSURANCE DEPT
56 OLD SUNCOOK ROAD
CONCORD NH 03301-7317

TWO SIGNATURES NECESSARY IF AMOUNT EXCEEDS $150.000

⑈70737649⑈ ⑆011900445⑆ 002240015623⑈

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737648	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$100.00*******	000025

NON-NEGOTIABLE

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LIBERTY MUTUAL
DOVER ACCOUNTS PAYABLE
P.O. BOX 1525
DOVER, NH 03821-1525
(603) 749-2600 EXT. 31199

PAYEE NAME AND ADDRESS:
TREASURER OF NEW HAMPSHIRE
NEW HAMPSHIRE INSURANCE DEPT
56 OLD SUNCOOK ROAD
CONCORD NH 03301-7317

LOC CODE: BD5 SOURCE: HFILE VENDOR#: 2200280001

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0	NHT070801G	070811	100.00				100.00

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GROUP INC.

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$100.00*******	000025

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NEW HAMPSHIRE INSURANCE DEPT
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CONCORD NH 03301-7317

LOC CODE: BD5 SOURCE: HFILE VENDOR#: 2200280001

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0	NHT070801G	070811	100.00				100.00

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VOID IF NOT PRESENTED WITHIN
6 MONTHS OF DATE OF CHECK

B.CODE 121
OFFICE NUMBER 096
PAYMENT IDENTIFICATION 2200280001

PAY **ONE HUNDRED AND 00/100

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NEW HAMPSHIRE INSURANCE DEPT
56 OLD SUNCOOK ROAD
CONCORD NH 03301-7317

TWO SIGNATURES NECESSARY
IF AMOUNT EXCEEDS $150,000

⑈70737648⑈ ⑆011900445⑆ 002240015623⑈

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

Primary UCAA Item 15. Annual Statements w/Attachments

A	Annual Statement, verified and signed, as of December 31, 2010 Including: 2010 Insurance Expense Exhibit, Accident and Health Policy Experience Exhibit and/or Schedule P
B	NAIC Management's Discussion and Analysis
C	Actuarial Opinion
D	2009 Annual Statement
E	2008 Annual Statement

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The Peerless Insurance Company Pool (the "PIC Pool")
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010 and 2009

NAIC GROUP CODE: 0111

This discussion provides an assessment by management, on a combined basis, of the current financial position, results of operations, cash flow and liquidity, and changes in financial position for the Peerless Insurance Company Pool. The information presented in this discussion supplements the financial statements, schedules, and exhibits in the 2010 Annual Statements of the companies which comprise the PIC Pool.

ORGANIZATION

The PIC Pool consists of regional property and casualty insurance companies that distribute their products and services through independent agents throughout the United States. The PIC Pool provides various lines of insurance, with emphasis on account-based personal lines and small to mid-sized traditional commercial risks. Major lines of business include commercial multiple peril, commercial automobile, workers compensation, surety, property, and general liability coverage to small businesses, as well as personal lines coverage, primarily private passenger automobile and homeowners.

There are inter-company reinsurance pooling and inter-company 100% Quota Share Reinsurance Agreements in place among the members of the PIC Pool. The participants in these agreements include the following companies:

		NAIC Company Number	2010 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
	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

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.

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

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.

There were no members that were 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.

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.

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

Effective January 1, 2010, Liberty Mutual Mid-Atlantic Insurance Company ("LMMAIC") cancelled its participation in the Peerless Insurance Company Amended and Restated Reinsurance Pooling Agreement and concurrently became a participant in the Liberty Mutual Inter-Company Reinsurance Agreement with a 0.00% pool participation percentage and entered into a 100% Quota Share Reinsurance Agreement with PIC. Pursuant to the 100% Quota Share Reinsurance Agreement with PIC, LMMAIC continues to cede the business it wrote for the PIC Pool to PIC. New business is ceded to Liberty Mutual Insurance Company ("LMIC"), the lead company in the Liberty Mutual Insurance Company Pool (the "Liberty Pool").

Effective January 1, 2010, Bridgefield Casualty Insurance Company ("BCIC") and Bridgefield Employers Insurance Company ("BEIC") novated their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% Quota Share Inter-Company Reinsurance Agreements with LMIC.

Effective February 23, 2010, Avomark Insurance Company merged with WAIC. WAIC was the surviving entity.

RESULTS OF OPERATIONS

The PIC Pool's net operating results for the years ended December 31, 2010 and 2009 and certain key financial ratios are presented below.

(Dollars in thousands)

	2010	2009
Net written premiums	$ 10,542,840	$ 10,632,923
Net earned premiums	10,314,180	10,476,530
Losses incurred	5,779,138	5,313,186
LAE incurred	1,217,602	1,243,879
Underwriting expenses	3,465,461	3,479,405
Dividends to policyholders	(3,524)	44,825
Underwriting gain (loss)	(144,497)	395,235
Net investment income	867,465	995,607
Realized investment (loss) gain	194,993	(80,104)
Other expense	(90,157)	(24,688)
Income before taxes	827,804	1,286,050
Federal and foreign income taxes incurred	82,837	321,006
Net income	$ 744,967	$ 965,044

	2010	2009
Key financial ratios:		
Net loss ratio	56.0%	50.7%
Net loss and LAE ratio	67.8%	62.6%
Underwriting ratio	32.9%	32.7%
Dividend ratio	0.0%	0.4%
Combined ratio	100.7%	95.7%
Combined ratio (ex catastrophes)	95.0%	91.5%

Net written premiums decreased $90.1 million, or 0.8%, from 2009. The decrease is primarily attributable to the movement of BCIC and BEIC ("Summit business") out of the PIC Pool and into the Liberty Pool. Excluding the impact of the movement of Summit between pools, net written premium increased $412.7 million over the period ended December 31, 2009. The increase reflects the introduction of an annual private passenger automobile product, rate increases in most lines of business, increased new business and policy retention across the personal product lines, and a higher contract and commercial surety bond premium. These items were partially offset by a decline in commercial lines renewal premium (excluding surety) due to a reduction in insured exposures and the impact of negative audit premiums and lower private passenger automobile premium (excluding the annual automobile product) driven by declining retention during 2009 and a shift towards writing higher quality risks (resulting in lower average premium per policy). Excluding the impact of the Summit, net earned premiums increased $329.7 million. This increase is consistent with the increase in net written premiums.

Loss and loss adjustment expenses (LAE) incurred increased $439.7 million, or 6.7%, over 2009. The 2009 reporting period was impacted by a homeowners quota share treaty that was discontinued at December 31, 2009. The increase in losses and LAE is primarily a result of additional retained losses and expenses due to the discontinuation of the homeowners quota share reinsurance treaty, higher catastrophe losses at $588.4 million, versus $443.7 million in 2009, and unfavorable commercial lines liability and property results. The increase in loss and LAE was partially offset by favorable loss trends across the private passenger automobile and homeowners product lines, and lower surety losses. Additionally, the year includes less favorable net incurred losses attributable to prior years, partially offset by lower variable compensation costs. The increase in the loss and LAE ratio, 5.2 points, reflects an increase in the Homeowners'/farmowners', Commercial Multiple Peril, and Other Liability – Occurrence lines, partially offset by decreases in Workers' Compensation and Private Passenger Auto Liability lines.

The underwriting expense ratio increased 0.2% over 2009, driven primarily by higher personal lines advertising expenditures, general cost increases and efficiencies gained through the integration of Safeco operations.

Net investment income decreased $128.1 million, or 12.9%, from 2009. The decrease resulted from an overall lower invested asset base due to an intercompany dividend payment.

Realized investment gains were $195.0 million in 2010, compared to a $80.1 million loss in 2009. The increase reflects gains on sales of fixed maturities.

Other expenses increased $65.5 million over 2009. The increase is primarily due to fees paid for a retroactive reinsurance contract with LMIC for discontinued operations, partially offset by the write-off of the North Carolina Beach Plan, integration costs related to the Safeco acquisition in 2009 that did not recur in 2010 and a decrease in net loss from a charge-off of miscellaneous premium balance.

Federal and foreign income taxes incurred were $82.8 million in 2010, compared to $321.0 million in 2009. The decrease is primarily attributable to the 2009 return to provision difference and a decrease in pre-tax income. The effective tax rate went from 25% in 2009 to 10% in 2010, also attributable to differences in return to provision and decrease in pre-tax income.

FINANCIAL POSITION

The PIC Pool's financial position at December 31, 2010 and 2009 was as follows:

(Dollars in thousands)

	2010	2009
Assets		
Bonds	$ 16,612,327	$19,656,707
Common and preferred stock	664,516	333,794
Investments in affiliates	154,589	132,928
Cash and short-term investments	913,441	1,237,373
Other invested assets	456,717	455,416
Securities lending reinvested collateral assets	289,880	435,979
Premiums receivable (net)	2,547,283	2,368,195
Reinsurance recoverables on paid losses (net)	94,638	184,569
Current federal and foreign income tax recoverable and interest thereon	63,841	-
Deferred tax asset (net)	585,123	680,799
Funds held by affiliates and other reinsurers	14,841	14,594
Other admitted assets	311,630	360,227
Total admitted assets	$ 22,708,826	$25,860,581
Liabilities		
Unpaid loss and loss adjustment expenses	$ 10,923,723	$ 11,638,344
Unearned premiums	4,853,158	4,601,134
Funds held under reinsurance contracts	59,765	70,239
Ceded reinsurance premiums payables	11,819	(73,268)
Payable to affiliates	422,049	193,703
Payable for securities lending	289,880	435,979
Other liabilities	1,203,263	1,738,026
Total liabilities	17,763,657	18,604,157
Policyholders' surplus	4,945,169	7,256,424
Total liabilities and policyholders' surplus	$ 22,708,826	$ 25,860,581

Assets

The PIC Pool's invested assets represent 84.1% of total admitted assets at December 31, 2010. The mix of short-term and long-term bonds and equity holdings remained conservative in nature, with the investment portfolio comprised primarily of bonds and cash and short-term investments of 87.0% and 4.8%, respectively. Bonds consisted of 23.2% in U.S. government and U.S. government backed securities, 31.5% in state and municipal bonds and 45.3% in corporate and other foreign bonds. The PIC Pool's bond portfolio remained high quality, with 90.4% rated as "investment grade" by the Securities Valuation Office (SVO) of the National Association of Insurance Commissioners (NAIC).

Bonds decreased $3.0 billion from 2009. This decrease is primarily driven by $2.8 billion in intercompany dividend payments.

Unaffiliated common and preferred stock investments increased $330.7 million over 2009. This was primarily due to a decision to increase common stock holdings for the Pool, partially offset by a decrease in the book value of unaffiliated preferred stock as a result of transfers to LMIC during the first quarter of 2010.

Investments in affiliates increased $21.7 million over 2009. The increase was primarily attributable to a $35.8 million increase in affiliated non-P&C common stock, partially offset by a decrease in affiliated non P&C preferred stock.

Management believes the structuring and high quality of the PIC Pool's invested assets and the consistent level of investment income generated by the assets will ensure adequate liquidity to meet the Pool's current and future obligations.

The PIC Pool's admitted premiums receivable increased $179.1 million over 2009, which corresponds to the increase in premiums written (excluding the impact of the Summit business). The PIC Pool maintains a sound credit policy and actively manages its premium receivables and amounts charged off are not considered material.

Reinsurance recoverables on paid losses decreased $89.9 million from 2009 and represent 1.9% of total policyholders' surplus. The decrease is primarily due to the cancellation of the homeowners quota share treaty in 2009. The PIC Pool actively monitors the credit quality of the reinsurance portfolio and maintains guidelines that govern its purchase and use of reinsurance. There are no reinsurance recoverables in dispute from an individual reinsurer that exceed 5.0% of the PIC Pool's surplus.

Net deferred tax assets decreased $95.7 million from 2009. This decrease was primarily due to a decrease in deferred tax assets expected to be realized under SSAP 10R. Key drivers of the decrease are reversals in loss reserve discounting, goodwill, non-admitted assets and compensation.

Liabilities

Liabilities of the PIC Pool totaled $17.8 billion at December 31, 2010, a 4.5% decrease from December 31, 2009.

The PIC Pool's unpaid loss and loss adjustment expenses decreased $714.6 mllion from 2009. The decrease is primarily attributable to the movement of Summit between pools, partially offset by increased catastrophe losses and an increase in runoff business reserves.

Property-casualty insurance unpaid loss and loss adjustment expenses represent the PIC Pool's best estimate of amounts necessary to settle all outstanding claims, including claims that are incurred but not reported, as of the reporting date. The PIC Pool's reserve projections are based primarily on detailed analysis of the facts in each case, experience with similar cases and various historical development patterns. Consideration is given to such historical patterns as field reserving trends and claims settlement practices, loss payments, pending levels of unpaid claims and product mix, as well as court decisions, economic conditions and public attitudes. All of these factors can affect the estimation of reserves.

Establishing loss reserves, including loss reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and therefore the necessary reserve. Changes in the law, results of litigation, medical costs, the cost of repair materials and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement can be. Accordingly, "short-tail" claims, such as property damage claims, tend to be easier to estimate than "long-tail" claims, such as workers' compensation or general liability claims.

As information develops that varies from past experience, provides additional data, or in some cases, augments data that previously was not considered sufficient for use in determining reserves, changes in the PIC Pool's estimate of ultimate liabilities may be required. The effects of these changes are reflected in current operating results.

The PIC Pool has not discounted unpaid property and casualty insurance claims and claim adjustment expenses other than tabular discounting on the long-term indemnity portion of workers' compensation claims.

Unearned premiums increased $252.0 million over 2009. The increase was consistent with the increase in net premiums written (excluding the impact of the Summit business).

Ceded reinsurance premiums payable increased $85.1 million over 2009 as a result of the cancellation of the homeowners quota share treaty in 2009 and the movement of Summit between pools.

Other liabilities decreased $534.8 million from 2009. This decrease was primarily driven by the movement of Summit between pools, the settlement of a corporate management fee liability with the Liberty Pool and the draw down of a significant Letter of Credit.

Policyholders' Surplus and Leverage

Total policyholders' surplus decreased $2.3 billion from 2009. The decrease in policyholders' surplus was primarily driven by dividend payouts offset by current year earnings.

The increase in the PIC Pool's net written premium to surplus ratio, at 2.1 to 1.0 compared to 1.5 to 1.0 in 2009, was driven by the $90.1 million decrease in net written premium and the $2.3 billion decrease in surplus during the period. The increase in reserve to surplus ratio, at 2.2 to 1.0 versus 1.6 to 1.0, was driven by the $714.6 million decrease in unpaid loss and LAE and the $2.3 billion decrease in surplus. Management is committed to operating the PIC Pool at prudent leverage levels.

The companies that make up the PIC Pool exceed the minimum risk-based capital requirements developed by the NAIC and their respective states of domicile.

CASH FLOW AND LIQUIDITY

Cash and short-term investments totaled $913.4 million at December 31, 2010, compared to $1.2 billion at December 31, 2009. The decrease of $323.9 million was driven primarily by dividends paid to LMAC, partially offset by cash received for the sale of limited partnership interests.

The PIC Pool invests policyholder premiums in assets whose maturities are similar to the expected payout of loss and LAE reserves. Management believes that current and future liquidity needs will continue to be met primarily by operations.

This Management's Discussion and Analysis provides Management's assessment of the financial position, results of operations, cash flow and liquidity, and changes in financial position for the PIC Pool as of and for the year ended December 31, 2010. Representations contained herein are those of Management according to the best of their information, knowledge, and belief.

March 31, 2011

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Liberty Mutual Agency Corporation

24724201044000100

Thomas E. Schadler, FCAS, MAAA
Sr. Vice President and Chief Actuary
Actuarial Executive

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First National Insurance Company of America

Statement of Actuarial Opinion
As of December 31, 2010

IDENTIFICATION

I, Thomas E. Schadler, am an officer of First National Insurance Company of America, a Company in Liberty Mutual Agency Corporation. I am a Member of the American Academy of Actuaries and meet its qualification standards for rendering this opinion. I am a Fellow of the Casualty Actuarial Society and was appointed by the Company's Board of Directors on October 18, 2010 to render this opinion.

SCOPE

I have examined the actuarial assumptions and methods used in determining reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2010.

The reserves shown in Exhibit A, upon which I am expressing an opinion, reflect the Loss Reserve Disclosure items (8 thru 13) in Exhibit B.

The Company is part of a group of affiliated insurers within Liberty Mutual Agency Corporation whose ultimate parent is Liberty Mutual Holding Company Inc. The Group utilizes pooling and quota share agreements (the PIC Amended and Restated Reinsurance Pooling Agreement) that affect the solvency and integrity of the Company's reserves. Pursuant to the approval of the appropriate State Insurance Departments, effective January 1, 2010, Bridgefield Casualty Insurance Company and Bridgefield Employers Insurance Company cancelled their 100% Quota Share Reinsurance Agreements with PIC and entered into 100% inter-company Reinsurance Agreements with Liberty Mutual Insurance Company. Analysis of the reserve items identified above has been performed for all of the pool companies combined. A summary of the pooling and quota share agreements is disclosed in the Notes to the Financial Statements.

In forming my opinion on the loss and loss adjustment expenses reserves identified in the SCOPE section, I relied upon data prepared by James P. McKenney, CPA, Vice President and Controller, Liberty Mutual Agency Corporation and Kevin A. Cormier, FCAS, MAAA, CPCU, ARe, Financial Reporting Manager, Liberty Mutual Agency Corporation. I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P – Part 1 of the current Annual Statement, comprising the total intercompany pool to which the Company belongs. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations, as I considered necessary.

First National Insurance Company of America_2010SAO

OPINION

In my opinion, the amounts carried in the scope paragraph on account of the items identified:

A. Meet the requirements of the insurance laws of Washington;

B. Are computed in accordance with accepted loss reserving standards and principles; and

C. Make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

RELEVANT COMMENTS

Risk of Material Adverse Deviation

In assessing the adequacy of the carried reserves it is necessary to select a standard of materiality. The selected standard of materiality is shown in Exhibit B. In determining this standard, consideration was given to various metrics and financial bases including: Held Reserves, Surplus, RBC Capital Requirements, Premium and Income. My selection of the materiality standard for this opinion considers that this opinion is prepared for regulatory review. For this company my selection is based on 10% of the net held reserves.

The net held reserves for this company represent a percentage of the total net reserves for the PIC pool. The reserve analysis underlying this opinion, and the work done concerning the risk of material adverse deviation, are all done on a pooled basis. I have also reviewed the amount stated in Exhibit B relative to the net reserves of this Company and find it to be an appropriate standard. Based on my review I believe that the inherent variability in the reserve estimates is low. In my opinion the risk of material adverse deviation from the net reserve amounts carried is remote.

Salvage & Subrogation

Reserves are established net of anticipated salvage & subrogation.

Discounting

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%. For the other lines, the Company does not use tabular discounts on its reserves for unpaid losses and loss adjustment expenses. The Company does not use non-tabular discounts on any of its reserves for unpaid losses and loss adjustment expense.

Underwriting Pools and Associations

The Company participates in a number of voluntary and involuntary pooling arrangements. The booked reserves and earned premiums emanating from the Company's share of the underwriting pools and associations reflect loss and loss expenses incurred and premiums earned by the pools through various dates prior to year end. Company practice is to record the loss and loss adjustment expense reserves reported to it by the pools with an accrual for any reporting lag. The Company relies on the pool and its actuaries to report its ultimate share of pools' reserves. The reserves reported by the pool are deemed to be adequate. No analysis was done to independently assess the adequacy of these reserves.

Asbestos and Environmental Exposures

The Company has provided coverage to policyholders that have asserted coverage for environmental and asbestos liability claims. Within the total loss and loss adjustment expense reserves recorded by the Company are $2.9 million on a net of reinsurance basis and $3.4 million on a gross basis associated with these two exposures. These reserves are intended to represent the company's ultimate liability for reported and unreported environmental and asbestos claims.

The liabilities for these exposures arise from three distinct sources. The first is legacy business, which has been part of the pool in the past years. The second came to the pool in 2008 from the acquisition of the Ohio Casualty Group. The third comes to the pool in 2009 from the acquisition of the Safeco Insurance Group. The Asbestos and Environmental reserves for the PIC Pool are centrally managed as part of the Liberty Mutual Group. An analysis on each segment was completed in 2009 as discussed in the following paragraphs.

Relative to Asbestos we performed a ground up study of asbestos claims. Claims were analyzed on a claims reported basis, and aggregated by first report. Using both company and industry data we calculated separate provisions for additional adverse development on known cases (IBNER) and pure development on unreported claims for earned exposures (IBNR). The sum of these components along with current held case reserves determined the ultimate indicated reserves.

Relative to Environmental Liability, claims and claim payments continue to be reported and paid in recent years. To analyze this exposure we utilized a report year approach to organizing data. Using both company and industry data we calculated separate provisions for additional adverse development on known cases (IBNER) and pure development on unreported claims for earned exposures (IBNR). The sum of these components along with current held case reserves determined the ultimate indicated reserves.

During 2010 claims activity for both asbestos and environmental related losses were monitored on a quarterly basis relative to expected losses. No material differences in actual versus expected losses were noted and reserves were reduced to offset paid losses.

<u>Extended Loss and Expense Reserves</u>
The Company does not write extended loss and expense contracts. The total extended loss and expense liability is $0.

<u>Retroactive and Financial Reinsurance</u>
In my capacity as Appointed Actuary I have reviewed a listing of all reinsurance contracts for which the company holds reserves. Where appropriate, I have reviewed the risk transfer analysis done in accordance with SSAP 62.

The Pool currently holds reinsurance contracts accounted for by the company as retroactive reinsurance. Consistent with statutory accounting guidance, liabilities related to these agreements are excluded from the Net Loss and Loss Adjustment Expense Reserves. However, the company has reported a write-in liability on Page 3 (see Exhibit A, Item 5). My review of the Net Loss and Loss Adjustment Expense Reserves did include a review of the liabilities related to these contracts. Based on discussions with Company Management and its description of the company's ceded and assumed reinsurance, I am not aware of any other reinsurance contract that either has been or should have been accounted for as Retroactive or Financial Reinsurance.

<u>Reinsurance Collectibility</u>
Ceded loss reserves are all either with affiliated companies in the PIC Pool or industry pools, with companies rated A or better by A.M. Best, or are immaterial relative to surplus. Past uncollectibility levels and current amounts in dispute have been reviewed and found to be immaterial relative to surplus. Therefore, reinsurance collectibility does not appear to be an issue.

My opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. I have not anticipated any contingent liabilities that could arise if the reinsurers do not meet their obligations to the Company as reflected in the data and other information provided to me.

<u>NAIC IRIS Tests</u>
The loss and loss adjustment expense reserves recorded by the Company did not create any exceptional values for NAIC IRIS tests: One-Year Reserve Development to Surplus, Two-Year Reserve Development to Surplus, or Estimated Current Reserve Deficiency to Surplus.

<u>Long Duration Contracts</u>
The Company has no policies in force as of December 31st, 2010 that qualify as long duration contracts.

Methods and Assumptions
No material changes in actuarial methods were made during 2010.

Other Relevant Comments
In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expenses, it is necessary to project future loss and loss adjustment expense payments. It is certain that the actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, my projections made no provision for extra-ordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical data base or which are not yet quantifiable.

My review was limited to the items enumerated in the SCOPE section, and did not include an analysis of any income statement or other balance sheet items. My opinion on the loss reserves is based on the assumption that valid assets back all reserves. It makes no opinion on the Company's financial assets or any other liabilities on the Company's balance sheets, which are not enumerated in the SCOPE section. This Statement of Actuarial Opinion makes no opinion on the overall financial strength of the Company.

ACTUARIAL REPORT

An actuarial report, including underlying workpapers supporting the findings expressed in this statement of actuarial opinion will be retained for a period of seven years in the administrative offices of the Company and available for regulatory examination.

DISTRIBUTION AND USE

This statement of opinion is solely for the use of, and only to be relied upon by, the Company and the various state departments in which it files its Annual Statement.

Thomas E Schadler

Thomas E. Schadler, FCAS, MAAA
Sr. Vice President & Chief Actuary
Liberty Mutual Agency Corporation
175 Berkeley Street
Boston, MA 02116
(617) 654-3831
(603) 358-3863
February 23, 2011

Statement of Actuarial Opinion 2010
First National Insurance Company of America

Exhibit A: SCOPE

	Column 1 Amount
Loss Reserves:	
1. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col 1, Line 1)	$ 71,444,366
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col 1, Line 3)	$ 15,945,414
3. Reserve for Unpaid Losses - Direct and Assumed (Should equal Schedule P, Part 1, Totals from Cols. 13 and 15, Line 12 * 1000)	$ 78,625,000
4. Reserve for Unpaid Loss Adjustment Expenses - Direct and Assumed (Should equal Schedule P, Part 1, Totals from Cols. 17, 19 and 21, Line 12 * 1000)	$ 16,515,000
5. The Page 3 write-in item reserves, "Retroactive Reinsurance Reserve Assumed"	$ 763,208
6. Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	$ -
Premium Reserves:	
7. Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	$ -
8. Reserve for Net Unearned Premiums for Long Duration Contracts	$ -
9. Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	$ -

Statement of Actuarial Opinion 2010
First National Insurance Company of America

Exhibit B: DISCLOSURES

	Column 1	Column 2	Column 3	Column 4
1. Name of the Appointed Actuary		Schadler *Last*	Thomas *First*	E *Mid*
2. The Appointed Actuary's Relationship to the Company. Enter E or C based upon the following: E if an Employee C if a Consultant			E	
3. The Appointed Actuary is a Qualified Actuary based upon what qualification? Enter F, A, M, or O based upon the following: F if a Fellow of the Casualty Actuarial Society (FCAS) A if an Associate of the Casualty Actuarial Society (ACAS) M if not a member of the Casualty Actuarial Society, but a Member of the American Academy of Actuaries (MAAA) approved by the Casualty Practice Council, as documented with the attached approval letter. O for Other			F	
4. Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following: R if Reasonable I if Inadequate or Deficient Provision E if Excessive or Redundant Provision Q if Qualified. Use Q when part of the OPINION is Qualified N if No Opinion			R	
5. Materiality Standard as expressed in US dollars (Used to Answer Question #6)	$ 8,738,978			
6. Is there a Significant Risk of Material Adverse Deviation?			Yes [ ] No [X] Not Applicable [ ]	
7. Statutory Surplus (Liabilities, Col 1, Line 37)	$ 46,025,313			
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (should equal Part 1 Summary, Col 23, Line 12 * 1000)	$ 5,089,000			
9. Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P				
9.1 Nontabular Discount [Notes, Line 32B23, (Amounts 1, 2, 3 & 4)], Electronic Filing Cols 7, 8, 9, & 10	$ -			
9.2 Tabular Discount [Notes, Line 32A23 (Amounts 1 & 2)] Electronic Filing Cols 7 & 8	$ 1,086,020			
10. The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines	$ 1,187,000			
11. The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines. *				
11.1 Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 33A03D), ending net asbestos reserves for current year)	$ 1,898,555			
11.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 33D03D), ending net environmental reserves for current year)	$ 994,175			
12. The total claims made extended loss and expense reserve (Greater than or equal to Schedule P Interrogatories)				
12.1 Amount reported as loss reserves	$ -			
12.2 Amount reported as unearned premium reserves	$ -			
13. Other items on which the Appointed Actuary is providing Relevant Comments (list seperately)	$ -			

* The reserves disclosed in item 11 above, should exclude amounts relating to contract specifically written to cover asbestos and environmental exposures. Contracts specifically written to cover these exposures include Environmental Impairment Liability (post 1986), Asbestos Abatement, Pollution Legal Liability, Contractor's Pollution Liability, Consultant's Environmental Liability, and Pollution and Remediation Legal Liability.

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

Primary UCAA Item 15. Annual Statements w/Attachments

2009 Annual Statement - See back of binder

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

Primary UCAA Item 15. Annual Statements w/Attachments

2008 Annual Statement - See back of binder

THE STATE OF NEW HAMPSHIRE
INSURANCE DEPARTMENT

License No: 100380

Presents that FIRST NATIONAL INSURANCE COMPANY OF AMERICA

is hereby authorized to transact Accident & Health , Property & Casualty lines of Insurance

in accordance with paragraphs I , II , IV , V , VI , VII of NH RSA 401:1.

Exclusions:

Effective Date: 06/15/2011

Expiration Date: 06/14/2012

Roger A. Sevigny
Commissioner of Insurance

QUARTERLY STATEMENT

OF THE

FIRST NATIONAL INSURANCE COMPANY OF AMERICA

of SEATTLE

in the state of WASHINGTON

TO THE

Insurance Department

OF THE

STATE OF

FOR THE QUARTER ENDED

June 30, 2011

PROPERTY AND CASUALTY

2011

PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

24724201120100102

QUARTERLY STATEMENT

AS OF JUNE 30, 2011
OF THE CONDITION AND AFFAIRS OF THE

First National Insurance Company of America

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 24724 Employer's ID Number 91-0742144

Organized under the Laws of Washington , State of Domicile or Port of Entry Washington

Country of Domicile United States of America

Incorporated/Organized: October 10, 1928 Commenced Business: November 1, 1928

Statutory Home Office: 1001 Fourth Avenue, Safeco Plaza (Street and Number) , Seattle, WA 98154 (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 Website Address: WWW.SAFECO.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.	Michael Joseph Fallon	Treasurer and Chief Financial Officer

VICE-PRESIDENTS

Name	Title	Name	Title
Anthony Alexander Fontanes	EVP and Chief Investment Officer	Joseph Anthony Gilles	Executive Vice President
Scott Rhodes Goodby	EVP and Chief Operating Officer		

DIRECTORS OR TRUSTEES

John Derek Doyle	Michael Joseph Fallon	Joseph Anthony Gilles	Scott Rhodes Goodby
James Paul Condrin, III #	Christopher Charles Mansfield		

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	Michael Joseph Fallon
(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 before me this
18th day of July , 2011

COLLEEN K. LYNCH
MY COMM. EXPIRES FEB. 13, 2015
NOTARY PUBLIC COMMONWEALTH OF MASSACHUSETTS

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 Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	150,285,194		150,285,194	145,440,382
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	12,430		12,430	12,430
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
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), cash equivalents ($ 0), and short-term investments ($ 6,503,405)	6,503,405		6,503,405	7,613,079
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities	76		76	92
10. Securities lending reinvested collateral assets	1,012,975		1,012,975	223,450
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	157,814,080		157,814,080	153,289,433
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,298,145		1,298,145	1,344,284
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	3,561,621	373,863	3,187,758	2,871,824
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (130,988) earned but unbilled premiums)	23,166,153	136	23,166,017	23,096,696
15.3 Accrued retrospective premiums	69,710	6,808	62,902	73,287
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	16,330,564		16,330,564	14,341,378
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	342,257		342,257	
18.2 Net deferred tax asset	5,034,083	617,407	4,416,676	4,432,235
19. Guaranty funds receivable or on deposit	82,067		82,067	135,175
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	6,410,015		6,410,015	6,016,591
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	805,503	113,178	692,325	700,921
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	214,914,198	1,111,392	213,802,806	206,301,824
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	214,914,198	1,111,392	213,802,806	206,301,824

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	471,844		471,844	465,063
2502. Equities and deposits in pools and associations	204,457		204,457	211,624
2503. Other assets	129,202	113,178	16,024	24,234
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	805,503	113,178	692,325	700,921

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31, Prior Year
1.	Losses (current accident year $ 16,915,472)	73,454,995	71,444,366
2.	Reinsurance payable on paid losses and loss adjustment expenses	5,767,325	4,793,732
3.	Loss adjustment expenses	16,015,148	15,945,414
4.	Commissions payable, contingent commissions and other similar charges	1,834,761	2,157,891
5.	Other expenses (excluding taxes, licenses and fees)	1,075,611	631,554
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	396,848	721,657
7.1.	Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		256,893
7.2.	Net deferred tax liability		
8.	Borrowed money $ 0 and interest thereon $ 0		
9.	Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 126,691,200 and including warranty reserves of $ 0)	38,732,911	38,825,262
10.	Advance premium	316,746	263,145
11.	Dividends declared and unpaid:		
	11.1. Stockholders		
	11.2. Policyholders	17,164	7,499
12.	Ceded reinsurance premiums payable (net of ceding commissions)	21,442,514	20,226,508
13.	Funds held by company under reinsurance treaties		
14.	Amounts withheld or retained by company for account of others	137,043	74,563
15.	Remittances and items not allocated		
16.	Provision for reinsurance		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding	3,319,721	2,618,626
19.	Payable to parent, subsidiaries and affiliates	2,105,547	715,611
20.	Derivatives		
21.	Payable for securities	2,013,710	
22.	Payable for securities lending	1,012,975	223,450
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $ 0 and interest thereon $ 0		
25.	Aggregate write-ins for liabilities	1,086,170	1,370,340
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	168,729,189	160,276,511
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	168,729,189	160,276,511
29.	Aggregate write-ins for special surplus funds	1,002,878	1,014,134
30.	Common capital stock	5,000,000	5,000,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	581,836	581,836
35.	Unassigned funds (surplus)	38,488,903	39,429,343
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)*	45,073,617	46,025,313
38.	Totals (Page 2, Line 28, Col. 3)	213,802,806	206,301,824

	DETAILS OF WRITE-IN LINES		
2501.	Retroactive reinsurance reserves	713,903	763,208
2502.	Other liabilities	271,282	415,091
2503.	Accrued return retrospective premiums	57,877	97,393
2598.	Summary of remaining write-ins for Line 25 from overflow page	43,108	94,648
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,086,170	1,370,340
2901.	SSAP 10R incremental change	824,583	841,102
2902.	Special surplus from retroactive reinsurance	178,295	173,032
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	1,002,878	1,014,134
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 To Date	2 Prior Year To Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 143,622,743)	141,323,538	134,430,036	277,511,910
1.2 Assumed (written $ 41,166,123)	41,356,248	40,894,556	82,513,440
1.3 Ceded (written $ 143,622,743)	141,323,538	134,430,036	277,511,910
1.4 Net (written $ 41,166,123)	41,356,248	40,894,556	82,513,440
DEDUCTIONS:			
2. Losses incurred (current accident year $ 28,525,964):			
2.1 Direct	73,923,331	59,615,062	136,362,837
2.2 Assumed	26,938,512	24,167,046	46,233,101
2.3 Ceded	73,923,331	59,615,062	136,362,837
2.4 Net	26,938,512	24,167,046	46,233,101
3. Loss adjustment expenses incurred	4,980,968	4,921,664	9,740,817
4. Other underwriting expenses incurred	13,333,304	14,032,159	27,729,780
5. Aggregate write-ins for underwriting deductions	(8,562)		(4,514)
6. Total underwriting deductions (Lines 2 through 5)	45,244,222	43,120,869	83,699,184
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(3,887,974)	(2,226,313)	(1,185,744)
INVESTMENT INCOME			
9. Net investment income earned	2,559,313	3,303,012	5,862,756
10. Net realized capital gains (losses) less capital gains tax of $ 96,687	179,561	386,200	878,477
11. Net investment gain (loss) (Lines 9 + 10)	2,738,874	3,689,212	6,741,233
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 1,790 amount charged off $ 78,596)	(76,805)	(179,837)	(346,712)
13. Finance and service charges not included in premiums	347,568	366,085	728,105
14. Aggregate write-ins for miscellaneous income	(10,764)	(1,007,171)	(1,034,151)
15. Total other income (Lines 12 through 14)	259,999	(820,923)	(652,758)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(889,101)	641,976	4,902,731
17. Dividends to policyholders	78,018	72,313	(28,194)
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)	(967,119)	569,663	4,930,925
19. Federal and foreign income taxes incurred	34,708	(86,781)	(156,376)
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,001,827)	656,444	5,087,301
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	46,025,313	80,665,460	80,665,460
22. Net income (from Line 20)	(1,001,827)	656,444	5,087,301
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 11,292	20,970	141,834	82,970
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	62,775	175,896	(887,374)
27. Change in nonadmitted assets	(81,201)	(94,051)	779,009
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles	64,105		
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders		(40,000,000)	(40,000,000)
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus	(16,518)	80,277	297,947
38. Change in surplus as regards policyholders (Lines 22 through 37)	(951,696)	(39,039,600)	(34,640,147)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	45,073,617	41,625,860	46,025,313

DETAILS OF WRITE-IN LINES			
0501. Private passenger auto escrow	(8,562)		(4,514)
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)	(8,562)		(4,514)
1401. Retroactive reinsurance gain/(loss)	5,239	(1,020,241)	(1,021,822)
1402. Other income/(expense)	(16,003)	13,070	(12,329)
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(10,764)	(1,007,171)	(1,034,151)
3701. Other changes in surplus		(48,642)	(48,642)
3702. SSAP 10R incremental change	(16,518)	128,919	346,589
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(16,518)	80,277	297,947

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	42,093,438	44,020,051	86,462,395
2. Net investment income	2,869,242	4,361,997	7,332,362
3. Miscellaneous income	295,220	(1,297,928)	(1,221,360)
4. Total (Lines 1 to 3)	45,257,900	47,084,120	92,573,397
5. Benefit and loss related payments	25,242,381	28,284,750	50,918,635
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	18,384,314	22,752,689	41,281,692
8. Dividends paid to policyholders	68,353	129,508	32,227
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	730,545	1,124,900	630,853
10. Total (Lines 5 through 9)	44,425,593	52,291,847	92,863,407
11. Net cash from operations (Line 4 minus Line 10)	832,307	(5,207,727)	(290,010)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	14,968,598	60,966,490	85,258,596
12.2 Stocks		8,966,682	8,966,682
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets	5,012,025		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds	16		3,616
12.8 Total investment proceeds (Lines 12.1 to 12.7)	19,980,639	69,933,172	94,228,894
13. Cost of investments acquired (long-term only):			
13.1 Bonds	19,768,691	27,625,594	52,650,401
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets	5,801,550		223,450
13.6 Miscellaneous applications	(2,013,710)	6,590	
13.7 Total investments acquired (Lines 13.1 to 13.6)	23,556,531	27,632,184	52,873,851
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(3,575,892)	42,300,988	41,355,043
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders		40,000,000	40,000,000
16.6 Other cash provided (applied)	1,633,911	(13,183,536)	(15,859,861)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	1,633,911	(53,183,536)	(55,859,861)
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)	(1,109,674)	(16,090,275)	(14,794,828)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	7,613,079	22,407,907	22,407,907
19.2 End of period (Line 18 plus Line 19.1)	6,503,405	6,317,632	7,613,079

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds			30,054,293
20.0002	12.2 - Proceeds from investments sold, matured or repaid - Stocks			8,966,682
20.0003	16.5 - Dividends to stockholders			32,800,603

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of First National Insurance Company of America (the "Company") have been prepared on the basis of accounting practices prescribed or permitted by the Washington Insurance Department.

The state of Washington requires insurance companies domiciled in the state of Washington to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Washington Insurance Department.

There are no differences between the Washington prescribed or permitted practices and NAIC statutory accounting practices that resulted in a difference for the Company.

Note 2 - Accounting Changes and Correction of Errors

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.

Note 3 - Business Combinations and Goodwill

No change.

Note 4 - Discontinued Operations

No change.

Note 5 - Investments

D. Loaned Backed Securities

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

2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of June 30, 2011: None.

3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at June 30, 2011:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
59023XAB2	190,852	166,940	23,912	166,940	166,940	3/31/2009
59023XAB2	126,559	109,847	16,712	109,847	109,846	12/31/2009
59023XAB2	83,715	81,726	1,989	81,726	78,235	3/31/2010
61749BAB9	199,179	189,194	9,985	189,194	189,193	12/31/2009
61749BAB9	166,411	164,941	1,470	164,941	161,764	3/31/2010
61749BAB9	134,328	133,677	651	133,677	124,211	12/31/2010

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of June 30, 2011:

	1	2
	12 Months and Under	Greater Than 12 Months
Gross Unrealized Loss	(18,207)	(108,291)
Fair Value of Securities with Unrealized Losses	13,054,361	554,287

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' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

No change.

NOTES TO FINANCIAL STATEMENTS

Note 7 - Investment Income

No change.

Note 8 - Derivative Instruments

No change.

Note 9 - Income Taxes

No change.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

No change.

Note 11 - Debt

No change.

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

No change.

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

No change.

Note 14 - Contingencies

No change.

Note 15 - Leases

No change.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk And With Concentrations of Credit Risk

No change.

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

C. Wash Sales

In the course of the Company's asset management, securities are sold and reacquired within 30 days of the sale date. There are no transactions for securities with NAIC designation 3 or below sold during the second quarter of 2011, and reacquired within 30 days of the sale date.

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

No change.

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

No change.

Note 20 – Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

NOTES TO FINANCIAL STATEMENTS

- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.

- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at June 30, 2011:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Commercial Mortgage-Backed Securities	$ 0	$ 333,840	$ 0	$ 333,840
Total Bonds	$ 0	$ 333,840	$ 0	$ 333,840
Preferred Stocks	$ 0	$ 0	$ 0	$ 0
Common Stocks				
Industrial and Miscellaneous	$ 0	$ 0	$ 12,430	$ 12,430
Total Common Stocks	$ 0	$ 0	$ 12,430	$ 12,430
Total assets at fair value	$ 0	$ 333,840	$ 12,430	$ 346,270
Liabilities at fair value	$ 0	$ 0	$ 0	$ 0
Total liabilities at fair value	$ 0	$ 0	$ 0	$ 0

The Company did not have significant transfers between Levels 1 and 2 during the quarter ended June 30, 2011.

2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

	1	2	3	4	5	6	7
	Balance at 12/31/2010	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases, issuances, sales and settlements	Balance at 6/30/2011
Bonds	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Preferred Stock	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Common Stock	$ 12,430	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,430
Total	$ 12,430	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,430

3. Policy on Transfers Into and Out of Level 3

Transfers in and/or out of Level 3 are due to re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

NOTES TO FINANCIAL STATEMENTS

Mortgage-Backed Securities

The Company's portfolio of residential mortgage-backed securities ("MBS") and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities

Asset-backed securities ("ABS") include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals

The Company's municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate debt and other

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity Securities

Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

5. Derivative Fair Values

   Not applicable

B. This Disclosure was removed by NAIC December 2010.

C. Other Fair Value Disclosures

   Not applicable

D. Reasons Not Practical to Estimate Fair Value

   Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 21 - Other Items

A. 2011 North Carolina Private Passenger Automobile Escrow

The Company refunded all premium and interest held in an escrow fund to certain of its policyholders in accordance with North Carolina General Statutes § 58-36-25(b). These distributions represented the full disposition of the Company's escrow fund.

Note 22 - Events Subsequent

No change.

Note 23 - Reinsurance

No change

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

No change.

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 $1,614,226 during the first two quarters of 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Fidelity/Surety $677,095, Commercial Multiple Peril $602,588, Other Liability - Occurrence $559,159, Homeowners/Farmowners $223,617, Auto Physical Damage $146,095, and Private Passenger Auto Liability/Medical $133,572 lines. This was partially offset by weakening loss trends in the Workers' Compensation $812,920 line. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Inter-Company Pooling Arrangements

No change.

Note 27 - Structured Settlements

No change.

Note 28 - Health Care Receivables

No change.

Note 29 - Participating Policies

No change.

Note 30 - Premium Deficiency Reserves

No change.

Note 31 - High Dollar Deductible Policies

No change.

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

No change.

Note 33 - Asbestos/Environmental Reserves

No change.

Note 34 - Subscriber Savings Accounts

No change.

Note 35 - Multiple Peril Crop Insurance

No change.

Note 36 - Financial Guarantee Insurance Contracts

No change.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [X] No [ ]

1.2 If yes, has the report been filed with the domiciliary state? Yes [X] No [ ]

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. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [X] No [ ]
If yes, complete the Schedule Y – Part 1 – organizational chart.

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

4.2 If yes, provide the name of 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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [X] N/A [ ]
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009

6.2 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. 12/31/2009

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/21/2011

6.4 By what department or departments?
Washington State Office of the Insurance Commissioner

6.5 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]

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

7.1 Has this 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]

7.2 If yes, give full information

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

GENERAL INTERROGATORIES

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 below the names and location (city and state of the main office) of any affiliates regulated by a federal 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

9.1 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 [ ]

9.11 If the response to 9.1 is No, please explain:

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

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
During Q2, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. In Q2, several non-material changes to the Code were also made to clarify existing provisions.

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

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

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

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

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

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

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $ 0

GENERAL INTERROGATORIES

13. Amount of real estate and mortgages held in short-term investments: $ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	$ 0	$ 0
14.22 Preferred Stock	$ 0	$ 0
14.23 Common Stock	$ 0	$ 0
14.24 Short-Term Investments	$ 0	$ 0
14.25 Mortgage Loans on Real Estate	$ 0	$ 0
14.26 All Other	$ 0	$ 0
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$ 0	$ 0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	$ 0	$ 0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

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

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

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

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

16.2 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)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

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

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

GENERAL INTERROGATORIES

16.5 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	2 Name(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Inc.	175 Berkeley Street, Boston, MA 02116

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

17.2 If no, list exceptions:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [ ] No [X] N/A [ ]
   If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [ ] No [X]
   If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [ ] No [X]

3.2 If yes, give full and complete information thereto:

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes [ ] No [X]

4.2 If yes, complete the following schedule:

1	2	3	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
Line of Business	Maximum Interest	Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
			0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0
		TOTAL	0	0	0	0	0	0	0	0

5. Operating Percentages:
   5.1. A&H loss percent 0.00 %
   5.2. A&H cost containment percent 0.00 %
   5.3. A&H expense percent excluding cost containment expenses 0.00 %

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

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

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

6.4 If yes, please provide the balance of the funds administered as of the reporting date. $ 0

NONE Schedule F

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year To Date - Allocated by States and Territories

		Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
	1	2	3	4	5	6	7
States, Etc.	Active Status	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date
1. Alabama AL	L	564,062	534,952	637,181	751,345	1,665,494	1,059,497
2. Alaska AK	L	1,329,738	1,718,494	283,098	452,447	1,528,591	1,190,878
3. Arizona AZ	L	325,845	383,843	199,078	848,902	2,652,462	2,977,085
4. Arkansas AR	L	223,982	252,221	253,201	300,860	508,070	576,458
5. California CA	L	48,020,237	44,617,548	21,932,154	23,507,716	68,766,013	61,298,869
6. Colorado CO	L	982,740	1,321,729	466,886	194,407	3,896,508	3,423,767
7. Connecticut CT	L	623,281	771,944	515,390	534,931	4,541,673	4,873,617
8. Delaware DE	L	25,282	9,858			35,526	18,266
9. District of Columbia DC	L	77,356	102,165	4,176	10,760	1,208,177	517,232
10. Florida FL	L	7,256,304	7,839,540	3,300,452	3,626,938	6,867,919	9,029,145
11. Georgia GA	L	2,603,914	3,509,094	1,724,509	2,331,876	5,053,509	7,287,089
12. Hawaii HI	L	(591)	57,138		(50,000)	4,527,074	4,682,966
13. Idaho ID	L	468,281	577,304	188,617	155,132	3,492,271	3,790,087
14. Illinois IL	L	1,646,558	2,761,801	2,088,534	1,997,767	9,659,462	9,668,954
15. Indiana IN	L	220,491	439,058	166,806	290,372	919,393	1,150,481
16. Iowa IA	L	80,416	88,164	74,628	243,582	424,509	581,480
17. Kansas KS	L	243,426	311,854	252,510	198,503	379,011	1,006,150
18. Kentucky KY	L	185,596	282,279	142,455	216,725	2,292,828	1,490,988
19. Louisiana LA	L	830,239	1,336,227	2,769,762	675,926	3,176,351	4,026,007
20. Maine ME	L	31,778	19,030			26,573	20,216
21. Maryland MD	L	230,548	416,727	121,673	268,125	1,099,785	1,019,000
22. Massachusetts MA	L	369,365	359,369	10,199	(72,129)	1,482,433	731,826
23. Michigan MI	L	771,292	561,350	408,772	935,054	3,452,188	3,551,389
24. Minnesota MN	L	480,479	979,648	985,745	738,645	4,228,835	5,089,429
25. Mississippi MS	L	238,255	262,853	26,126	151,942	465,849	550,721
26. Missouri MO	L	1,237,366	1,473,399	2,261,826	1,130,462	1,741,800	2,059,311
27. Montana MT	L	792,901	1,031,885	218,530	448,602	2,627,152	1,307,824
28. Nebraska NE	L	57,977	76,783	2,465	17,747	152,870	147,094
29. Nevada NV	L	229,504	225,375	37,906	36,488	441,544	1,301,252
30. New Hampshire NH	L	94,947	14,148	35,163	98,349	114,645	245,060
31. New Jersey NJ	L	620,150	813,972	88,851	126,411	2,973,346	3,421,681
32. New Mexico NM	L	212,245	363,051	381,957	368,048	2,987,066	3,011,805
33. New York NY	L	3,893,046	3,120,713	10,311	794,996	3,138,939	2,730,163
34. North Carolina NC	L	957,916	1,294,183	598,126	790,757	2,046,097	1,973,046
35. North Dakota ND	L	31,826	125,414	374,567		148,952	70,209
36. Ohio OH	L	324,754	435,835	59,000	186,268	1,410,217	869,013
37. Oklahoma OK	L	274,281	381,518	1,117,495	836,776	918,674	1,136,216
38. Oregon OR	L	2,974,254	3,382,319	406,627	763,931	4,517,240	5,613,962
39. Pennsylvania PA	L	668,062	850,325	828,725	512,980	2,884,086	3,512,894
40. Rhode Island RI	L	18,043	73,046		(216,503)	551,528	639,499
41. South Carolina SC	L	11,603,574	11,939,625	6,851,582	5,968,568	10,223,430	10,698,643
42. South Dakota SD	L	147,569	148,533	88,673	96,876	280,638	365,856
43. Tennessee TN	L	356,625	610,709	373,632	340,839	1,225,121	951,881
44. Texas TX	L	5,226,295	5,136,279	2,765,427	1,360,168	14,139,352	13,843,355
45. Utah UT	L	706,573	878,621	184,685	229,859	1,695,097	2,549,228
46. Vermont VT	L	80,750	6,322	1,399	(3,205)	505,128	564,542
47. Virginia VA	L	354,532	356,822	319,442	740,128	2,972,287	2,329,819
48. Washington WA	L	44,298,643	35,434,489	19,760,417	9,735,081	31,986,732	26,465,603
49. West Virginia WV	L	120,950	155,371	1,117,264	268,647	376,593	1,765,346
50. Wisconsin WI	L	156,600	192,127	61,084	213,718	570,105	458,547
51. Wyoming WY	L	354,488	399,119	546,531	173,731	272,438	23,301
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) 51	143,622,745	138,434,173	75,043,637	63,329,548	223,251,581	217,666,747

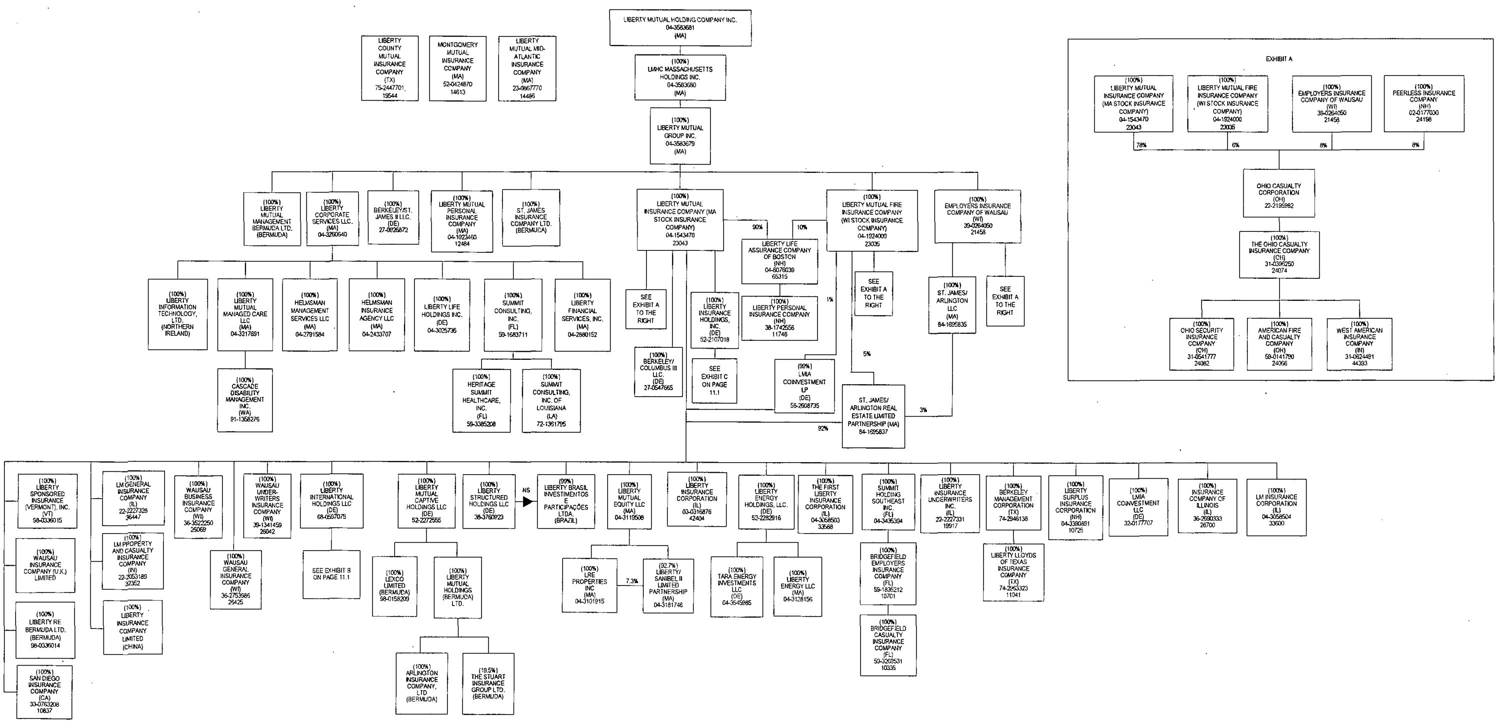
DETAILS OF WRITE-INS							
5801.	XXX						
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX						
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX						

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

Statement as of June 30, 2011 of the First National Insurance Company of America

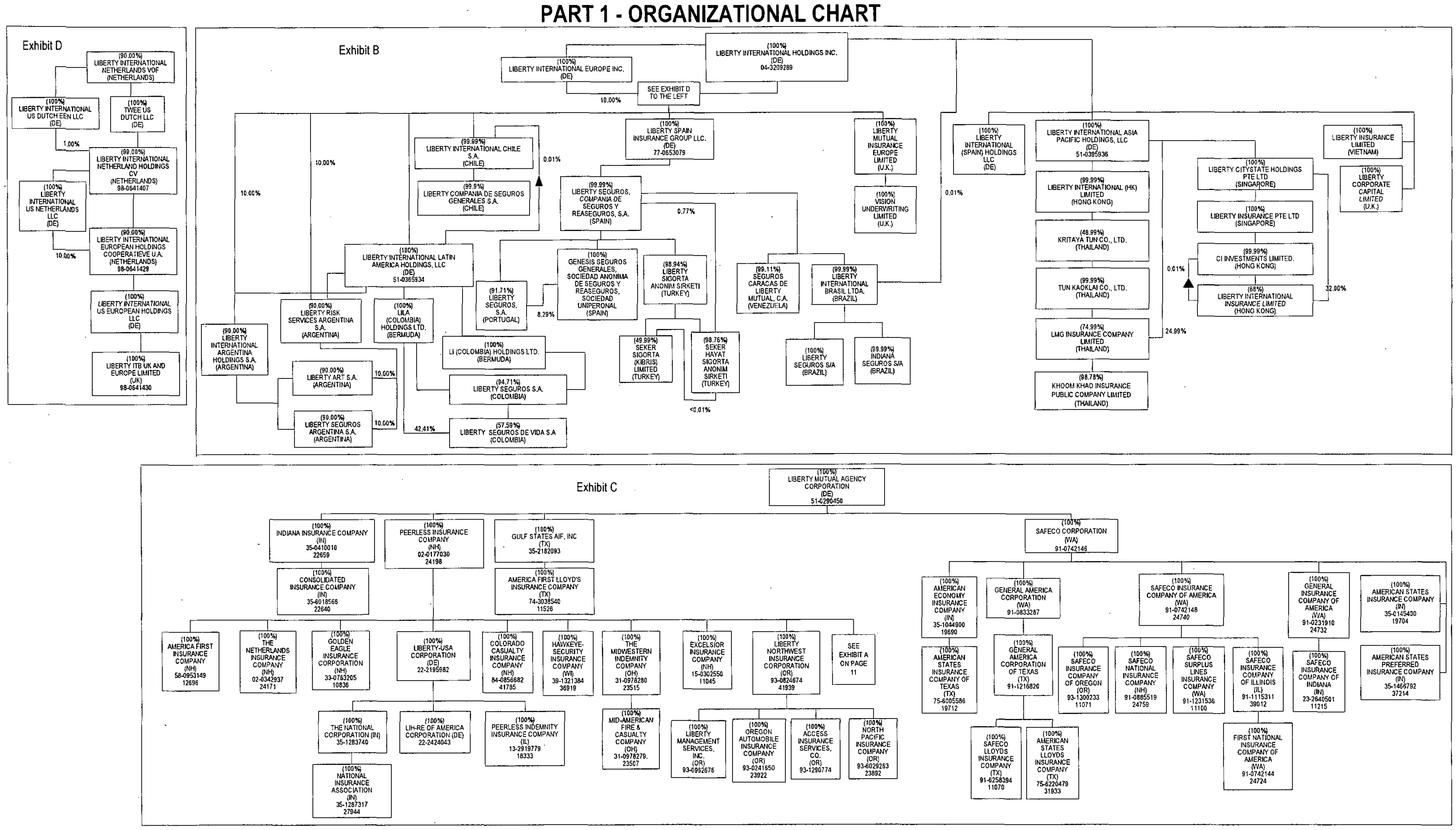
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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

PART 1 - ORGANIZATIONAL CHART



PART 1 – LOSS EXPERIENCE

Lines of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1. Fire	1,114,174	14,372	1.3	12.0
2. Allied lines	1,216,997	1,148,716	94.4	64.3
3. Farmowners multiple peril				
4. Homeowners multiple peril	33,101,695	21,540,662	65.1	50.1
5. Commercial multiple peril	18,346,215	7,494,146	40.8	44.3
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	1,257,356	542,644	43.2	67.0
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12. Earthquake	42,454			
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation	5,429,597	5,759,912	106.1	73.2
17.1 Other liability-occurrence	4,905,975	(1,596,089)	-32.5	52.4
17.2 Other liability-claims made	286,440	(40,031)	-14.0	-5.4
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence	560,981	116,658	20.8	20.6
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability	32,684,976	17,451,344	53.4	47.3
19.3, 19.4 Commercial auto liability	7,046,639	8,519,688	120.9	29.2
21. Auto physical damage	19,349,805	12,713,468	65.7	53.0
22. Aircraft (all perils)				
23. Fidelity	13,662	(4,232)	-31.0	25.2
24. Surety	15,922,579	263,022	1.7	22.3
26. Burglary and theft	3,203			
27. Boiler and machinery	40,789	(951)	-2.3	27.3
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business				
35. TOTALS	141,323,537	73,923,329	52.3	44.3

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

PART 2 – DIRECT PREMIUMS WRITTEN

	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	470,550	1,061,792	1,301,238
2. Allied lines	494,793	1,183,695	1,411,105
3. Farmowners multiple peril			
4. Homeowners multiple peril	19,571,915	36,072,349	31,775,291
5. Commercial multiple peril	9,146,133	17,039,579	19,264,139
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine	674,056	1,334,980	1,357,172
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake	36,133	50,482	45,821
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation	2,100,748	4,004,311	4,749,671
17.1 Other liability-occurrence	2,340,235	4,779,821	5,521,898
17.2 Other liability-claims made	150,805	290,486	316,386
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence	233,706	616,331	672,025
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability	17,979,677	35,350,721	29,048,055
19.3, 19.4 Commercial auto liability	2,861,510	5,870,686	8,249,777
21. Auto physical damage	9,957,076	19,979,603	18,316,682
22. Aircraft (all perils)			
23. Fidelity	9,879	21,284	22,015
24. Surety	9,192,229	15,924,278	16,330,314
26. Burglary and theft	1,490	5,172	5,114
27. Boiler and machinery	12,377	37,174	47,471
28. Credit			
29. International			
30. Warranty			
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business			
35. TOTALS	75,233,312	143,622,744	138,434,174

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

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2011 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2011 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2011 Loss and LAE Payments (Cols 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	9 Q.S. Date IBNR Loss & LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols 7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 - 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 - 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)
1. 2008 + prior	23,122	18,632	41,754	5,273	163	5,436	19,365	395	16,185	35,945	1,516	(1,889)	(373)
2. 2009	8,070	8,265	16,335	2,538	52	2,590	6,513	271	6,473	13,257	981	(1,469)	(488)
3. Subtotals 2009 + prior	31,192	26,897	58,089	7,811	215	8,026	25,878	666	22,658	49,202	2,497	(3,358)	(861)
4. 2010	12,851	16,450	29,301	7,031	869	7,900	9,431	933	10,283	20,647	3,611	(4,365)	(754)
5. Subtotals 2010 + prior	44,043	43,347	87,390	14,842	1,084	15,926	35,309	1,599	32,941	69,849	6,108	(7,723)	(1,615)
6. 2011	XXX	XXX	XXX	XXX	13,914	13,914	XXX	7,951	11,669	19,620	XXX	XXX	XXX
7. Totals	44,043	43,347	87,390	14,842	14,998	29,840	35,309	9,550	44,610	89,469	6,108	(7,723)	(1,615)

8. Prior Year-End Surplus As Regards Policyholders 46,025

Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
1. 13.868	2. -17.817	3. -1.848

Col. 13, Line 7
Line 8

4. -3.509

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO
4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	YES

Explanation:

The Trusteed Surplus Statement is not required as the Company is a U.S. insurer.

Supplement A to Schedule T is not required as the Company does not provide medical professional liability coverage for physicians, hospitals, other health care professionals and other health care facilities.

Medicare Part D Coverage Supplement is not required as the Company does not provide prescription drug coverage.

Bar Code:

24724201149000020

24724201145500020

24724201136500020

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Statement Date	2 December 31, Prior Year
2504. Amounts held under uninsured plans	43,108	86,086
2505. Private passenger auto escrow		8,562
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	43,108	94,648

SCHEDULE A - VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	145,452,812	186,314,764
2. Cost of bonds and stocks acquired	19,768,690	52,650,401
3. Accrual of discount	209,379	150,870
4. Unrealized valuation increase (decrease)	32,262	127,647
5. Total gain (loss) on disposals	276,248	1,355,613
6. Deduct consideration for bonds and stocks disposed of	14,968,598	94,225,278
7. Deduct amortization of premium	473,169	917,095
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		4,110
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	150,297,624	145,452,812
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	150,297,624	145,452,812

Statement as of June 30, 2011 of the **First National Insurance Company of America**

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	151,105,869	43,875,098	46,436,430	(68,896)	151,105,869	148,475,641		146,717,952
2. Class 2 (a)	7,155,735	1,074,100		(517,448)	7,155,735	7,712,387		6,179,857
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)	43,609		42,978	599,940	43,609	600,571		42,977
7. Total Bonds	158,305,213	44,949,198	46,479,408	13,596	158,305,213	156,788,599		152,940,786
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	158,305,213	44,949,198	46,479,408	13,596	158,305,213	156,788,599		152,940,786

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated, short-term and cash-equivalent bonds by NAIC designation:
NAIC 1 $ 6,503,405; NAIC 2 $ 0; NAIC 3 $ 0; NAIC 4 $ 0; NAIC 5 $ 0; NAIC 6 $ 0

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	6,503,405	X X X	6,503,405	815	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	7,500,404	5,615,653
2. Cost of short-term investments acquired	69,914,693	173,204,475
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	70,911,692	171,319,724
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	6,503,405	7,500,404
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	6,503,405	7,500,404

NONE Schedule DB - Part A and B Verification

NONE Schedule DB - Part C - Section 1

NONE Schedule DB - Part C - Section 2

NONE Schedule DB - Verification

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		4,685,207
2. Cost of cash equivalents acquired		
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals		4,685,207
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)		
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)		

NONE Schedule A - Part 2 and 3

NONE Schedule B - Part 2 and 3

NONE Schedule BA - Part 2 and 3

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Ident- ification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
373384-TH-9	GEORGIA ST		06/21/2011	CITIGROUP		1,004,850	1,000,000.00		1FE
594610-6X-0	MICHIGAN ST		06/29/2011	JP MORGAN CHASE		1,008,860	1,000,000.00	8,438	1FE
1799999	U.S. Total Bonds States, Territories and Possessions				XXX	2,013,710	2,000,000.00	8,438	XXX
38375B-JH-6	GNR 2010-H27 JA		06/20/2011	CAPITALIZED INTEREST		5,862	5,862.00		1
38375B-JT-0	GNR 2011-H03 HA		06/20/2011	CAPITALIZED INTEREST		7,203	7,203.00		1
594695-P3-6	MICHIGAN ST TRUNK LINE		06/15/2011	ROYAL BANK OF CANADA		1,098,370	1,000,000.00	6,806	1FE
3199999	U.S. Total Bonds Special Revenue and Special Assessment and all Non-Guaranteed Obligations				XXX	1,111,435	1,013,065.00	6,806	XXX
14170T-AB-7	CAREFUSION CORP		06/13/2011	BANK OF AMERICA		574,100	500,000.00	11,953	2FE
235851-AL-6	DANAHER CORP		06/20/2011	BANK OF AMERICA		998,400	1,000,000.00		1FE
30277M-AB-0	FUEL TRUST		06/14/2011	BANK OF AMERICA		500,000	500,000.00		2FE
78403D-AA-8	SBA TOWER TRUST		05/13/2011	BARCLAYS CAPITAL		1,033,300	1,000,000.00	236	1FE
980888-AE-1	WOOLWORTHS LTD	F	04/05/2011	CITIGROUP		999,170	1,000,000.00		1FE
3899999	Total Bonds Industrial and Miscellaneous (Unaffiliated)				XXX	4,104,970	4,000,000.00	12,189	XXX
8399997	Total Bonds Part 3				XXX	7,230,115	7,013,065.00	27,433	XXX
8399998	Summary Item from Part 5 for Bonds				XXX	XXX	XXX	XXX	XXX
8399999	Total Bonds				XXX	7,230,115	7,013,065.00	27,433	XXX
9999999	Totals				XXX	7,230,115	XXX	27,433	XXX

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues 0

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of
During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value: 11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.	16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date	22 NAIC Designation or Market Indicator (a)
83162C-SN-4	SBAP 2009-20E 1		05/01/2011	MBS PAYMENT		94,355	94,355.00	94,355	94,355						94,355				2,100	05/01/2029	1
83162C-SY-0	SBAP 2009-20L 1		06/01/2011	MBS PAYMENT		70,167	70,167.00	70,167	70,167						70,167				1,423	12/01/2029	1
0599999	Total - Bonds - U.S. Governments				XXX	164,522	164,522.00	164,522	164,522						164,522				3,523	XXX	XXX
866407-C2-3	SUMNER CNTY		06/01/2011	MATURITY		2,500,000	2,500,000.00	2,619,600	2,514,679		(14,679)		(14,679)		2,500,000				62,500	06/01/2011	1FE
2499999	U.S. Total - Bonds - Political Subdivisions of States, Territories and Possessions				XXX	2,500,000	2,500,000.00	2,619,600	2,514,679		(14,679)		(14,679)		2,500,000				62,500	XXX	XXX
235416-SH-8	DALLAS TEX WTRWKS & SWR SYS R		04/01/2011	DIRECT		1,000,000	1,000,000.00	1,046,630	1,003,537		(3,537)		(3,537)		1,000,000				25,000	10/01/2011	1FE
296122-UM-4	ESCAMBIA SFM REF-A-2		06/01/2011	DIRECT		100,000	100,000.00	101,510	100,951		(54)		(54)		100,898		(898)	(898)	2,621	10/01/2028	1FE
3128MT-S5-8	FG H01440		06/01/2011	MBS PAYMENT		163	163.00	156	162		1		1		163				4	02/01/2036	1
3128PS-K5-5	FGOLD 10YR		06/01/2011	MBS PAYMENT		524,016	524,016.00	547,105	525,965		(1,950)		(1,950)		524,016				7,868	07/01/2020	1FE
3128NH-LE-1	FH 1J1225		06/15/2011	VARIOUS		1,823	1,823.00	1,823	1,823						1,823				21	09/01/2035	1
31392M-QA-3	FHR 2462 EV		06/01/2011	MBS PAYMENT		62,795	62,795.00	64,934	62,813		(19)		(19)		62,795				1,465	06/01/2011	1
31394W-JJ-8	FHR 2776 OL		06/01/2011	MBS PAYMENT		177,125	177,125.00	174,413	176,692		433		433		177,125				3,319	09/01/2011	1
31417Y-MF-1	FNMA 10YR		06/01/2011	MBS PAYMENT		145,972	145,972.00	151,035	146,675		(704)		(704)		145,972				2,472	11/01/2019	1
31417Y-M6-1	FNMA 10YR		06/01/2011	MBS PAYMENT		81,643	81,643.00	84,475	81,997		(355)		(355)		81,643				1,356	12/01/2019	1
31397S-MX-9	FNMA_11-28A		06/01/2011	MBS PAYMENT		62,654	62,654.00	64,534			(23)		(23)		62,654				420	07/01/2024	1
31393U-XK-4	FNR 2003-128 DL		06/01/2011	MBS PAYMENT		6,751	6,751.00	6,637	6,734		17		17		6,751				125	07/01/2012	1
31397Q-F5-2	FNR_11-18B_AC		06/01/2011	MBS PAYMENT		58,560	58,560.00	60,525			(55)		(55)		58,560				586	04/01/2024	1
38375B-JH-6	GNR 2010-H27 JA		05/01/2011	MBS PAYMENT		590	590.00	590	590						590				7	02/01/2026	1
88283L-AJ-5	TEXAS ST TRANS COMMN		04/01/2011	MATURITY		2,000,000	2,000,000.00	2,089,180	2,006,801		(6,801)		(6,801)		2,000,000				50,000	04/01/2011	1FE
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl				XXX	4,222,092	4,222,092.00	4,393,547	4,114,740		(13,047)		(13,047)		4,222,990		(898)	(898)	95,264	XXX	XXX
00075W-AB-5	ABFC_06-HE1		06/25/2011	MBS PAYMENT		9,533	9,533.00	9,533	9,533						9,533				11	07/25/2011	1Z*
07324S-AH-5	BAYC_03-2		06/25/2011	VARIOUS		4,219	4,219.00	3,609	3,697		11		11		3,707		512	512	37	06/27/2022	1FE
15132E-GM-4	CDMC_03-9		06/01/2011	VARIOUS		18,418	18,418.00	17,491	18,010		47		47		18,057		361	361	363	08/01/2012	1Z*
29331@-AA-5	COLORADO CAPCO		04/29/2011	SINKING FUND REDE		3,441	3,441.00	3,441	3,441						3,441				156	03/01/2013	1
12669D-LG-1	CWHL_02-32		06/01/2011	MBS PAYMENT		4,374	4,374.00	4,394	4,376		(3)		(3)		4,374				91	12/01/2017	1Z*
30605A-AQ-6	FFL_03-1		06/01/2011	MBS PAYMENT		16,148	16,148.00	15,724	15,428	691	29		720		16,148				384	01/01/2013	1Z*
362341-D6-3	GSAA_05-15		04/25/2011	MBS PAYMENT		1,238	1,238.00	1,238	1,238						1,238				1	04/25/2011	1Z*
52517P-Q5-3	LEHMAN BROTHERS HOLDINGS INC		04/25/2011	BANK OF AMERICA		180,920	727,315.00										180,920	180,920		12/23/2018	6FE
52517P-W3-1	LEHMAN BROTHERS HOLDINGS INC		04/28/2011	VARIOUS		92,278	363,657.00	35,457	42,977		631		631		43,609		48,669	48,669		03/23/2019	6Z
55275R-AB-8	MABS_06-NC3		06/25/2011	MBS PAYMENT		2,897	2,897.00	2,897	2,897						2,897				4	07/25/2011	1Z*
59023X-AB-2	MLMI_06-HE6		06/25/2011	VARIOUS		5,264	5,264.00	3,978	3,365	612			612		3,978		1,286	1,286	6	02/27/2012	1Z*

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues ....0.

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of
During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
										Change in Book/Adjusted Carrying Value											
CUSIP Ident-ification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consid-eration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amort-ization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Desig-nation or Market Indicator (a)
61749B-AB-9	MSAC_06-NC5		06/25/2011	MBS PAYMENT		8,677	8,677.00	8,355	8,355						8,355		323	323	12	10/25/2012	1Z*
61759Q-AE-7	MSRR 2010-R7 3-A		06/01/2011	MBS PAYMENT		349,297	349,297.00	352,025	350,618		(1,321)		(1,321)		349,297				7,659	09/01/2012	1FE
45660N-W5-0	RAST_04-R2		06/01/2011	MBS PAYMENT		14,268	14,268.00	14,689	14,324		(56)		(56)		14,268				327	11/01/2014	1Z*
87246A-AA-6	TIAAS 2007-C4 A1		06/10/2011	MBS PAYMENT		107,044	107,044.00	107,576	107,157		(113)		(113)		107,044				3,407	10/10/2011	1Z*
921796-HP-6	VMF_99-D		06/01/2011	MBS PAYMENT		104,666	104,666.00	104,666	104,666						104,666				3,200	07/01/2014	1FE
94980L-AD-2	WFMBS_04-8		06/01/2011	VARIOUS		46,755	46,755.00	43,442	44,082		68		68		44,144		2,610	2,610	967	07/01/2019	1Z*
3899999	Total - Bonds - Industrial and Miscellaneous (Unaffiliated)				XXX	969,437	1,787,211.00	728,515	734,164	1,303	(707)		596		734,756		234,681	234,681	16,625	XXX	XXX
8399997	Total - Bonds - Part 4				XXX	7,856,051	8,673,825.00	7,906,184	7,528,105	1,303	(28,433)		(27,130)		7,622,268		233,783	233,783	177,912	XXX	XXX
8399998	Summary Item from Part 5 for Bonds				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8399999	Total Bonds				XXX	7,856,051	8,673,825.00	7,906,184	7,528,105	1,303	(28,433)		(27,130)		7,622,268		233,783	233,783	177,912	XXX	XXX
9999999	Totals					7,856,051	XXX	7,906,184	7,528,105	1,303	(28,433)		(27,130)		7,622,268		233,783	233,783	177,912	XXX	XXX

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues .... 0.

NONE Schedule DB - Part A - Section 1

NONE Schedule DB - Part B - Section 1

NONE Schedule DB - Part D

SCHEDULE DL - PART 1

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date

1 CUSIP Identification	2 Description	3 NAIC Designation/ Market Indicator	4 Fair Value	5 Book / Adjusted Carrying Value	6 Maturity Dates
000000-00-0	BANK OF NOVA SCOTIA SINGAPORE - Time Deposit	1	16,617	16,617	07/01/2011
000000-00-0	BANK OF TOKYO UFJ LTD GC - Time Deposit	1	21,934	21,934	07/01/2011
000000-00-0	BARCLAYS CAPITAL - REPO - A1P1 Money Markets	1	109,670	109,668	07/29/2011
000000-00-0	COMMERZBANK AG FRANKFURT - Time Deposit	1	21,934	21,934	07/20/2011
000000-00-0	COMMERZBANK AG FRANKFURT - Time Deposit	1	8,641	8,641	07/27/2011
000000-00-0	CREDIT AGRICOLE CIB, CAYMAN - Time Deposit	1	29,910	29,910	07/01/2011
000000-00-0	KBC, BRUSSELS - Time Deposit	1	26,588	26,587	07/14/2011
000000-00-0	KBC, BRUSSELS - Time Deposit	1	11,300	11,299	07/27/2011
000000-00-0	NATIXIS FINANCIAL PRODUCTS LLC - Master Note - Floating	1	9,638	9,638	07/01/2011
000000-00-0	RABOBANK NETHERLANDS - Time Deposit	1	9,095	9,095	07/01/2011
000000-00-0	RBC CAPITAL MKS - REPO - AA Corporate Bonds	1	16,617	16,617	08/04/2011
000000-00-0	SUMITOMO MITSUI BANK CORP BRUS - Time Deposit	1	23,263	23,263	07/06/2011
05576V-UB-8	BTM CAPITAL CORP - Commercial Paper	1	26,586	26,581	07/11/2011
2363F7-UB-2	DANSKE CORP - Commercial Paper	1	46,525	46,512	07/11/2011
29603F-DN-3	ERSTE BANK NEW YORK - Yankee C/D - Fixed	1	6,645	6,647	08/02/2011
2960E3-UJ-8	ERSTE FINANCE DELAWARE LLC - Commercial Paper	1	33,231	33,227	07/18/2011
4611K1-UE-3	INTESA FUNDING LLC - Commercial Paper	1	23,261	23,239	07/14/2011
51488H-2S-4	LANDESBANK HESSEN THUR NY - Yankee C/D - Fixed	1	19,941	19,940	07/27/2011
65602Q-DT-1	NORINCHUKIN BANK NY - Yankee C/D - Fixed	1	29,910	29,910	07/11/2011
6931M3-U1-5	PB FINANCE DELAWARE - Commercial Paper	1	15,287	15,267	07/01/2011
80280P-JB-4	SANTANDER CP SA UNIPERSONAL - Commercial Paper	1	23,262	23,256	07/08/2011
80280P-JC-2	SANTANDER CP SA UNIPERSONAL - Commercial Paper	1	16,615	16,611	07/08/2011
85324U-UB-7	STANDARD CHARTERED CP - Commercial Paper	1	36,223	36,219	07/11/2011
86562W-MH-8	SUMITOMO MITSUI BANKING CORP NY - Yankee C/D - Fixed	1	33,233	33,233	07/11/2011
8672E3-UE-4	SUNCORP METWAY LTD - Commercial Paper	1	24,591	24,588	07/14/2011
3299999 Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations			640,517	640,433	XXX
000000-00-0	BARCLAYS CAPITAL - REPO-PRI LAB CMO'S	1	33,233	33,233	07/29/2011
000000-00-0	CITIGROUP GLOBAL MARKETS INC - REPO - AAA Asset Backed Securities	1	33,233	33,233	08/04/2011
000000-00-0	NOMURA SECURITIES - REPO - U.S. Agency Mortgages	2	62,832	62,832	07/01/2011
000000-00-0	PERSHING LLC - REPO - U.S. Agency Mortgages	1	16,617	16,617	07/01/2011
03663U-V9-3	ANTALIS US FUNDING CORP - Commercial Paper - Asset Backed	1	33,226	33,221	08/09/2011
03846W-U1-7	ARABELLA FINANCE LLC - Commercial Paper - Asset Backed	1	33,233	33,232	07/01/2011
08037M-U5-8	BELMONT FUNDING LLC - Commercial Paper - Asset Backed	1	33,233	33,224	07/05/2011
1373X3-US-4	CANCARA ASSET SECURITISATION LLC - Commercial Paper - Asset Backed	1	29,906	29,891	07/26/2011
76203M-UB-0	RHEIN-MAIN SECURITISATON LIMITED - Commercial Paper - Asset Backed	1	13,383	13,368	07/11/2011
76203M-W6-9	RHEIN-MAIN SECURITISATON LIMITED - Commercial Paper - Asset Backed	1	16,610	16,600	09/06/2011
76205M-U8-5	RHEINGOLD SECURITIZATION - Commercial Paper - Asset Backed	1	17,281	17,279	07/08/2011
76205M-W6-7	RHEINGOLD SECURITIZATION - Commercial Paper - Asset Backed	1	33,220	33,198	09/06/2011
80584U-U7-2	SCALDIS CAPITAL LLC - Commercial Paper - Asset Backed	1	16,616	16,614	07/07/2011
3599999 Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities			372,623	372,542	XXX
3899999 Subtotals – Industrial and Miscellaneous (Unaffiliated)			1,013,140	1,012,975	XXX
7799999 Totals – Issuer Obligations			640,517	640,433	XXX
8099999 Totals – Other Loan-Backed and Structured Securities			372,623	372,542	XXX
8399999 Total Bonds			1,013,140	1,012,975	XXX
9999999 Totals			1,013,140	1,012,975	XXX

General Interrogatory:

1. Total activity for the year to date Fair Value $ 789,657 Book/Adjusted Carrying Value $ 789,525
2. Average balance for the year to date Fair Value $ 9,760,029 Book/Adjusted Carrying Value $ 9,807,309
3. Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation:
NAIC 1 $ 950,143; NAIC 2 $ 62,832; NAIC 3 $ 0; NAIC 4 $ 0; NAIC 5 $ 0; NAIC 6 $ 0.

NONE Schedule DL - Part 2

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
			Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	
Depository	Code	Rate of Interest			First Month	Second Month	Third Month	*
Open Depositories								
Bank of America Boston, MA					112,675	112,675		
0199998 Deposits in (0) depositories that do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Total - Open Depositories	XXX	XXX			112,675	112,675		XXX
Suspended Depositories								
0299998 Deposits in (0) depositories that do not exceed the allowable limit in any one depository (see Instructions) - Suspended Depositories	XXX	XXX						XXX
0299999 Total Suspended Depositories	XXX	XXX						XXX
0399999 Total Cash on Deposit	XXX	XXX			112,675	112,675		XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999 Total	XXX	XXX			112,675	112,675		XXX

NONE Schedule E - Part 2

DIRECTOR AND OFFICER SUPPLEMENT

Year To Date For The Period Ended 2011

NAIC Group Code 0111 NAIC Company Code 24724

Company Name First National Insurance Company of America

If the reporting entity writes any director and officer (D&O) business, please provide the following:

1. Monoline Policies

1 Direct Written Premium	2 Direct Earned Premium	3 Direct Losses Incurred

2. Commercial Multiple Peril (CMP) Packaged Policies

2.1 Does the reporting entity provide D&O liability coverage as part of a CMP packaged policy? Yes [ ] No [X]

2.2 Can the direct premium earned for D&O liability coverage provided as part of a CMP packaged policy be quantified or estimated? Yes [ ] No [X]

2.3 If the answer to question 2.2 is yes, provide the quantified or estimated direct premium earned amount for D&O liability coverage in CMP packaged policies

2.31 Amount quantified: $ __________

2.32 Amount estimated using reasonable assumptions: $ __________

2.4 If the answer to question 2.1 is yes, provide direct losses incurred (losses paid plus change in case reserves) for the D&O liability coverage provided in CMP packaged policies. $ __________

ASSETS

	Current Statement Date			4
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	150,285,194		150,285,194	145,440,382
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	12,430		12,430	12,430
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
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), cash equivalents ($ 0), and short-term investments ($ 6,503,405)	6,503,405		6,503,405	7,613,079
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities	76		76	92
10. Securities lending reinvested collateral assets	1,012,975		1,012,975	223,450
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	157,814,080		157,814,080	153,289,433
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,298,145		1,298,145	1,344,284
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	3,561,621	373,863	3,187,758	2,871,824
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (130,988) earned but unbilled premiums)	23,166,153	136	23,166,017	23,096,696
15.3 Accrued retrospective premiums	69,710	6,808	62,902	73,287
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	16,330,564		16,330,564	14,341,378
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	342,257		342,257	
18.2 Net deferred tax asset	5,034,083	617,407	4,416,676	4,432,235
19. Guaranty funds receivable or on deposit	82,067		82,067	135,175
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	6,410,015		6,410,015	6,016,591
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	805,503	113,178	692,325	700,921
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	214,914,198	1,111,392	213,802,806	206,301,824
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	214,914,198	1,111,392	213,802,806	206,301,824

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	471,844		471,844	465,063
2502. Equities and deposits in pools and associations	204,457		204,457	211,624
2503. Other assets	129,202	113,178	16,024	24,234
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	805,503	113,178	692,325	700,921

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 16,915,472)	73,454,995	71,444,366
2. Reinsurance payable on paid losses and loss adjustment expenses	5,767,325	4,793,732
3. Loss adjustment expenses	16,015,148	15,945,414
4. Commissions payable, contingent commissions and other similar charges	1,834,761	2,157,891
5. Other expenses (excluding taxes, licenses and fees)	1,075,611	631,554
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	396,848	721,657
7.1. Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		256,893
7.2. Net deferred tax liability		
8. Borrowed money $ 0 and interest thereon $ 0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 126,691,200 and including warranty reserves of $ 0)	38,732,911	38,825,262
10. Advance premium	316,746	263,145
11. Dividends declared and unpaid:		
11.1. Stockholders		
11.2. Policyholders	17,164	7,499
12. Ceded reinsurance premiums payable (net of ceding commissions)	21,442,514	20,226,508
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others	137,043	74,563
15. Remittances and items not allocated		
16. Provision for reinsurance		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding	3,319,721	2,618,626
19. Payable to parent, subsidiaries and affiliates	2,105,547	715,611
20. Derivatives		
21. Payable for securities	2,013,710	
22. Payable for securities lending	1,012,975	223,450
23. Liability for amounts held under uninsured plans		
24. Capital notes $ 0 and interest thereon $ 0		
25. Aggregate write-ins for liabilities	1,086,170	1,370,340
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	168,729,189	160,276,511
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	168,729,189	160,276,511
29. Aggregate write-ins for special surplus funds	1,002,878	1,014,134
30. Common capital stock	5,000,000	5,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	581,836	581,836
35. Unassigned funds (surplus)	38,488,903	39,429,343
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)	45,073,617	46,025,313
38. Totals (Page 2, Line 28, Col. 3)	213,802,806	206,301,824

DETAILS OF WRITE-IN LINES		
2501. Retroactive reinsurance reserves	713,903	763,208
2502. Other liabilities	271,282	415,091
2503. Accrued return retrospective premiums	57,877	97,393
2598. Summary of remaining write-ins for Line 25 from overflow page	43,108	94,648
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,086,170	1,370,340
2901. SSAP 10R incremental change	824,583	841,102
2902. Special surplus from retroactive reinsurance	178,295	173,032
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	1,002,878	1,014,134
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 To Date	2 Prior Year To Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 143,622,743)	141,323,538	134,430,036	277,511,910
1.2 Assumed (written $ 41,166,123)	41,356,248	40,894,556	82,513,440
1.3 Ceded (written $ 143,622,743)	141,323,538	134,430,036	277,511,910
1.4 Net (written $ 41,166,123)	41,356,248	40,894,556	82,513,440
DEDUCTIONS:			
2. Losses incurred (current accident year $ 28,525,964):			
2.1 Direct	73,923,331	59,615,062	136,362,837
2.2 Assumed	26,938,512	24,167,046	46,233,101
2.3 Ceded	73,923,331	59,615,062	136,362,837
2.4 Net	26,938,512	24,167,046	46,233,101
3. Loss adjustment expenses incurred	4,980,968	4,921,664	9,740,817
4. Other underwriting expenses incurred	13,333,304	14,032,159	27,729,780
5. Aggregate write-ins for underwriting deductions	(8,562)		(4,514)
6. Total underwriting deductions (Lines 2 through 5)	45,244,222	43,120,869	83,699,184
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(3,887,974)	(2,226,313)	(1,185,744)
INVESTMENT INCOME			
9. Net investment income earned	2,559,313	3,303,012	5,862,756
10. Net realized capital gains (losses) less capital gains tax of $ 96,687	179,561	386,200	878,477
11. Net investment gain (loss) (Lines 9 + 10)	2,738,874	3,689,212	6,741,233
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 1,790 amount charged off $ 78,596)	(76,805)	(179,837)	(346,712)
13. Finance and service charges not included in premiums	347,568	366,085	728,105
14. Aggregate write-ins for miscellaneous income	(10,764)	(1,007,171)	(1,034,151)
15. Total other income (Lines 12 through 14)	259,999	(820,923)	(652,758)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(889,101)	641,976	4,902,731
17. Dividends to policyholders	78,018	72,313	(28,194)
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)	(967,119)	569,663	4,930,925
19. Federal and foreign income taxes incurred	34,708	(86,781)	(156,376)
20. Net income (Line 18 minus Line 19) (to Line 22)	(1,001,827)	656,444	5,087,301
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	46,025,313	80,665,460	80,665,460
22. Net income (from Line 20)	(1,001,827)	656,444	5,087,301
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 11,292	20,970	141,834	82,970
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	62,775	175,896	(887,374)
27. Change in nonadmitted assets	(81,201)	(94,051)	779,009
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles	64,105		
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders		(40,000,000)	(40,000,000)
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus	(16,518)	80,277	297,947
38. Change in surplus as regards policyholders (Lines 22 through 37)	(951,696)	(39,039,600)	(34,640,147)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	45,073,617	41,625,860	46,025,313

DETAILS OF WRITE-IN LINES			
0501. Private passenger auto escrow	(8,562)		(4,514)
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)	(8,562)		(4,514)
1401. Retroactive reinsurance gain/(loss)	5,239	(1,020,241)	(1,021,822)
1402. Other income/(expense)	(16,003)	13,070	(12,329)
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(10,764)	(1,007,171)	(1,034,151)
3701. Other changes in surplus		(48,642)	(48,642)
3702. SSAP 10R incremental change	(16,518)	128,919	346,589
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(16,518)	80,277	297,947

CASH FLOW

	1	2	3
Cash from Operations	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
1. Premiums collected net of reinsurance	42,093,438	44,020,051	86,462,395
2. Net investment income	2,869,242	4,361,997	7,332,362
3. Miscellaneous income	295,220	(1,297,928)	(1,221,360)
4. Total (Lines 1 to 3)	45,257,900	47,084,120	92,573,397
5. Benefit and loss related payments	25,242,381	28,284,750	50,918,635
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	18,384,314	22,752,689	41,281,692
8. Dividends paid to policyholders	68,353	129,508	32,227
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	730,545	1,124,900	630,853
10. Total (Lines 5 through 9)	44,425,593	52,291,847	92,863,407
11. Net cash from operations (Line 4 minus Line 10)	832,307	(5,207,727)	(290,010)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	14,968,598	60,966,490	85,258,596
12.2 Stocks		8,966,682	8,966,682
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets	5,012,025		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds	16		3,616
12.8 Total investment proceeds (Lines 12.1 to 12.7)	19,980,639	69,933,172	94,228,894
13. Cost of investments acquired (long-term only):			
13.1 Bonds	19,768,691	27,625,594	52,650,401
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets	5,801,550		223,450
13.6 Miscellaneous applications	(2,013,710)	6,590	
13.7 Total investments acquired (Lines 13.1 to 13.6)	23,556,531	27,632,184	52,873,851
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(3,575,892)	42,300,988	41,355,043
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders		40,000,000	40,000,000
16.6 Other cash provided (applied)	1,633,911	(13,183,536)	(15,859,861)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	1,633,911	(53,183,536)	(55,859,861)
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)	(1,109,674)	(16,090,275)	(14,794,828)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	7,613,079	22,407,907	22,407,907
19.2 End of period (Line 18 plus Line 19.1)	6,503,405	6,317,632	7,613,079

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

20.0001	12.1 - Proceeds from investments sold, matured or repaid - Bonds			30,054,293
20.0002	12.2 - Proceeds from investments sold, matured or repaid - Stocks			8,966,682
20.0003	16.5 - Dividends to stockholders			32,800,603

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of First National Insurance Company of America (the "Company") have been prepared on the basis of accounting practices prescribed or permitted by the Washington Insurance Department.

The state of Washington requires insurance companies domiciled in the state of Washington to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Washington Insurance Department.

There are no differences between the Washington prescribed or permitted practices and NAIC statutory accounting practices that resulted in a difference for the Company.

Note 2 - Accounting Changes and Correction of Errors

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.

Note 3 - Business Combinations and Goodwill

No change.

Note 4 - Discontinued Operations

No change.

Note 5 - Investments

D. Loaned Backed Securities

1. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
2. All Loaned Backed Securities with a recognized other-than-temporary impairment disclosed in the aggregate during 2011 as of June 30, 2011: None.
3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at June 30, 2011:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
59023XAB2	190,852	166,940	23,912	166,940	166,940	3/31/2009
59023XAB2	126,559	109,847	16,712	109,847	109,846	12/31/2009
59023XAB2	83,715	81,726	1,989	81,726	78,235	3/31/2010
61749BAB9	199,179	189,194	9,985	189,194	189,193	12/31/2009
61749BAB9	166,411	164,941	1,470	164,941	161,764	3/31/2010
61749BAB9	134,328	133,677	651	133,677	124,211	12/31/2010

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of June 30, 2011:

	1	2
	12 Months and Under	Greater Than 12 Months
Gross Unrealized Loss	(18,207)	(108,291)
Fair Value of Securities with Unrealized Losses	13,054,361	554,287

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' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

No change.

NOTES TO FINANCIAL STATEMENTS

Note 7 - Investment Income

No change.

Note 8 - Derivative Instruments

No change.

Note 9 - Income Taxes

No change.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

No change.

Note 11 - Debt

No change.

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

No change.

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

No change.

Note 14 - Contingencies

No change.

Note 15 - Leases

No change.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk And With Concentrations of Credit Risk

No change.

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

C. Wash Sales

In the course of the Company's asset management, securities are sold and reacquired within 30 days of the sale date. There are no transactions for securities with NAIC designation 3 or below sold during the second quarter of 2011, and reacquired within 30 days of the sale date.

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

No change.

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

No change.

Note 20 – Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to Level 1 measurements and the lowest priority to Level 3 measurements. Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted observable quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

NOTES TO FINANCIAL STATEMENTS

- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.

- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at June 30, 2011:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Commercial Mortgage-Backed Securities	$ 0	$ 333,840	$ 0	$ 333,840
Total Bonds	$ 0	$ 333,840	$ 0	$ 333,840
Preferred Stocks	$ 0	$ 0	$ 0	$ 0
Common Stocks				
Industrial and Miscellaneous	$ 0	$ 0	$ 12,430	$ 12,430
Total Common Stocks	$ 0	$ 0	$ 12,430	$ 12,430
Total assets at fair value	$ 0	$ 333,840	$ 12,430	$ 346,270
Liabilities at fair value	$ 0	$ 0	$ 0	$ 0
Total liabilities at fair value	$ 0	$ 0	$ 0	$ 0

The Company did not have significant transfers between Levels 1 and 2 during the quarter ended June 30, 2011.

2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

	1	2	3	4	5	6	7
	Balance at 12/31/2010	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases, issuances, sales and settlements	Balance at 6/30/2011
Bonds	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Preferred Stock	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Common Stock	$ 12,430	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,430
Total	$ 12,430	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,430

3. Policy on Transfers Into and Out of Level 3

Transfers in and/or out of Level 3 are due to re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

NOTES TO FINANCIAL STATEMENTS

Mortgage-Backed Securities

The Company's portfolio of residential mortgage-backed securities ("MBS") and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities

Asset-backed securities ("ABS") include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals

The Company's municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate debt and other

Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities

Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity Securities

Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other Investments

Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the above table.

5. Derivative Fair Values

   Not applicable

B. This Disclosure was removed by NAIC December 2010.

C. Other Fair Value Disclosures

   Not applicable

D. Reasons Not Practical to Estimate Fair Value

   Not applicable

NOTES TO FINANCIAL STATEMENTS

Note 21 - Other Items

A. 2011 North Carolina Private Passenger Automobile Escrow

The Company refunded all premium and interest held in an escrow fund to certain of its policyholders in accordance with North Carolina General Statutes § 58-36-25(b). These distributions represented the full disposition of the Company's escrow fund.

Note 22 - Events Subsequent

No change.

Note 23 - Reinsurance

No change

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

No change.

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 $1,614,226 during the first two quarters of 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Fidelity/Surety $677,095, Commercial Multiple Peril $602,588, Other Liability - Occurrence $559,159, Homeowners/Farmowners $223,617, Auto Physical Damage $146,095, and Private Passenger Auto Liability/Medical $133,572 lines. This was partially offset by weakening loss trends in the Workers' Compensation $812,920 line. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Inter-Company Pooling Arrangements

No change.

Note 27 - Structured Settlements

No change.

Note 28 - Health Care Receivables

No change.

Note 29 - Participating Policies

No change.

Note 30 - Premium Deficiency Reserves

No change.

Note 31 - High Dollar Deductible Policies

No change.

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

No change.

Note 33 - Asbestos/Environmental Reserves

No change.

Note 34 - Subscriber Savings Accounts

No change.

Note 35 - Multiple Peril Crop Insurance

No change.

Note 36 - Financial Guarantee Insurance Contracts

No change.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [X] No [ ]

1.2 If yes, has the report been filed with the domiciliary state? Yes [X] No [ ]

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. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [X] No [ ]
If yes, complete the Schedule Y – Part 1 – organizational chart.

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

4.2 If yes, provide the name of 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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [X] N/A [ ]
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009

6.2 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. 12/31/2009

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/21/2011

6.4 By what department or departments?
Washington State Office of the Insurance Commissioner

6.5 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]

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

7.1 Has this 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]

7.2 If yes, give full information

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

GENERAL INTERROGATORIES

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 below the names and location (city and state of the main office) of any affiliates regulated by a federal 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

9.1 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 [ ]

9.11 If the response to 9.1 is No, please explain:

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

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
During Q2, Code provisions were added for Registered Investment Adviser compliance, as a Liberty Mutual subsidiary obtained SEC approval as a Registered Investment Adviser. In Q2, several non-material changes to the Code were also made to clarify existing provisions.

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

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

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

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

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

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

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $ 0

GENERAL INTERROGATORIES

13. Amount of real estate and mortgages held in short-term investments: $ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	$ 0	$ 0
14.22 Preferred Stock	$ 0	$ 0
14.23 Common Stock	$ 0	$ 0
14.24 Short-Term Investments	$ 0	$ 0
14.25 Mortgage Loans on Real Estate	$ 0	$ 0
14.26 All Other	$ 0	$ 0
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$ 0	$ 0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	$ 0	$ 0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

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

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

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

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

16.2 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)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

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

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

GENERAL INTERROGATORIES

16.5 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	2 Name(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Inc.	175 Berkeley Street, Boston, MA 02116

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

17.2 If no, list exceptions:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. *If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change?* Yes [ ] No [X] N/A [ ]
   If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [ ] No [X]
   If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [ ] No [X]

3.2 If yes, give full and complete information thereto:

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? Yes [ ] No [X]

4.2 If yes, complete the following schedule:

1	2	3	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
Line of Business	Maximum Interest	Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
			0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0
		TOTAL	0	0	0	0	0	0	0	0

5. Operating Percentages:
   - 5.1. A&H loss percent 0.00 %
   - 5.2. A&H cost containment percent 0.00 %
   - 5.3. A&H expense percent excluding cost containment expenses 0.00 %

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

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

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

6.4 If yes, please provide the balance of the funds administered as of the reporting date. $ 0

NONE Schedule F

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year To Date - Allocated by States and Territories

		Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
	1	2	3	4	5	6	7
States, Etc.	Active Status	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date	Current Year to Date	Prior Year to Date
1. Alabama AL	L	564,062	534,952	637,181	751,345	1,665,494	1,059,497
2. Alaska AK	L	1,329,738	1,718,494	283,098	452,447	1,528,591	1,190,878
3. Arizona AZ	L	325,845	383,843	199,078	848,902	2,652,462	2,977,085
4. Arkansas AR	L	223,982	252,221	253,201	300,860	508,070	576,458
5. California CA	L	48,020,237	44,617,548	21,932,154	23,507,716	68,766,013	61,298,869
6. Colorado CO	L	982,740	1,321,729	466,886	194,407	3,896,508	3,423,767
7. Connecticut CT	L	623,281	771,944	515,390	534,931	4,541,673	4,873,617
8. Delaware DE	L	25,282	9,858			35,526	18,266
9. District of Columbia DC	L	77,356	102,165	4,176	10,760	1,208,177	517,232
10. Florida FL	L	7,256,304	7,839,540	3,300,452	3,626,938	6,867,919	9,029,145
11. Georgia GA	L	2,603,914	3,509,094	1,724,509	2,331,876	5,053,509	7,287,089
12. Hawaii HI	L	(591)	57,138		(50,000)	4,527,074	4,682,966
13. Idaho ID	L	468,281	577,304	188,617	155,132	3,492,271	3,790,087
14. Illinois IL	L	1,646,558	2,761,801	2,088,534	1,997,767	9,659,462	9,668,954
15. Indiana IN	L	220,491	439,058	166,806	290,372	919,393	1,150,481
16. Iowa IA	L	80,416	88,164	74,628	243,582	424,509	581,480
17. Kansas KS	L	243,426	311,854	252,510	198,503	379,011	1,006,150
18. Kentucky KY	L	185,596	282,279	142,455	216,725	2,292,828	1,490,988
19. Louisiana LA	L	830,239	1,336,227	2,769,762	675,926	3,176,351	4,026,007
20. Maine ME	L	31,778	19,030			26,573	20,216
21. Maryland MD	L	230,548	416,727	121,673	268,125	1,099,785	1,019,000
22. Massachusetts MA	L	369,365	359,369	10,199	(72,129)	1,482,433	731,826
23. Michigan MI	L	771,292	561,350	408,772	935,054	3,452,188	3,551,389
24. Minnesota MN	L	480,479	979,648	985,745	738,645	4,228,835	5,089,429
25. Mississippi MS	L	238,255	262,853	26,126	151,942	465,849	550,721
26. Missouri MO	L	1,237,366	1,473,399	2,261,826	1,130,462	1,741,800	2,059,311
27. Montana MT	L	792,901	1,031,885	218,530	448,602	2,627,152	1,307,824
28. Nebraska NE	L	57,977	76,783	2,465	17,747	152,870	147,094
29. Nevada NV	L	229,504	225,375	37,906	36,488	441,544	1,301,252
30. New Hampshire NH	L	94,947	14,148	35,163	98,349	114,645	245,060
31. New Jersey NJ	L	620,150	813,972	88,851	126,411	2,973,346	3,421,681
32. New Mexico NM	L	212,245	363,051	381,957	368,048	2,987,066	3,011,805
33. New York NY	L	3,893,046	3,120,713	10,311	794,996	3,138,939	2,730,163
34. North Carolina NC	L	957,916	1,294,183	598,126	790,757	2,046,097	1,973,046
35. North Dakota ND	L	31,826	125,414	374,567		148,952	70,209
36. Ohio OH	L	324,754	435,835	59,000	186,268	1,410,217	869,013
37. Oklahoma OK	L	274,281	381,518	1,117,495	836,776	918,674	1,136,216
38. Oregon OR	L	2,974,254	3,382,319	406,627	763,931	4,517,240	5,613,962
39. Pennsylvania PA	L	668,062	850,325	828,725	512,980	2,884,086	3,512,894
40. Rhode Island RI	L	18,043	73,046		(216,503)	551,528	639,499
41. South Carolina SC	L	11,603,574	11,939,625	6,851,582	5,968,568	10,223,430	10,698,643
42. South Dakota SD	L	147,569	148,533	88,673	96,876	280,638	365,856
43. Tennessee TN	L	356,625	610,709	373,632	340,839	1,225,121	951,881
44. Texas TX	L	5,226,295	5,136,279	2,765,427	1,360,168	14,139,352	13,843,355
45. Utah UT	L	706,573	878,621	184,685	229,859	1,695,097	2,549,228
46. Vermont VT	L	80,750	6,322	1,399	(3,205)	505,128	564,542
47. Virginia VA	L	354,532	356,822	319,442	740,128	2,972,287	2,329,819
48. Washington WA	L	44,298,643	35,434,489	19,760,417	9,735,081	31,986,732	26,465,603
49. West Virginia WV	L	120,950	155,371	1,117,264	268,647	376,593	1,765,346
50. Wisconsin WI	L	156,600	192,127	61,084	213,718	570,105	458,547
51. Wyoming WY	L	354,488	399,119	546,531	173,731	272,438	23,301
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) 51	143,622,745	138,434,173	75,043,637	63,329,548	223,251,581	217,666,747

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

PART 1 – LOSS EXPERIENCE

Lines of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1. Fire	1,114,174	14,372	1.3	12.0
2. Allied lines	1,216,997	1,148,716	94.4	64.3
3. Farmowners multiple peril				
4. Homeowners multiple peril	33,101,695	21,540,662	65.1	50.1
5. Commercial multiple peril	18,346,215	7,494,146	40.8	44.3
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	1,257,356	542,644	43.2	67.0
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12. Earthquake	42,454			
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation	5,429,597	5,759,912	106.1	73.2
17.1 Other liability-occurrence	4,905,975	(1,596,089)	-32.5	52.4
17.2 Other liability-claims made	286,440	(40,031)	-14.0	-5.4
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence	560,981	116,658	20.8	20.6
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability	32,684,976	17,451,344	53.4	47.3
19.3, 19.4 Commercial auto liability	7,046,639	8,519,688	120.9	29.2
21. Auto physical damage	19,349,805	12,713,468	65.7	53.0
22. Aircraft (all perils)				
23. Fidelity	13,662	(4,232)	-31.0	25.2
24. Surety	15,922,579	263,022	1.7	22.3
26. Burglary and theft	3,203			
27. Boiler and machinery	40,789	(951)	-2.3	27.3
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business				
35. TOTALS	141,323,537	73,923,329	52.3	44.3

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

PART 2 – DIRECT PREMIUMS WRITTEN

	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	470,550	1,061,792	1,301,238
2. Allied lines	494,793	1,183,695	1,411,105
3. Farmowners multiple peril			
4. Homeowners multiple peril	19,571,915	36,072,349	31,775,291
5. Commercial multiple peril	9,146,133	17,039,579	19,264,139
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine	674,056	1,334,980	1,357,172
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake	36,133	50,482	45,821
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation	2,100,748	4,004,311	4,749,671
17.1 Other liability-occurrence	2,340,235	4,779,821	5,521,898
17.2 Other liability-claims made	150,805	290,486	316,386
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence	233,706	616,331	672,025
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability	17,979,677	35,350,721	29,048,055
19.3, 19.4 Commercial auto liability	2,861,510	5,870,686	8,249,777
21. Auto physical damage	9,957,076	19,979,603	18,316,682
22. Aircraft (all perils)			
23. Fidelity	9,879	21,284	22,015
24. Surety	9,192,229	15,924,278	16,330,314
26. Burglary and theft	1,490	5,172	5,114
27. Boiler and machinery	12,377	37,174	47,471
28. Credit			
29. International			
30. Warranty			
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business			
35. TOTALS	75,233,312	143,622,744	138,434,174

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

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2011 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2011 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2011 Loss and LAE Payments (Cols 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	9 Q.S. Date IBNR Loss & LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols 7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 - 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 - 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/Deficiency (Cols. 11 + 12)
1. 2008 + prior	23,122	18,632	41,754	5,273	163	5,436	19,365	395	16,185	35,945	1,516	(1,889)	(373)
2. 2009	8,070	8,265	16,335	2,538	52	2,590	6,513	271	6,473	13,257	981	(1,469)	(488)
3. Subtotals 2009 + prior	31,192	26,897	58,089	7,811	215	8,026	25,878	666	22,658	49,202	2,497	(3,358)	(861)
4. 2010	12,851	16,450	29,301	7,031	869	7,900	9,431	933	10,283	20,647	3,611	(4,365)	(754)
5. Subtotals 2010 + prior	44,043	43,347	87,390	14,842	1,084	15,926	35,309	1,599	32,941	69,849	6,108	(7,723)	(1,615)
6. 2011	XXX	XXX	XXX	XXX	13,914	13,914	XXX	7,951	11,669	19,620	XXX	XXX	XXX
7. Totals	44,043	43,347	87,390	14,842	14,998	29,840	35,309	9,550	44,610	89,469	6,108	(7,723)	(1,615)

8. Prior Year-End Surplus As Regards Policyholders 46,025

Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
1. 13.868	2. -17.817	3. -1.848

Col. 13, Line 7
Line 8

4. -3.509

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO
4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	YES

Explanation:

The Trusteed Surplus Statement is not required as the Company is a U.S. insurer.

Supplement A to Schedule T is not required as the Company does not provide medical professional liability coverage for physicians, hospitals, other health care professionals and other health care facilities.

Medicare Part D Coverage Supplement is not required as the Company does not provide prescription drug coverage.

Bar Code:

24724201149000020

24724201145500020

24724201136500020

OVERFLOW PAGE FOR WRITE-INS

Page 3 - Continuation

REMAINING WRITE-INS AGGREGATED AT LINE 25 FOR LIABILITIES	1 Current Statement Date	2 December 31, Prior Year
2504. Amounts held under uninsured plans	43,108	86,086
2505. Private passenger auto escrow		8,562
2597. Totals (Lines 2504 through 2596) (Page 3, Line 2598)	43,108	94,648

SCHEDULE A - VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	145,452,812	186,314,764
2. Cost of bonds and stocks acquired	19,768,690	52,650,401
3. Accrual of discount	209,379	150,870
4. Unrealized valuation increase (decrease)	32,262	127,647
5. Total gain (loss) on disposals	276,248	1,355,613
6. Deduct consideration for bonds and stocks disposed of	14,968,598	94,225,278
7. Deduct amortization of premium	473,169	917,095
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		4,110
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	150,297,624	145,452,812
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	150,297,624	145,452,812

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	151,105,869	43,875,098	46,436,430	(68,896)	151,105,869	148,475,641		146,717,952
2. Class 2 (a)	7,155,735	1,074,100		(517,448)	7,155,735	7,712,387		6,179,857
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)	43,609		42,978	599,940	43,609	600,571		42,977
7. Total Bonds	158,305,213	44,949,198	46,479,408	13,596	158,305,213	156,788,599		152,940,786
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	158,305,213	44,949,198	46,479,408	13,596	158,305,213	156,788,599		152,940,786

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated, short-term and cash-equivalent bonds by NAIC designation:
NAIC 1 $ 6,503,405; NAIC 2 $ 0; NAIC 3 $ 0; NAIC 4 $ 0; NAIC 5 $ 0; NAIC 6 $ 0

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	6,503,405	XXX	6,503,405	815	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	7,500,404	5,615,653
2. Cost of short-term investments acquired	69,914,693	173,204,475
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	70,911,692	171,319,724
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	6,503,405	7,500,404
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	6,503,405	7,500,404

NONE Schedule DB - Part A and B Verification

NONE Schedule DB - Part C - Section 1

NONE Schedule DB - Part C - Section 2

NONE Schedule DB - Verification

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		4,685,207
2. Cost of cash equivalents acquired		
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals		4,685,207
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)		
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)		

NONE Schedule A - Part 2 and 3

NONE Schedule B - Part 2 and 3

NONE Schedule BA - Part 2 and 3

SCHEDULE D - PART 3

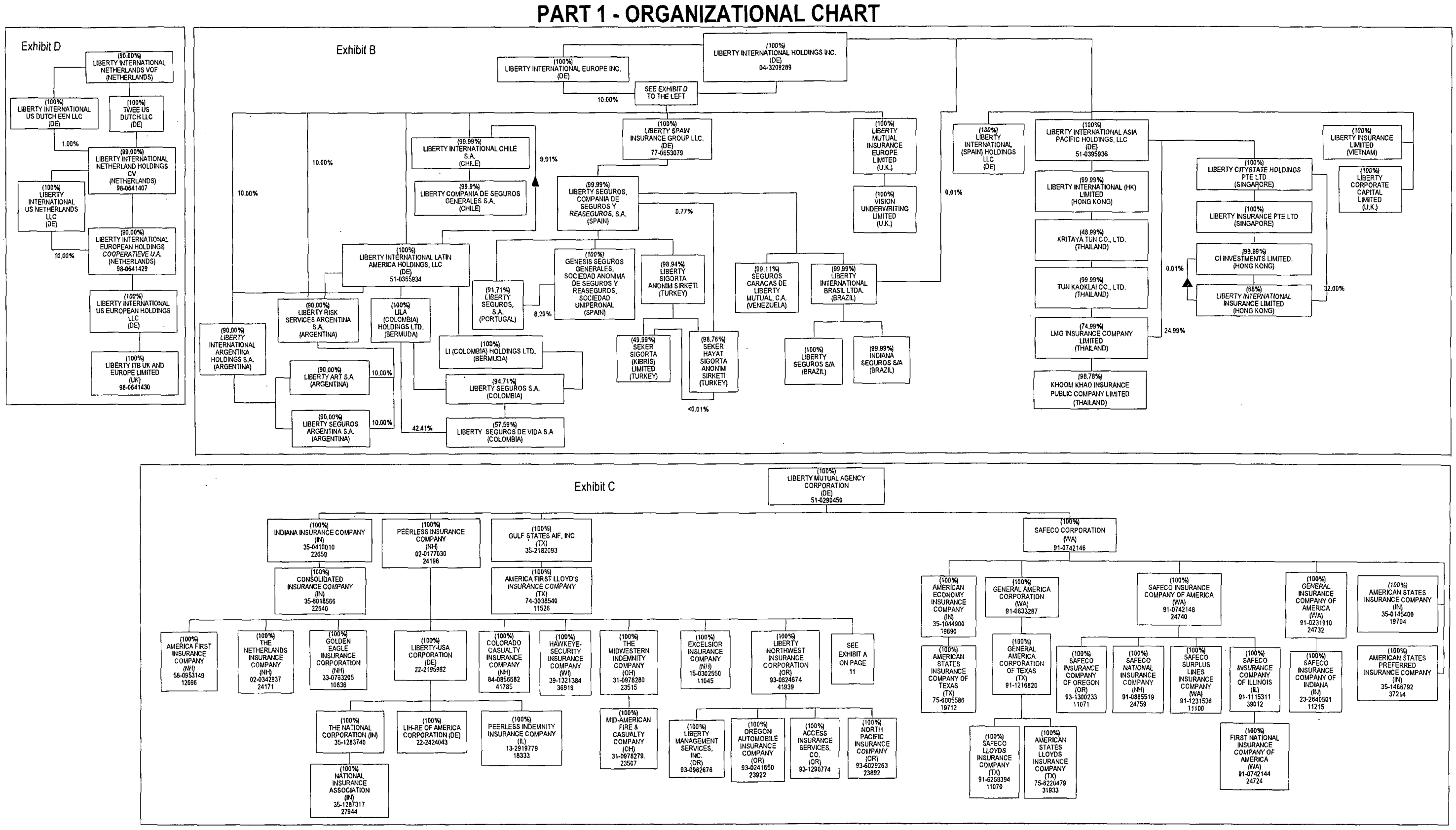
Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Ident- ification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
373384-TH-9	GEORGIA ST		06/21/2011	CITIGROUP		1,004,850	1,000,000.00		1FE
594610-6X-0	MICHIGAN ST		06/29/2011	JP MORGAN CHASE		1,008,860	1,000,000.00	8,438	1FE
1799999	U.S. Total Bonds States, Territories and Possessions				XXX	2,013,710	2,000,000.00	8,438	XXX
38375B-JH-6	GNR 2010-H27 JA		06/20/2011	CAPITALIZED INTEREST		5,862	5,862.00		1
38375B-JT-0	GNR 2011-H03 HA		06/20/2011	CAPITALIZED INTEREST		7,203	7,203.00		1
594695-P3-6	MICHIGAN ST TRUNK LINE		06/15/2011	ROYAL BANK OF CANADA		1,098,370	1,000,000.00	6,806	1FE
3199999	U.S. Total Bonds Special Revenue and Special Assessment and all Non-Guaranteed Obligations				XXX	1,111,435	1,013,065.00	6,806	XXX
14170T-AB-7	CAREFUSION CORP		06/13/2011	BANK OF AMERICA		574,100	500,000.00	11,953	2FE
235851-AL-6	DANAHER CORP		06/20/2011	BANK OF AMERICA		998,400	1,000,000.00		1FE
30277M-AB-0	FUEL TRUST		06/14/2011	BANK OF AMERICA		500,000	500,000.00		2FE
78403D-AA-8	SBA TOWER TRUST		05/13/2011	BARCLAYS CAPITAL		1,033,300	1,000,000.00	236	1FE
980888-AE-1	WOOLWORTHS LTD	F	04/05/2011	CITIGROUP		999,170	1,000,000.00		1FE
3899999	Total Bonds Industrial and Miscellaneous (Unaffiliated)				XXX	4,104,970	4,000,000.00	12,189	XXX
8399997	Total Bonds Part 3				XXX	7,230,115	7,013,065.00	27,433	XXX
8399998	Summary Item from Part 5 for Bonds				XXX	XXX	XXX	XXX	XXX
8399999	Total Bonds				XXX	7,230,115	7,013,065.00	27,433	XXX
9999999	Totals				XXX	7,230,115	XXX	27,433	XXX

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues 0.

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

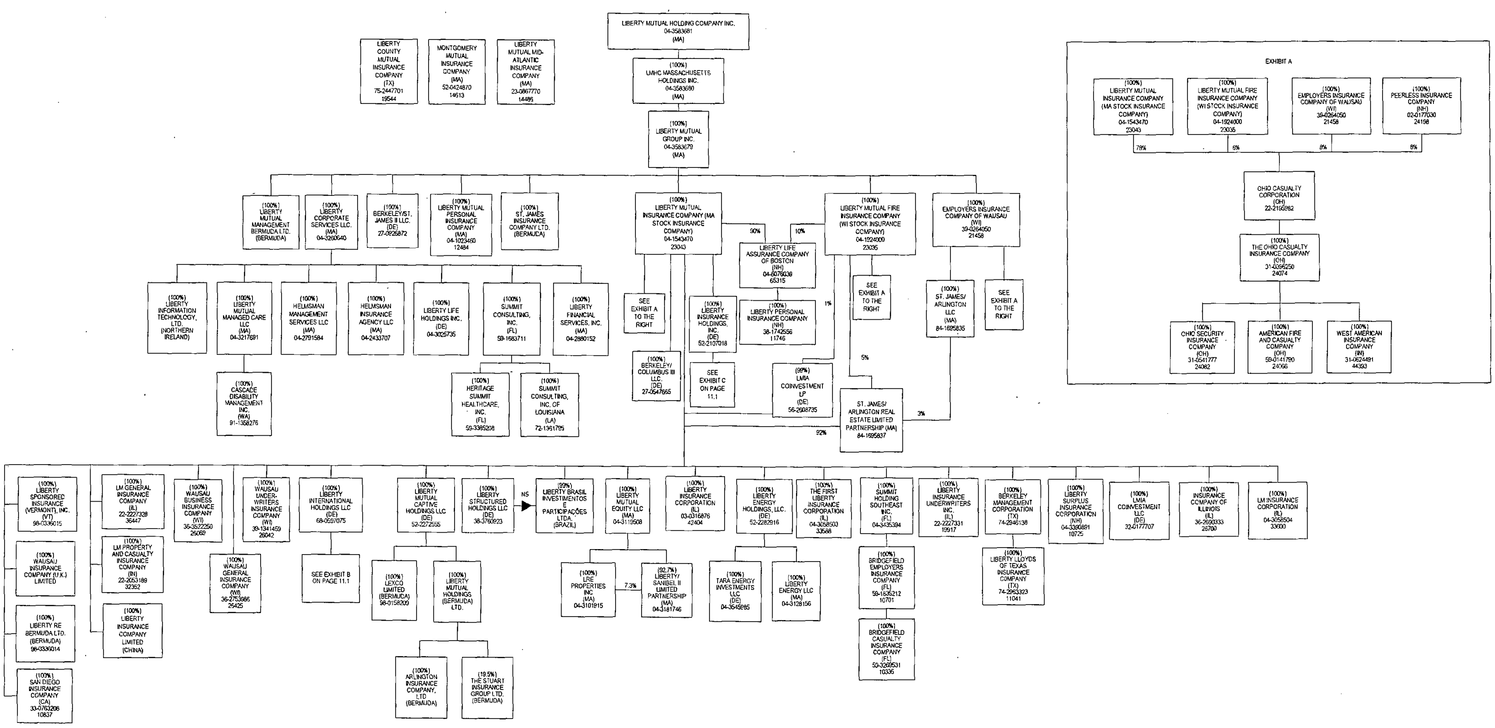
PART 1 - ORGANIZATIONAL CHART



Statement as of June 30, 2011 of the First National Insurance Company of America

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

PART 1 - ORGANIZATIONAL CHART



SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
										Change in Book/Adjusted Carrying Value											
CUSIP Ident-ification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consid-eration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amort-ization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Desig-nation or Market Indicator (a)
83162C-SN-4	SBAP 2009-20E 1		05/01/2011	MBS PAYMENT		94,355	94,355.00	94,355	94,355						94,355				2,100	05/01/2029	1
83162C-SY-0	SBAP 2009-20L 1		06/01/2011	MBS PAYMENT		70,167	70,167.00	70,167	70,167						70,167				1,423	12/01/2029	1
0599999	Total - Bonds - U.S. Governments				XXX	164,522	164,522.00	164,522	164,522						164,522				3,523	XXX	XXX
866407-C2-3	SUMNER CNTY		06/01/2011	MATURITY		2,500,000	2,500,000.00	2,619,600	2,514,679		(14,679)		(14,679)		2,500,000				62,500	06/01/2011	1FE
2499999	U.S. Total - Bonds - Political Subdivisions of States, Territories and Possessions				XXX	2,500,000	2,500,000.00	2,619,600	2,514,679		(14,679)		(14,679)		2,500,000				62,500	XXX	XXX
235416-SH-8	DALLAS TEX WTRWKS & SWR SYS R		04/01/2011	DIRECT		1,000,000	1,000,000.00	1,046,630	1,003,537		(3,537)		(3,537)		1,000,000				25,000	10/01/2011	1FE
296122-UM-4	ESCAMBIA SFM REF-A-2		06/01/2011	DIRECT		100,000	100,000.00	101,510	100,951		(54)		(54)		100,898		(898)	(898)	2,621	10/01/2028	1FE
3128MT-S5-8	FG H01440		06/01/2011	MBS PAYMENT		163	163.00	156	162		1		1		163				4	02/01/2036	1
3128PS-K5-5	FGOLD 10YR		06/01/2011	MBS PAYMENT		524,016	524,016.00	547,105	525,965		(1,950)		(1,950)		524,016				7,868	07/01/2020	1FE
3128NH-LE-1	FH 1J1225		06/15/2011	VARIOUS		1,823	1,823.00	1,823	1,823						1,823				21	09/01/2035	1
31392M-QA-3	FHR 2462 EV		06/01/2011	MBS PAYMENT		62,795	62,795.00	64,934	62,813		(19)		(19)		62,795				1,465	06/01/2011	1
31394W-JJ-8	FHR 2776 OL		06/01/2011	MBS PAYMENT		177,125	177,125.00	174,413	176,692		433		433		177,125				3,319	09/01/2011	1
31417Y-MF-1	FNMA 10YR		06/01/2011	MBS PAYMENT		145,972	145,972.00	151,035	146,675		(704)		(704)		145,972				2,472	11/01/2019	1
31417Y-M6-1	FNMA 10YR		06/01/2011	MBS PAYMENT		81,643	81,643.00	84,475	81,997		(355)		(355)		81,643				1,356	12/01/2019	1
31397S-MX-9	FNMA_11-28A		06/01/2011	MBS PAYMENT		62,654	62,654.00	64,534			(23)		(23)		62,654				420	07/01/2024	1
31393U-XK-4	FNR 2003-128 DL		06/01/2011	MBS PAYMENT		6,751	6,751.00	6,637	6,734		17		17		6,751				125	07/01/2012	1
31397Q-F5-2	FNR_11-18B_AC		06/01/2011	MBS PAYMENT		58,560	58,560.00	60,525			(55)		(55)		58,560				586	04/01/2024	1
38375B-JH-6	GNR 2010-H27 JA		05/01/2011	MBS PAYMENT		590	590.00	590	590						590				7	02/01/2026	1
88283L-AJ-5	TEXAS ST TRANS COMMN		04/01/2011	MATURITY		2,000,000	2,000,000.00	2,089,180	2,006,801		(6,801)		(6,801)		2,000,000				50,000	04/01/2011	1FE
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl				XXX	4,222,092	4,222,092.00	4,393,547	4,114,740		(13,047)		(13,047)		4,222,990		(898)	(898)	95,264	XXX	XXX
00075W-AB-5	ABFC_06-HE1		06/25/2011	MBS PAYMENT		9,533	9,533.00	9,533	9,533						9,533				11	07/25/2011	1Z*
07324S-AH-5	BAYC_03-2		06/25/2011	VARIOUS		4,219	4,219.00	3,609	3,697		11		11		3,707		512	512	37	06/27/2022	1FE
15132E-GM-4	CDMC_03-9		06/01/2011	VARIOUS		18,418	18,418.00	17,491	18,010		47		47		18,057		361	361	363	08/01/2012	1Z*
29331@-AA-5	COLORADO CAPCO		04/29/2011	SINKING FUND REDE		3,441	3,441.00	3,441	3,441						3,441				156	03/01/2013	1
12669D-LG-1	CWHL_02-32		06/01/2011	MBS PAYMENT		4,374	4,374.00	4,394	4,376		(3)		(3)		4,374				91	12/01/2017	1Z*
30605A-AQ-6	FFL_03-1		06/01/2011	MBS PAYMENT		16,148	16,148.00	15,724	15,428	691	29		720		16,148				384	01/01/2013	1Z*
362341-D6-3	GSAA_05-15		04/25/2011	MBS PAYMENT		1,238	1,238.00	1,238	1,238						1,238				1	04/25/2011	1Z*
52517P-Q5-3	LEHMAN BROTHERS HOLDINGS INC		04/25/2011	BANK OF AMERICA		180,920	727,315.00										180,920	180,920		12/23/2018	6FE
52517P-W3-1	LEHMAN BROTHERS HOLDINGS INC		04/28/2011	VARIOUS		92,278	363,657.00	35,457	42,977		631		631		43,609		48,669	48,669		03/23/2019	6Z
55275R-AB-8	MABS_06-NC3		06/25/2011	MBS PAYMENT		2,897	2,897.00	2,897	2,897						2,897				4	07/25/2011	1Z*
59023X-AB-2	MLMI_06-HE6		06/25/2011	VARIOUS		5,264	5,264.00	3,978	3,365	612			612		3,978		1,286	1,286	6	02/27/2012	1Z*

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues 0.

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of
During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Ident-ification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consid-eration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amort-ization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Desig-nation or Market Indicator (a)
61749B-AB-9	MSAC_06-NC5		06/25/2011	MBS PAYMENT		8,677	8,677.00	8,355	8,355						8,355		323	323	12	10/25/2012	1Z*
61759Q-AE-7	MSRR 2010-R7 3-A		06/01/2011	MBS PAYMENT		349,297	349,297.00	352,025	350,618		(1,321)		(1,321)		349,297				7,659	09/01/2012	1FE
45660N-W5-0	RAST_04-R2		06/01/2011	MBS PAYMENT		14,268	14,268.00	14,689	14,324		(56)		(56)		14,268				327	11/01/2014	1Z*
87246A-AA-6	TIAAS 2007-C4 A1		06/10/2011	MBS PAYMENT		107,044	107,044.00	107,576	107,157		(113)		(113)		107,044				3,407	10/10/2011	1Z*
921796-HP-6	VMF_99-D		06/01/2011	MBS PAYMENT		104,666	104,666.00	104,666	104,666						104,666				3,200	07/01/2014	1FE
94980L-AD-2	WFMBS_04-8		06/01/2011	VARIOUS		46,755	46,755.00	43,442	44,082		68		68		44,144		2,610	2,610	967	07/01/2019	1Z*
3899999	Total - Bonds - Industrial and Miscellaneous (Unaffiliated)				XXX	969,437	1,787,211.00	728,515	734,164	1,303	(707)		596		734,756		234,681	234,681	16,625	XXX	XXX
8399997	Total - Bonds - Part 4				XXX	7,856,051	8,673,825.00	7,906,184	7,528,105	1,303	(28,433)		(27,130)		7,622,268		233,783	233,783	177,912	XXX	XXX
8399998	Summary Item from Part 5 for Bonds				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8399999	Total Bonds				XXX	7,856,051	8,673,825.00	7,906,184	7,528,105	1,303	(28,433)		(27,130)		7,622,268		233,783	233,783	177,912	XXX	XXX
9999999	Totals					7,856,051	XXX	7,906,184	7,528,105	1,303	(28,433)		(27,130)		7,622,268		233,783	233,783	177,912	XXX	XXX

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues ....0.

NONE Schedule DB - Part A - Section 1

NONE Schedule DB - Part B - Section 1

NONE Schedule DB - Part D

SCHEDULE DL - PART 1

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date

1 CUSIP Identification	2 Description	3 NAIC Desig-nation/ Market Indicator	4 Fair Value	5 Book / Adjusted Carrying Value	6 Maturity Dates
000000-00-0	BANK OF NOVA SCOTIA SINGAPORE - Time Deposit	1	16,617	16,617	07/01/2011
000000-00-0	BANK OF TOKYO UFJ LTD GC - Time Deposit	1	21,934	21,934	07/01/2011
000000-00-0	BARCLAYS CAPITAL - REPO - A1P1 Money Markets	1	109,670	109,668	07/29/2011
000000-00-0	COMMERZBANK AG FRANKFURT - Time Deposit	1	21,934	21,934	07/20/2011
000000-00-0	COMMERZBANK AG FRANKFURT - Time Deposit	1	8,641	8,641	07/27/2011
000000-00-0	CREDIT AGRICOLE CIB, CAYMAN - Time Deposit	1	29,910	29,910	07/01/2011
000000-00-0	KBC, BRUSSELS - Time Deposit	1	26,588	26,587	07/14/2011
000000-00-0	KBC, BRUSSELS - Time Deposit	1	11,300	11,299	07/27/2011
000000-00-0	NATIXIS FINANCIAL PRODUCTS LLC - Master Note - Floating	1	9,638	9,638	07/01/2011
000000-00-0	RABOBANK NETHERLANDS - Time Deposit	1	9,095	9,095	07/01/2011
000000-00-0	RBC CAPITAL MKS - REPO - AA Corporate Bonds	1	16,617	16,617	08/04/2011
000000-00-0	SUMITOMO MITSUI BANK CORP BRUS - Time Deposit	1	23,263	23,263	07/06/2011
05576V-UB-8	BTM CAPITAL CORP - Commercial Paper	1	26,586	26,581	07/11/2011
2363F7-UB-2	DANSKE CORP - Commercial Paper	1	46,525	46,512	07/11/2011
29603F-DN-3	ERSTE BANK NEW YORK - Yankee C/D - Fixed	1	6,645	6,647	08/02/2011
2960E3-UJ-8	ERSTE FINANCE DELAWARE LLC - Commercial Paper	1	33,231	33,227	07/18/2011
4611K1-UE-3	INTESA FUNDING LLC - Commercial Paper	1	23,261	23,239	07/14/2011
51488H-2S-4	LANDESBANK HESSEN THUR NY - Yankee C/D - Fixed	1	19,941	19,940	07/27/2011
65602Q-DT-1	NORINCHUKIN BANK NY - Yankee C/D - Fixed	1	29,910	29,910	07/11/2011
6931M3-U1-5	PB FINANCE DELAWARE - Commercial Paper	1	15,287	15,267	07/01/2011
80280P-JB-4	SANTANDER CP SA UNIPERSONAL - Commercial Paper	1	23,262	23,256	07/08/2011
80280P-JC-2	SANTANDER CP SA UNIPERSONAL - Commercial Paper	1	16,615	16,611	07/08/2011
85324U-UB-7	STANDARD CHARTERED CP - Commercial Paper	1	36,223	36,219	07/11/2011
86562W-MH-8	SUMITOMO MITSUI BANKING CORP NY - Yankee C/D - Fixed	1	33,233	33,233	07/11/2011
8672E3-UE-4	SUNCORP METWAY LTD - Commercial Paper	1	24,591	24,588	07/14/2011
3299999 Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations			640,517	640,433	X X X
000000-00-0	BARCLAYS CAPITAL - REPO-PRI LAB CMO'S	1	33,233	33,233	07/29/2011
000000-00-0	CITIGROUP GLOBAL MARKETS INC - REPO - AAA Asset Backed Securities	1	33,233	33,233	08/04/2011
000000-00-0	NOMURA SECURITIES - REPO - U.S. Agency Mortgages	2	62,832	62,832	07/01/2011
000000-00-0	PERSHING LLC - REPO - U.S. Agency Mortgages	1	16,617	16,617	07/01/2011
03663U-V9-3	ANTALIS US FUNDING CORP - Commercial Paper - Asset Backed	1	33,226	33,221	08/09/2011
03846W-U1-7	ARABELLA FINANCE LLC - Commercial Paper - Asset Backed	1	33,233	33,232	07/01/2011
08037M-U5-8	BELMONT FUNDING LLC - Commercial Paper - Asset Backed	1	33,233	33,224	07/05/2011
1373X3-US-4	CANCARA ASSET SECURITISATION LLC - Commercial Paper - Asset Backed	1	29,906	29,891	07/26/2011
76203M-UB-0	RHEIN-MAIN SECURITISATON LIMITED - Commercial Paper - Asset Backed	1	13,383	13,368	07/11/2011
76203M-W6-9	RHEIN-MAIN SECURITISATON LIMITED - Commercial Paper - Asset Backed	1	16,610	16,600	09/06/2011
76205M-U8-5	RHEINGOLD SECURITIZATION - Commercial Paper - Asset Backed	1	17,281	17,279	07/08/2011
76205M-W6-7	RHEINGOLD SECURITIZATION - Commercial Paper - Asset Backed	1	33,220	33,198	09/06/2011
80584U-U7-2	SCALDIS CAPITAL LLC - Commercial Paper - Asset Backed	1	16,616	16,614	07/07/2011
3599999 Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities			372,623	372,542	X X X
3899999 Subtotals – Industrial and Miscellaneous (Unaffiliated)			1,013,140	1,012,975	X X X
7799999 Totals – Issuer Obligations			640,517	640,433	X X X
8099999 Totals – Other Loan-Backed and Structured Securities			372,623	372,542	X X X
8399999 Total Bonds			1,013,140	1,012,975	X X X
9999999 Totals			1,013,140	1,012,975	X X X

General Interrogatory:

1. Total activity for the year to date Fair Value $ 789,657 Book/Adjusted Carrying Value $ 789,525
2. Average balance for the year to date Fair Value $ 9,760,029 Book/Adjusted Carrying Value $ 9,807,309
3. Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation:
   NAIC 1 $ 950,143; NAIC 2 $ 62,832; NAIC 3 $ 0; NAIC 4 $ 0; NAIC 5 $ 0; NAIC 6 $ 0.

NONE Schedule DL - Part 2

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
			Amount of Interest Received During Current	Amount of Interest Accrued at Current	6	7	8	
Depository	Code	Rate of Interest	Quarter	Statement Date	First Month	Second Month	Third Month	*
Open Depositories								
Bank of America Boston, MA					112,675	112,675		
0199998 Deposits in (0) depositories that do *not exceed the allowable limit in any one depository* (see Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Total - Open Depositories	XXX	XXX			112,675	112,675		XXX
Suspended Depositories								
0299998 Deposits in (0) depositories that do *not exceed the allowable limit in any one depository* (see Instructions) - Suspended Depositories	XXX	XXX						XXX
0299999 Total Suspended Depositories	XXX	XXX						XXX
0399999 Total Cash on Deposit	XXX	XXX			112,675	112,675		XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999 Total	XXX	XXX			112,675	112,675		XXX

NONE Schedule E - Part 2

DIRECTOR AND OFFICER SUPPLEMENT

Year To Date For The Period Ended 2011

NAIC Group Code 0111

NAIC Company Code 24724

Company Name First National Insurance Company of America

If the reporting entity writes any director and officer (D&O) business, please provide the following:

1. Monoline Policies

1 Direct Written Premium	2 Direct Earned Premium	3 Direct Losses Incurred

2. *Commercial Multiple Peril (CMP) Packaged Policies*

2.1 Does the reporting entity provide D&O liability coverage as part of a CMP packaged policy? Yes [ ] No [X]

2.2 Can the direct premium earned for D&O liability coverage provided as part of a CMP packaged policy be quantified or estimated? Yes [ ] No [X]

2.3 If the answer to question 2.2 is yes, provide the quantified or estimated direct premium earned amount for D&O liability coverage in CMP packaged policies

2.31 Amount quantified: $________

2.32 Amount estimated using reasonable assumptions: $________

2.4 If the answer to question 2.1 is yes, provide direct losses incurred (losses paid plus change in case reserves) for the D&O liability coverage provided in CMP packaged policies. $________

QUARTERLY STATEMENT

OF THE

FIRST NATIONAL INSURANCE COMPANY OF AMERICA

of SEATTLE

in the state of WASHINGTON

TO THE

Insurance Department

OF THE

STATE OF

FOR THE QUARTER ENDED

March 31, 2011

PROPERTY AND CASUALTY

2011

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	150,690,880		150,690,880	145,440,382
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	12,430		12,430	12,430
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
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 ($ 112,675), cash equivalents ($ 0), and short-term investments ($ 7,614,333)	7,727,008		7,727,008	7,613,079
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities	154		154	92
10. Securities lending reinvested collateral assets	4,788,575		4,788,575	223,450
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	163,219,047		163,219,047	153,289,433
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	1,422,105		1,422,105	1,344,284
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	3,378,385	367,674	3,010,711	2,871,824
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ (175,563) earned but unbilled premiums)	22,574,550	7	22,574,543	23,096,696
15.3 Accrued retrospective premiums	77,869	7,753	70,116	73,287
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	16,725,055		16,725,055	14,341,378
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	299,729		299,729	
18.2 Net deferred tax asset	5,011,237	567,563	4,443,674	4,432,235
19. Guaranty funds receivable or on deposit	67,137		67,137	135,175
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	3,332,103		3,332,103	6,016,591
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets	812,470	111,433	701,037	700,921
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	216,919,687	1,054,430	215,865,257	206,301,824
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	216,919,687	1,054,430	215,865,257	206,301,824

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	467,912		467,912	465,063
2502. Equities and deposits in pools and associations	215,336		215,336	211,624
2503. Other assets	129,222	111,433	17,789	24,234
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	812,470	111,433	701,037	700,921

STATEMENT OF INCOME

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 68,389,431)	69,394,333	65,300,014	277,511,910
1.2 Assumed (written $ 20,021,129)	20,431,147	20,303,576	82,513,440
1.3 Ceded (written $ 68,389,431)	69,394,333	65,300,014	277,511,910
1.4 Net (written $ 20,021,129)	20,431,147	20,303,576	82,513,440
DEDUCTIONS:			
2. Losses incurred (current accident year $ 11,979,997):			
2.1 Direct	34,433,720	24,647,993	136,362,837
2.2 Assumed	11,326,442	10,676,856	46,233,101
2.3 Ceded	34,433,720	24,647,993	136,362,837
2.4 Net	11,326,442	10,676,856	46,233,101
3. Loss adjustment expenses incurred	2,290,548	2,301,567	9,740,817
4. Other underwriting expenses incurred	6,390,802	6,437,603	27,729,780
5. Aggregate write-ins for underwriting deductions	(8,562)		(4,514)
6. Total underwriting deductions (Lines 2 through 5)	19,999,230	19,416,026	83,699,184
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	431,917	887,550	(1,185,744)
INVESTMENT INCOME			
9. Net investment income earned	1,188,169	1,949,950	5,862,756
10. Net realized capital gains (losses) less capital gains tax of $ 14,863	27,602	382,820	878,477
11. Net investment gain (loss) (Lines 9 + 10)	1,215,771	2,332,770	6,741,233
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 897 amount charged off $ 41,657)	(40,760)	(99,239)	(346,712)
13. Finance and service charges not included in premiums	173,576	177,825	728,105
14. Aggregate write-ins for miscellaneous income	(9,294)	27,224	(1,034,151)
15. Total other income (Lines 12 through 14)	123,522	105,810	(652,758)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	1,771,210	3,326,130	4,902,731
17. Dividends to policyholders	34,790	38,703	(28,194)
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)	1,736,420	3,287,427	4,930,925
19. Federal and foreign income taxes incurred	388,220	267,593	(156,376)
20. Net income (Line 18 minus Line 19) (to Line 22)	1,348,200	3,019,834	5,087,301
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	46,025,313	80,665,460	80,665,460
22. Net income (from Line 20)	1,348,200	3,019,834	5,087,301
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ (96)	(179)	70,489	82,970
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	28,540	78,344	(887,374)
27. Change in nonadmitted assets	(16,296)	(2,836)	779,009
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles	64,105		
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders		(40,000,000)	(40,000,000)
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus	(24,462)	16,380	297,947
38. Change in surplus as regards policyholders (Lines 22 through 37)	1,399,908	(36,817,789)	(34,640,147)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	47,425,221	43,847,671	46,025,313

DETAILS OF WRITE-IN LINES			
0501. Private passenger auto escrow	(8,562)		(4,514)
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)	(8,562)		(4,514)
1401. Retroactive reinsurance gain/(loss)	(149)	8,637	(1,021,822)
1402. Other income/(expense)	(9,145)	18,587	(12,329)
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	(9,294)	27,224	(1,034,151)
3701. Other changes in surplus		(48,642)	(48,642)
3702. SSAP 10R incremental change	(24,462)	65,022	346,589
Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	(24,462)	16,380	297,947

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of First National Insurance Company of America (the "Company") have been prepared on the basis of accounting practices prescribed or permitted by the Washington Insurance Department.

The state of Washington requires insurance companies domiciled in the state of Washington to prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the Washington Insurance Department.

There are no differences between the Washington prescribed or permitted practices and NAIC statutory accounting practices that resulted in a difference for the Company.

Note 2 - Accounting Changes and Correction of Errors

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.

Note 3 - Business Combinations and Goodwill

No change.

Note 4 - Discontinued Operations

No change.

Note 5 - Investments

D. Loaned Backed Securities

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

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

3. Each Loaned Backed Security with a recognized other-than-temporary impairment held by the Company at March 31, 2011:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than-temporary impairment	Amortized cost after other-than-temporary impairment	Fair Value at time of OTTI	Date of Financial Statement Where Report
59023XAB2	$190,852	$166,940	$23,912	$166,940	$166,940	3/31/2009
59023XAB2	126,559	109,847	16,712	109,847	109,846	12/31/2009
59023XAB2	83,715	81,726	1,989	81,726	78,235	3/31/2010
61749BAB9	199,179	189,194	9,985	189,194	189,193	12/31/2009
61749BAB9	166,411	164,941	1,470	164,941	161,764	3/31/2010
61749BAB9	$134,328	$133,677	$651	$133,677	$124,211	12/31/2010

4. All impaired Loaned Backed Securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss as of March 31, 2011:

	1	2
	12 Months and Under	Greater Than 12 Months
Gross Unrealized Loss	$(219,226)	$(136,130)
Fair Value of Securities with Unrealized Losses	$17,944,061	$566,823

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' equity. If the decline is believed to be "other-than-temporary," and the Company believes it will not be able to collect all cash flows due on its fixed income securities, then the carrying value of the investment is written down to the expected cash flow amount and a realized loss is recorded as a credit impairment.

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

No change.

NOTES TO FINANCIAL STATEMENTS

- Level 2 — Valuations based on directly or indirectly observable inputs (other than Level 1 prices) at the measurement date, such as quoted prices in active markets or prices in markets that are not active for similar assets or liabilities or other inputs that are observable.

- Level 3 — Valuations based on inputs that are unobservable and reflect the Company's own assumptions about the assumptions that market participants might use.

The following table summarizes the Company's assets and liabilities that are measured at fair value at March 31, 2011:

1	2	3	4	5
Description	Level 1	Level 2	Level 3	Total
Assets at fair value				
Bonds				
Commercial Mortgage-Backed Securities	$ -	$310,409	$ -	$310,409
Total Bonds	$ -	$310,409	$ -	$310,409
Preferred Stocks	-	-	-	-
Common Stocks				
Industrial and Miscellaneous	$ -	$ -	$12,430	$12,430
Total Common Stocks	$ -	$ -	$12,430	$12,430
Total assets at fair value	$ -	$310,409	$12,430	$322,839
Liabilities at fair value	$0	$0	$0	$0
Total liabilities at fair value	$0	$0	$0	$0

The Company did not have significant transfers between Levels 1 and 2 during the quarter ended March 31, 2011.

2. Rollforward of Level 3 Items

The following tables set forth the fair values of assets basis classified as Level 3 within the fair value hierarchy:

	1	2	3	4	5	6	7
	Balance at 12/31/2010	Transfers into Level 3	Transfers out of Level 3	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases, issuances, sales and settlements	Balance at 3/31/2011
Bonds	-	-	-	-	-	-	-
Preferred Stock	-	-	-	-	-	-	-
Common Stock	$12,430	-	-	-	-	-	$12,430
Total	$12,430	-	-	-	-	-	$12,430

3. Policy on Transfers Into and Out of Level 3

Transfers in and/or out of Level 3 are due to re-evaluation of the observability of pricing inputs.

4. Inputs and Techniques Used for Fair Value

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and agency

U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

NOTES TO FINANCIAL STATEMENTS

Note 22 - Events Subsequent

No change.

Note 23 - Reinsurance

No change

Note 24 - Retrospectively Rated Contracts and Contracts Subject to Redetermination

No change.

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 $978,200 during the first quarter of 2011. This decrease was primarily the result of updated reserving analysis and improving loss trends in the Commercial Multiple Peril $380,958, Other Liability Occurrence $265,645, Fidelity/Surety $195,055, Private Passenger Auto Liability $103,506, Homeowners Multiple Peril/Farmowners Multiple Peril $91,514, and Special Property $89,533 lines. This was partially offset by weakening loss trends in the Workers' Compensation $201,974 line. Prior estimates are revised as additional information becomes known regarding individual claims.

Note 26 - Inter-Company Pooling Arrangements

No change.

Note 27 - Structured Settlements

No change.

Note 28 - Health Care Receivables

No change.

Note 29 - Participating Policies

No change.

Note 30 - Premium Deficiency Reserves

No change.

Note 31 - High Dollar Deductible Policies

No change.

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

No change.

Note 33 - Asbestos/Environmental Reserves

No change.

Note 34 - Subscriber Savings Accounts

No change.

Note 35 - Multiple Peril Crop Insurance

No change.

Note 36 - Financial Guarantee Insurance Contracts

No change.

GENERAL INTERROGATORIES

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 below the names and location (city and state of the main office) of any affiliates regulated by a federal 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

9.1 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 [ ]

9.11 If the response to 9.1 is No, please explain:

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

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

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

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

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

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

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

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

Amount of real estate and mortgages held in other invested assets in Schedule BA: $ 0

GENERAL INTERROGATORIES

16.5 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	2 Name(s)	3 Address
N/A	Liberty Mutual Investment Advisors, LLC	175 Berkeley Street, Boston, MA 02116
N/A	Liberty Mutual Group Inc.	175 Berkeley Street, Boston, MA 02116

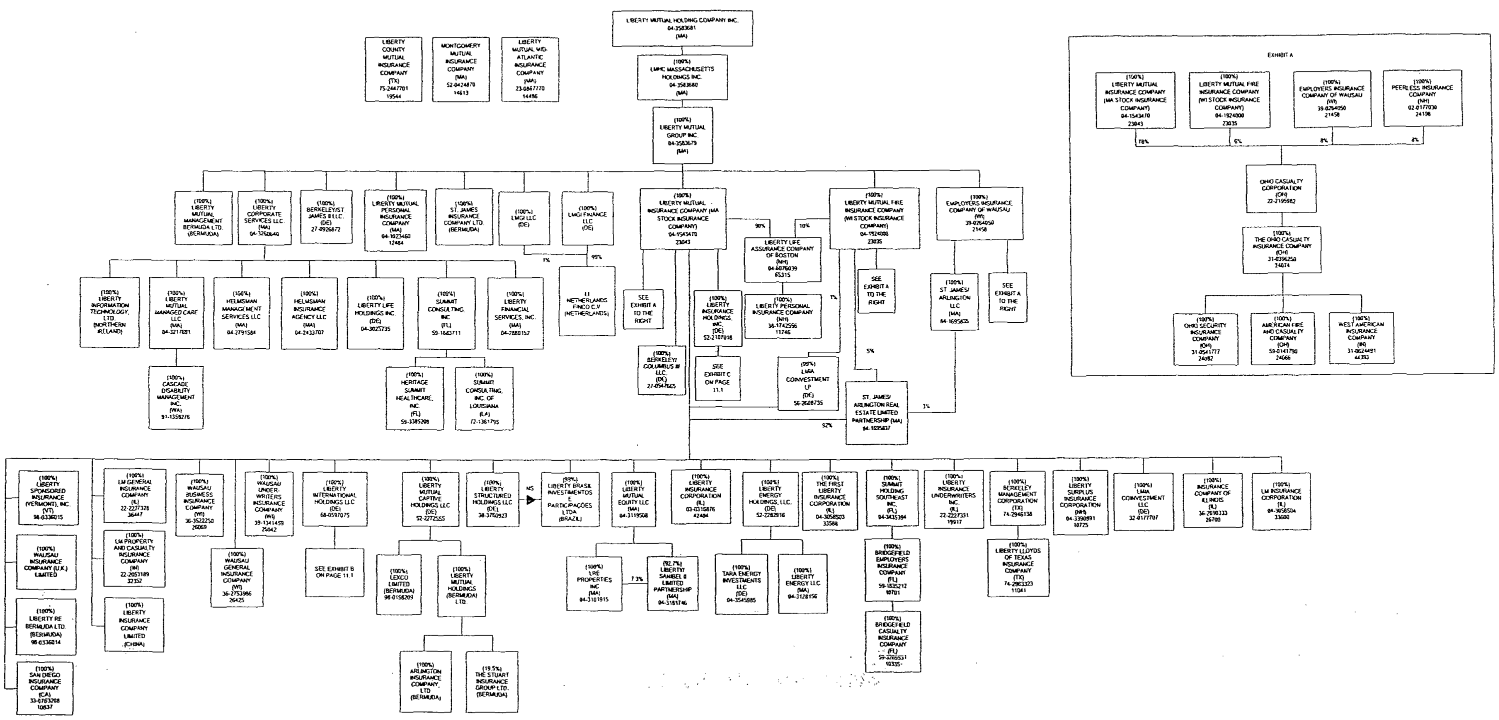
17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

17.2 If no, list exceptions:

NONE Schedule F

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

PART 1 - ORGANIZATIONAL CHART



PART 1 – LOSS EXPERIENCE

Lines of Business	Current Year to Date 1 Direct Premiums Earned	 2 Direct Losses Incurred	 3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1. Fire	566,097	87,202	15.4	27.0
2. Allied lines	607,739	317,382	52.2	53.5
3. Farmowners multiple peril				
4. Homeowners multiple peril	16,177,068	8,802,238	54.4	47.4
5. Commercial multiple peril	9,316,198	4,151,991	44.6	37.1
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine	627,712	452,148	72.0	57.3
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12. Earthquake	20,409			
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation	2,895,963	1,410,798	48.7	301.3
17.1 Other liability-occurrence	2,534,357	(897,208)	-35.4	-23.2
17.2 Other liability-claims made	145,885	(58,187)	-39.9	-44.9
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence	296,935	(8,059)	-2.7	-68.4
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability	15,609,875	8,778,348	56.2	39.6
19.3, 19.4 Commercial auto liability	3,648,075	3,666,010	100.5	11.9
21. Auto physical damage	9,386,383	7,205,579	76.8	51.1
22. Aircraft (all perils)				
23. Fidelity	6,771	(2,241)	-33.1	217.6
24. Surety	7,532,492	531,746	7.1	-16.9
26. Burglary and theft	1,574			
27. Boiler and machinery	20,801	(4,026)	-19.4	58.8
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business				
35. TOTALS	69,394,334	34,433,721	49.6	37.7

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

PART 2 – DIRECT PREMIUMS WRITTEN

	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	591,242	591,242	697,480
2. Allied lines	688,902	688,902	773,753
3. Farmowners multiple peril			
4. Homeowners multiple peril	16,500,434	16,500,434	14,595,672
5. Commercial multiple peril	7,893,446	7,893,446	9,655,609
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine	660,924	660,924	667,669
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake	14,349	14,349	18,865
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation	1,903,563	1,903,563	2,385,988
17.1 Other liability-occurrence	2,439,586	2,439,586	2,757,359
17.2 Other liability-claims made	139,681	139,681	153,690
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence	382,625	382,625	429,727
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability	17,371,044	17,371,044	13,957,081
19.3, 19.4 Commercial auto liability	3,009,176	3,009,176	4,257,458
21. Auto physical damage	10,022,527	10,022,527	8,866,212
22. Aircraft (all perils)			
23. Fidelity	11,405	11,405	12,938
24. Surety	6,732,049	6,732,049	7,204,810
26. Burglary and theft	3,682	3,682	3,456
27. Boiler and machinery	24,797	24,797	27,724
28. Credit			
29. International			
30. Warranty			
31. Reinsurance-Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance-Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance-Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business			
35. TOTALS	68,389,432	68,389,432	66,465,491

DETAILS OF WRITE-INS			
3401.			
3498. Summary of remaining write-ins for Line 34 from overflow page			
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)			

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO
4. Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	NO

Explanation:

The Trusteed Surplus Statement is not required as the Company is a U.S. insurer.

Supplement A to Schedule T is not required as the Company does not provide medical professional liability coverage for physicians, hospitals, other health care professionals and other health care facilities.

Medicare Part D Coverage Supplement is not required as the Company does not provide prescription drug coverage.

Director and Officer Supplement is not required as the Company does not provide director and officer (D&O) liability coverage.

Bar Code:

24724201149000010

24724201145500010

24724201136500010

24724201150500010

SCHEDULE A - VERIFICATION
Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION
Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

NONE

SCHEDULE BA - VERIFICATION
Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION
Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	145,452,812	186,314,764
2. Cost of bonds and stocks acquired	12,538,575	52,650,401
3. Accrual of discount	32,969	150,870
4. Unrealized valuation increase (decrease)	(275)	127,647
5. Total gain (loss) on disposals	42,465	1,355,613
6. Deduct consideration for bonds and stocks disposed of	7,112,547	94,225,278
7. Deduct amortization of premium	250,689	917,095
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		4,110
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	150,703,310	145,452,812
Deduct total nonadmitted amounts		
Statement value at end of current period (Line 10 minus Line 11)	150,703,310	145,452,812

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	7,614,333	XXX	7,614,333	709	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	7,500,404	5,615,653
2. Cost of short-term investments acquired	32,195,610	173,204,475
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	32,081,681	171,319,724
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	7,614,333	7,500,404
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	7,614,333	7,500,404

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		4,685,207
2. Cost of cash equivalents acquired		
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals		4,685,207
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)		
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)		

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Ident- ification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
152735-VF-0	CENTRAL BUCKS PA SCH DIST		03/23/2011	CITIGROUP		499,760	500,000.00		1FE
2499999	U.S. Total Bonds Political Subdivisions of States, Territories and Possessions				XXX	499,760	500,000.00		XXX
130795-D8-7	CALIFORNIA STATEWIDE CMNTYS DEV AU		02/28/2011	JANNEY MONTGOMERY SCOTT		108,616	100,000.00	2,111	1FE
BLM0ME-0E-4	FNMA DUS MULTI 7YR BALLOON		03/14/2011	DUNCAN WILLIAMS		1,501,172	1,500,000.00	4,095	1
31397S-MX-9	FNMA_11-28A		03/03/2011	BARCLAYS CAPITAL		2,060,000	2,000,000.00	6,444	1
31397Q-F5-2	FNR_11-18B_AC		02/03/2011	BANK OF AMERICA		2,067,109	2,000,000.00	6,000	1
38375B-JH-6	GNR 2010-H27 JA		03/20/2011	CAPITALIZED INTEREST		9,970	9,970.00		1
38375B-JT-0	GNR 2011-H03 HA		03/20/2011	VARIOUS		1,000,388	1,004,148.00	551	1
644614-G8-6	NEW HAMPSHIRE HEALTH & ED FACS AUT		03/10/2011	BAUM		960,000	960,000.00		1FE
3199999	U.S. Total Bonds Special Revenue and Special Assessment and all Non-Guaranteed Obligations				XXX	7,707,255	7,574,118.00	19,201	XXX
171340-AG-7	CHURCH & DWIGHT CO		03/10/2011	FTN FINANCIAL		503,965	500,000.00	4,188	2FE
233851-AD-6	DAIMLER FINANCE NORTH AMERICA LLC		03/21/2011	CITIGROUP		499,425	500,000.00		2FE
25243Y-AM-1	DIAGEO CAPITAL PLC	F	03/23/2011	WELLS FARGO SECURITIES (FMR WACHOVIA)		567,855	500,000.00	12,378	1FE
26882P-BB-7	ERAC USA FINANCE CO		03/29/2011	BANK OF AMERICA		561,515	500,000.00	14,698	2FE
494368-BB-8	KIMBERLY-CLARK		03/10/2011	STIFEL NICOLAUS & CO.		1,166,240	1,000,000.00	7,486	1FE
78403D-AA-8	SBA TOWER TRUST		03/08/2011	SEAPORT GROUP SECURITIES		1,032,560	1,000,000.00	3,073	1FE
3899999	Total Bonds Industrial and Miscellaneous (Unaffiliated)				XXX	4,331,560	4,000,000.00	41,823	XXX
8399997	Total Bonds Part 3				XXX	12,538,575	12,074,118.00	61,024	XXX
8399998	Summary Item from Part 5 for Bonds				XXX	XXX	XXX	XXX	XXX
8399999	Total Bonds				XXX	12,538,575	12,074,118.00	61,024	XXX
9999999	Totals				XXX	12,538,575	XXX	61,024	XXX

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues 0.

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value 11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Ident-ification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consid-eration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amort-ization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Desig-nation or Market Indicator (a)
55275R-AB-8	MABS_06-NC3		03/25/2011	MBS PAYMENT		2,615	2,615.00	2,615	2,615						2,615				2	04/25/2011	1Z*
59023X-AB-2	MLMI_06-HE6		03/25/2011	MBS PAYMENT		12,677	12,677.00	9,580	8,105	1,476			1,476		9,580		3,097	3,097	6	12/27/2011	1Z*
61749B-AB-9	MSAC_06-NC5		03/25/2011	MBS PAYMENT		10,809	10,809.00	10,407	10,407						10,407		402	402	7	02/25/2013	1Z*
61759Q-AE-7	MSRR 2010-R7 3-A		03/01/2011	MBS PAYMENT		517,694	517,694.00	521,738	518,061		(367)		(367)		517,694				3,700	08/01/2012	1FE
45660N-W5-0	RAST_04-R2		03/01/2011	MBS PAYMENT		14,074	14,074.00	14,489	14,090		(17)		(17)		14,074				129	10/01/2014	1Z*
87246A-AA-6	TIAAS 2007-C4 A1		03/10/2011	MBS PAYMENT		317,709	317,709.00	319,290	317,755		(46)		(46)		317,709				3,471	10/10/2011	1Z*
921796-HP-6	VMF_99-D		03/01/2011	MBS PAYMENT		129,737	129,737.00	129,737	129,737						129,737				1,742	07/01/2014	1FE
94980L-AD-2	WFMBS_04-8		03/01/2011	VARIOUS		57,559	57,559.00	53,479	54,265						54,265		3,293	3,293	474	07/01/2019	1Z*
3899999	Total - Bonds - Industrial and Miscellaneous (Unaffiliated)				XXX	3,260,296	3,260,296.00	3,442,715	3,255,267	1,562	(4,307)		(2,745)		3,252,522		7,774	7,774	75,700	XXX	XXX
8399997	Total - Bonds - Part 4				XXX	7,112,547	7,112,547.00	7,220,989	7,056,813	1,562	(7,813)		(6,251)		7,070,082		42,465	42,465	142,942	XXX	XXX
8399998	Summary Item from Part 5 for Bonds				XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8399999	Total Bonds				XXX	7,112,547	7,112,547.00	7,220,989	7,056,813	1,562	(7,813)		(6,251)		7,070,082		42,465	42,465	142,942	XXX	XXX
9999999	Totals					7,112,547	XXX	7,220,989	7,056,813	1,562	(7,813)		(6,251)		7,070,082		42,465	42,465	142,942	XXX	XXX

(a) For all common stock bearing the NAIC market indicator 'U' provide: the number of such issues 0

SCHEDULE DL - PART 1

SECURITIES LENDING COLLATERAL ASSETS

Reinvested Collateral Assets Owned Current Statement Date

1 CUSIP Identification	2 Description	3 NAIC Desig-nation/ Market Indicator	4 Fair Value	5 Book / Adjusted Carrying Value	6 Maturity Dates
000000-00-0	GOLDMAN SACHS & CO.-REPO - U.S. Agency Mortgages	1	30,362	30,362	04/01/2011
000000-00-0	MIZUHO SECURITIES USA INC-REPO - U.S. Agency Mortgages	1	2,431	2,431	04/01/2011
000000-00-0	RBS SECURITIES INC-REPO - U.S. Agency Mortgages	1	83,924	83,924	05/05/2011
000000-00-0	SOCIETE GENERALE NY BRANCH-REPO - U.S. Agency Mortgages	1	16,175	16,175	04/01/2011
0199999 U.S. Government - Issuer Obligations			132,892	132,892	XXX
0599999 Subtotals – U.S. Governments			132,892	132,892	XXX
000-00-0	AUSTRALIA NEW ZEALAND HONG KONG-Time Deposit	1	50,363	50,355	05/17/2011
0-00-0	BANK OF TOKYO UFJ LTD GC-Time Deposit	1	33,570	33,570	04/01/2011
000-00-0	BARCLAYS CAPITAL-REPO - A1P1 Money Markets	1	13,428	13,428	04/15/2011
000000-00-0	BARCLAYS CAPITAL-REPO - A1P1 Money Markets	1	553,901	553,903	04/29/2011
000000-00-0	BARCLAYS GUERNSEY-Time Deposit	1	83,940	83,924	05/23/2011
000000-00-0	DBS LONDON-Time Deposit	1	83,926	83,924	04/04/2011
000000-00-0	DBS LONDON-Time Deposit	1	30,218	30,213	05/17/2011
000000-00-0	ERSTE BANK OES-Time Deposit	1	83,925	83,924	04/04/2011
000000-00-0	FMS WERTMANAGEMENT-Time Deposit	1	100,724	100,709	05/12/2011
000000-00-0	KBC, BRUSSELS-Time Deposit	1	100,721	100,709	04/22/2011
000000-00-0	KBC, BRUSSELS-Time Deposit	1	67,149	67,140	04/25/2011
000000-00-0	ML PIERCE FENNER & SMITH INC-REPO - A1P1 Money Markets	1	73,854	73,854	04/18/2011
000000-00-0	NATIXIS FINANCIAL PRODUCTS LLC-Master Note - Floating	1	48,676	48,676	04/01/2011
000000-00-0	POHJOLA BANK HELSINKI-Time Deposit	1	83,952	83,924	06/10/2011
000000-00-0	SHIZUOKA BANK TOKYO-Time Deposit	1	100,737	100,709	05/25/2011
000000-00-0	UNITED OVERSEAS BANK LTD, LDN-Time Deposit	1	16,788	16,785	05/23/2011
000000-00-0	UNITED OVERSEAS BANK LTD, NY-Time Deposit	1	144,376	144,350	05/23/2011
05950Y-R1-4	BCO BIL VIZ ARGENTARIA-Commercial Paper	1	167,848	167,838	04/01/2011
22536G-DF-5	CIC NY-Yankee C/D - Fixed	1	235,033	234,989	05/23/2011
29603F-BT-2	ERSTE BANK DER OESTER GRAND CAYMAN-Yankee C/D - Fixed	1	83,925	83,949	04/01/2011
4611K1-RM-9	INTESA FUNDING LLC-Commercial Paper	1	144,331	144,306	04/21/2011
4611K1-RR-8	INTESA FUNDING LLC-Commercial Paper	1	67,128	67,118	04/25/2011
51489H-RB-3	HELEBA (Landesbank Hessen Thur Gir)-Commercial Paper	1	100,704	100,682	04/11/2011
60681P-9X-4	MITSUBISHI TRUST UFJ LDN-Eurodollar Zero Coupon CD	1	93,962	93,914	05/18/2011
60681P-B4-5	MIT UFJ TR NY-Yankee C/D - Fixed	1	83,931	83,924	06/08/2011
6385E1-ST-9	NATIONWIDE BUILDING SOCIETY-Commercial Paper	1	83,889	83,885	05/27/2011
65602X-4Y-5	NORINCHUKIN BANK NY-Yankee C/D - Fixed	1	161,150	161,135	05/13/2011
6931M3-R5-0	PB FINANCE DELAWARE-Commercial Paper	1	67,137	67,023	04/05/2011
80280P-DK-0	SANTANDER CP SA UNIPERSONAL-Commercial Paper	1	107,421	107,382	04/07/2011
80280P-DL-8	SANTANDER CP SA UNIPERSONAL-Commercial Paper	1	83,920	83,890	04/15/2011
86560E-9Q-5	SUMITOMO TRUST & BANKING CO LDN-Eurodollar Zero Coupon CD	1	150,993	150,926	05/25/2011
8672E3-R7-3	SUNCORP METWAY LTD-Commercial Paper	1	83,922	83,908	04/07/2011
3-S5-6	SUNCORP METWAY LTD-Commercial Paper	1	50,342	50,340	05/05/2011
I-9Q-9	CLYDESDALE BANK PLC-Eurodollar Zero Coupon CD	1	117,478	117,377	04/21/2011
3399999 Industrial and Miscellaneous (Unaffiliated) - Residential Mortgage-Backed Securities			3,553,362	3,552,683	XXX
000000-00-0	BARCLAYS CAPITAL-REPO-PRI LAB CMO'S	1	167,849	167,849	04/29/2011
000000-00-0	CITIGROUP GLOBAL MARKETS INC-REPO - AAA Asset Backed Securities	1	83,924	83,924	05/05/2011
000000-00-0	NOMURA SECURITIES-REPO - AAA Asset Backed Securities	2	83,924	83,924	04/01/2011
000000-00-0	RBS SECURITIES INC-REPO - AAA Asset Backed Securities	1	60,426	60,426	04/01/2011
000000-00-0	RBS SECURITIES INC-REPO - AAA Asset Backed Securities	1	167,849	167,849	05/05/2011
03663U-SP-1	ANTALIS US FUNDING CORP-Commercial Paper - Asset Backed	1	83,891	83,882	05/23/2011
03846W-R1-1	ARABELLA FINANCE LLC-Commercial Paper - Asset Backed	1	33,570	33,568	04/01/2011
03846W-R4-5	ARABELLA FINANCE LLC-Commercial Paper - Asset Backed	1	117,491	117,486	04/04/2011
27864K-R7-0	EBBETS FUNDING LLC-Commercial Paper - Asset Backed	1	13,427	13,423	04/07/2011
27864K-RC-9	EBBETS FUNDING LLC-Commercial Paper - Asset Backed	1	87,275	87,244	04/12/2011
76203M-RC-2	RHEIN-MAIN SECURITISATON LIMITED-Commercial Paper - Asset Backed	1	86,100	85,988	04/12/2011
80584U-RS-0	SCALDIS CAPITAL LLC-Commercial Paper - Asset Backed	1	33,564	33,561	04/26/2011
92512M-S6-7	VERSAILLES COMMERCIAL PAPER LLC-Commercial Paper - Asset Backed	1	83,904	83,876	05/06/2011
3599999 Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities			1,103,194	1,103,000	XXX
3899999 Subtotals – Industrial and Miscellaneous (Unaffiliated)			4,656,556	4,655,683	XXX
7799999 Totals – Issuer Obligations			132,892	132,892	XXX
7899999 Totals – Residential Mortgage-Backed Securities			3,553,362	3,552,683	XXX
8099999 Totals – Other Loan-Backed and Structured Securities			1,103,194	1,103,000	XXX

General Interrogatory:

1. T~~l activity for the year to date Fair Value $ 4,565,965 Book/Adjusted Carrying Value $ 4,565,125
   ...e balance for the year to date Fair Value $ 3,482,586 Book/Adjusted Carrying Value $ 3,462,958

...ested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation:
NAIC 1 $ 4,704,651; NAIC 2 $ 83,924; NAIC 3 $ 0; NAIC 4 $ 0; NAIC 5 $ 0; NAIC 6 $ 0.

NONE Schedule DL - Part 2

NONE Schedule E - Part 2

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COMPANY INFORMATION PAGE (JURAT)
Property Risk-Based Capital
For the Year Ending December 31, 2010

(A)	Company Name	First National Insurance Company of America				
(B)	NAIC Group Code	0111	(C) NAIC Company Code	24724	(D) Employer's ID Number	91-0742144
(E)	Organized under the Laws of the State of	WA				
	Contact Person for Property & Casualty Risk-Based Capital:					
(F)	First Name	Douglas	(G) Middle		(H) Last Name	Link
(I)	Mail Address of Contact Person			175 Berkeley Street (Street and Number of P.O. Box)		
(J)	City	Boston	(K) State	MA	(L) Zip	02116
(M)	Phone Number of RBC Contact Person	617-357-9500	Extension	45668	Email	Douglas.Link@LibertyMutual.com
(N)	Date Prepared	01/31/2011				
(O)	Preparer (if different than Contact)	First Name		Middle Name		Last Name
(P)	Is this filing an Original, Amended or Refiling?	Original				
(P1)	If Amended, Amendment Number:					
(Q)	Were any items that come directly from the annual statement entered manually to prepare this filing? (Yes/No)	Yes				
	Officers Name:	Gary Richard Gregg		Dexter Robert Legg		Michael Joseph Fallon
	Officers Title:	President and Chief Executive Officer		Secretary		Treasurer and Chief Financial Officer

Each says that they are the above described officers of the said insurer, and that this risk-based capital report is a true and fair representation of the company's affairs and has been completed in accordance with the NAIC instructions according to the best of their information, knowledge and belief, respectively.

(Signature) (Signature) (Signature)

PR001

DETAILS FOR AFFILIATED BONDS AND STOCKS - PR002

	(1) Name of Affiliate	(2) Affil Type	(3) NAIC Company Code or Alien ID Number	(4) Affiliate's RBC After Covariance *	(5) Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock **	(6) Valuation Basis of Column (5) F - Fair Value A - All Other	(7) Total Value of Affiliate's Outstanding Common Stock	(8) Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	(9) Percent Owned	(10) Book/Adjusted Carrying Value (statement value) of Affiliate's Preferred Stock	(11) Total Value of Affiliate's Outstanding Preferred Stock	(12) Percent Owned	(13) Book/Adjusted Carrying Value (statement value) of Affiliate's Bonds	(14) Total Value of Affiliate's Outstanding Bonds	(15) Percent Owned	(16) RBC Required	(17) Fair Value Excess Component Affiliate Common Stock Stock RBC Required
9999999	Total	XXX	XXX	0	0	XXX	XXX	XXX	XXX	0	XXX	XXX	0	XXX	XXX	0	0

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS - PR003

	Affiliate Types	Affiliate Code	RBC Basis	(1) Number of Companies	(2) RBC Required for Affiliated Common Stock	(3) RBC Required for Affiliated Preferred Stock	(4) RBC Required for Affiliated Bonds	(5) Total RBC Required
(1)	Directly owned P&C Insurance Affiliates	1	Sub's RBC After Covariance	0	0	0	0	0
(2)	Directly Owned Life Insurance Affiliates	2	Sub's RBC After Covariance	0	0	0	0	0
(3)	Directly Owned Health Insurance Affiliates	3	Sub's RBC After Covariance	0	0	0	0	0
(4)	Indirectly Owned P&C Insurance Affiliates	4	Sub's RBC After Covariance	0	0	0	0	0
(5)	Indirectly Owned Life Insurance Affiliates	5	Sub's RBC After Covariance	0	0	0	0	0
(6)	Indirectly Owned Health Insurance Affiliates	6	Sub's RBC After Covariance	0	0	0	0	0
(7)	Investment Subsidiary	7	Sub's RBC After Covariance	0	0	0	0	0
(8)	Directly Owned Alien Insurance Affiliates	8	0.5	0	0	0	0	0
(9)	Indirectly Owned Alien Insurance Affiliates	9	0.5	0	0	0	0	0
(10)	Holding Company in Excess of Indirect Subs	10	0.225	0	0	0	0	0
(11)	Investment in Parent	11	0.225	0	0	0	0	0
(12)	Other Affiliate - P&C Ins Not Subj to RBC	12	0.225	0	0	0	0	0
(13)	Other Affiliate - Life Ins Not Subj to RBC	13	0.225	0	0	0	0	0
(14)	Other Affiliate - Health Insurance Not Subj to RBC	14	0.225	0	0	0	0	0
(15)	Other Affiliate - Non-insurer	15	0.225	0	0	0	0	0
(16)	Total			0	0	0	0	0

SUMMARY FOR SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS
FOR CROSS-CHECKING STATEMENT VALUES - PR004

Affiliated Preferred Stock

	Schedule D Part 6 Section 1 C8	Annual Statement Line Number	(1) Annual Statement Total Preferred Stock	(2) Total From RBC Report	(3) Difference
(1)	Parent	0199999	0	0	0
(2)	U.S. P&C Insurer	0299999	0	0	0
(3)	U.S. Life Insurer	0399999	0	0	0
(4)	U.S. Health Insurer	0499999	0	0	0
(5)	Alien Insurer	0599999	0	0	0
(6)	Non-Insurer Which Controls Insurer	0699999	0	0	0
(7)	Investment Subsidiary	0799999	0	0	0
(8)	Other Affiliates	0899999	0	0	0
(9)	Subtotal	0999999	0	0	0

Affiliated Common Stock

	Schedule D Part 6 Section 1 C8	Annual Statement Line Number	(1) Annual Total Common Stock	(2) Total From RBC Report	(3) Difference
(10)	Parent	1099999	0	0	0
(11)	U.S. P&C Insurers	1199999	0	0	0
(12)	U.S. Life Insurers	1299999	0	0	0
(13)	U. S. Health Entity	1399999	0	0	0
(14)	Alien Insurer	1499999	0	0	0
(15)	Non-Insurer Which controls Insurers	1599999	0	0	0
(16)	Investment Subsidiary	1699999	0	0	0
(17)	Other Affiliates	1799999	0	0	0
(18)	Subtotal	1899999	0	0	0
(19)	Affiliated Bonds (Check to Schedule D, Part 1A, Section 1, C 6, L 9.7)		0	0	0

UNAFFILIATED BONDS - PR005

		Annual Statement Source Sch D Pt 1A Sn 1	(1) Book / Adjusted Carrying Value	Factor	(2) RBC Requirement
(1)	Class 01 - U.S. Government - Direct and Guaranteed	Column 6 Line 1.1	47,754,630	0.000	0
(2)	Class 01 - U.S. Government Agency NOT BACKED BY FULL FAITH AND CREDIT OF THE US GOVERNMENT	Included in Column 6, Line 10.1 - Line 9.1	18,496,076	0.003	55,488
(3)	Total Class 01 Bonds	Column 6 Line 10.1 - Line 8.1	146,717,952		
(4)	Affiliated Class 01 Bonds	Column 6 Line 9.1	0		
(5)	Total Other Class 01 Unaffiliated Bonds	L(3)-L(4)-L(1)-L(2)	80,467,246	0.003	241,402
(6)	Total Class 02 Bonds	Column 6 Line 10.2 - Line 8.2	6,179,857		
(7)	Affiliated Class 02 Bonds	Column 6 Line 9.2	0		
(8)	Total Class 02 Unaffiliated bonds	L(6)-L(7)	6,179,857	0.010	61,799
(9)	Total Class 03 Bonds	Column 6 Line 10.3 - Line 8.3	0		
(10)	Affiliated Class 03 Bonds	Column 6 Line 9.3	0		
(11)	Total Class 03 Unaffiliated bonds	L(9) - L(10)	0	0.020	0
(12)	Total Class 04 Bonds	Column 6 Line 10.4 - Line 8.4	0		
(13)	Affiliated Class 04 Bonds	Column 6 Line 9.4	0		
(14)	Total Class 04 Unaffiliated bonds	L(12) - L(13)	0	0.045	0
(15)	Total Class 05 Bonds	Column 6 Line 10.5 - Line 8.5	0		
(16)	Affiliated Class 05 Bonds	Column 6 Line 9.5	0		
(17)	Total Class 05 Unaffiliated bonds	L(15) - L(16)	0	0.100	0
(18)	Total Class 06 Bonds	Column 6 Line 10.6 - Line 8.6	42,977		
(19)	Affiliated Class 06 Bonds	Column 6 Line 9.6	0		
(20)	Total Class 06 Unaffiliated bonds	L(18) - L(19)	42,977	0.300	12,893
(21)	Subtotal - Bonds Subject to Bond Size Factor L(5) + L(8) + L(11) + L(14) + L(17) + L(20)		86,690,080		316,094
(22)	Number of Issuers		68		
(23)	Bond Size Factor				1.182
(24)	Bond Size Factor RBC = L(21) x L(23)				373,623
(25)	Total Unaffiliated Bonds RBC = L(1) + L(2) + L(21) + L(24)		152,940,786		745,205

PR005

UNAFFILIATED PREFERRED AND COMMON STOCK - PR006

		Annual Statement Source	(1) Book / Adjusted Carrying Value	Factor	(2) RBC Requirement
	Unaffiliated Preferred Stock				
(1)	Class 01 Preferred Stock	Sch D Pt 2 Sn 1	0	0.003	0
(2)	Class 02 Preferred Stock	Sch D Pt 2 Sn 1	0	0.010	0
(3)	Class 03 Preferred Stock	Sch D Pt 2 Sn 1	0	0.020	0
(4)	Class 04 Preferred Stock	Sch D Pt 2 Sn 1	0	0.045	0
(5)	Class 05 Preferred Stock	Sch D Pt 2 Sn 1	0	0.100	0
(6)	Class 06 Preferred Stock	Sch D Pt 2 Sn 1	0	0.300	0
(7)	SUBTOTAL - UNAFFILIATED PREFERRED STOCK (should equal P2 L2.1 C3 less Sch D-Sum C1 L18)	Sum of Ls(1) through (6)	0		0
	Hybrid Securities				
(8)	Class 01 Hybrid Securities	Sch D Pt 1A Sn 1 C(6) L(8.1)	0	0.003	0
(9)	Class 02 Hybrid Securities	Sch D Pt 1A Sn 1 C(6) L(8.2)	0	0.010	0
(10)	Class 03 Hybrid Securities	Sch D Pt 1A Sn 1 C(6) L(8.3)	0	0.020	0
(11)	Class 04 Hybrid Securities	Sch D Pt 1A Sn 1 C(6) L(8.4)	0	0.045	0
(12)	Class 05 Hybrid Securities	Sch D Pt 1A Sn 1 C(6) L(8.5)	0	0.100	0
(13)	Class 06 Hybrid Securities	Sch D Pt 1A Sn 1 C(6) L(8.6)	0	0.300	0
(14)	SUBTOTAL - HYBRID SECURITIES	Sum of Ls(8) through (13)	0		0
(15)	Total Unaffiliated Preferred Stock and Hybrid Securities	Line (7) + Line (14)	0		0
	Unaffiliated Common Stock				
(16)	Non-government money market funds	Sch D Pt2 Sn 2 C6 L9399999	0	0.003	0
(17)	Total Common Stock	Sch D - Summary C1 L25	12,430		
(18)	Affiliated Common Stock	Sch D - Summary C1 L24	0		
(19)	Non-admitted Unaffilated Common Stock	P2 C2 L2.2 in part	0		
(20)	Other Admitted Unaffiliated Common Stock	L(17) - L(16) - L(18) - L(19)	12,430	0.150	1,865
(21)	Fair Value Excess Affiliated Common Stock	PR002 C(17) L(9999999)			0
(22)	Total Admitted Unaffiliated Common Stock	L(16) + L(20) + L(21)	12,430		1,865

OTHER LONG-TERM ASSETS - PR007

		Annual Statement Source	(1) Book / Adjusted Carrying Value	Factor	(2) RBC Requirement
(1)	Company Occupied Real Estate	P2 L4.1 C3	0	0.100	0
(2)	Encumbrances	P2 L4.1, inside item	0	0.100	0
(3)	Property Held For the Production of Income	P2 L4.2 C3	0	0.100	0
(4)	Property Held For Sale	P2 L4.3 C3	0	0.100	0
(5)	Encumbrances (Property Held For the Production of Income)	P2 L4.2, inside item	0	0.100	0
(6)	Encumbrances (Property Held For Sale)	P2 L4.3, inside item	0	0.100	0
(7)	Total Real Estate	L(1) + L(2) + L(3) + L(4) + L(5) + L(6)	0		0
(8)	Mortgage Loans - First Liens	P2 L3.1 C3	0	0.050	0
(9)	Mortgage Loans - Other Than First Liens	P2 L3.2 C3	0	0.050	0
(10)	Total Mortgage Loans	L(8) + L(9)	0		0
(11)	Schedule BA Assets - Total	P2 L8 C3	0		
(12)	Less: Collateral Loans	PR008 L(14)	0		
(13)	Schedule BA Assets Excluding Collateral Loans	L(11) - L(12)	0	0.200	0
(14)	Total Other Long-Term Assets	L(7) + L(10) + L(13)	0		0

MISCELLANEOUS ASSETS - PR008

		Annual Statement Source	(1) Book / Adjusted Carrying Value	Factor	(2) RBC Requirement
(1)	Receivable for Securities	P2 C3 L9	92	0.050	5
(2)	Aggregate W/I for Invest Assets	P2 C3 L11	0	0.050	0
(3)	Cash	P2 L5, inside amt 1	112,675	0.003	338
(4)	Cash Equivalents	P2 L5, inside amt 2	0		
(5)	Less: Cash Equivalents, Bonds included in Schedule D, Part 1A	Sch E Pt 2 C6 L8399999 in part	0		
(6)	New Cash Equivalents	L(4) - L(5)	0	0.003	0
(7)	Short-Term Investments	P2 L5, inside amt 3	7,500,404		
(8)	Less Short-Term Bonds*	Sch DA Pt 1 C8 L8399999	2,290,784		
(9)	Less Exempt Money Market Mutual Funds*	Sch DA Pt 1 C8 L8899999	5,209,620		
(10)	Less Class One Money Market Mutual Funds*	Sch DA Pt 1 C8 L8999999	0		
(11)	Total Other Short-Term Investments	L(7) - L(8) - L(9) - L(10)	0	0.003	0
(12)	Collateral Loans	Sch BA Pt 1 C12 L2399999 + L2499999	0		
(13)	Less: Non-admitted Collateral Loans	P2 L8 C2 in part	0		
(14)	Net admitted Collateral Loans	L(12) - L(13)	0	0.050	0
(15)	Derivatives	P2 C3 L7	0	0.050	0
(16)	Total Miscellaneous Assets	L(1) + L(2) + L(3) + L(6) + L(11) + L(14) + L(15)	112,767		343

* These bonds appear in Schedule D Part 1A Section 1 and are already recognized in the Bonds portion of the formula.

REPLICATION (SYNTHETIC ASSET) TRANSACTIONS AND MANDATORILY CONVERTIBLE SECURITIES - PR009

	(1) RSAT Number	(2) Type	(3) CUSIP	(4) Description of Assets	(5) NAIC Designation or Other Description of Asset	(6) Value of Asset	(7) RBC Requirement
9999999	Total	XXX	XXX	XXX	XXX	0	0

ASSET CONCENTRATION FACTOR - PR010

Issuer # 01 NEVADA IRRIGATION DISTRICT

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	1,956,142	0.010	19,561
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	0	0.050	0
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	1,956,142		19,561
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	0	0.150	0
(23)	SUBTOTAL - EQUITY	0		0
(24)	TOTAL - ISSUER # (L7 + L23)	1,956,142		19,561

ASSET CONCENTRATION FACTOR - PR010

Issuer # 02 YUM! BRANDS INC

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	1,167,994	0.010	11,680
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	0	0.050	0
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	1,167,994		11,680
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	0	0.150	0
(23)	SUBTOTAL - EQUITY	0		0
(24)	TOTAL - ISSUER # (L7 + L23)	1,167,994		11,680

ASSET CONCENTRATION FACTOR - PR010

Issuer # 03 ROPER INDUSTRIES INC

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	1,095,236	0.010	10,952
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	0	0.050	0
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	1,095,236		10,952
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	0	0.150	0
(23)	SUBTOTAL - EQUITY	0		0
(24)	TOTAL - ISSUER # (L7 + L23)	1,095,236		10,952

PR010

ASSET CONCENTRATION FACTOR - PR010

Issuer # 04 | IN ST OFFC-E-SOUTHEAS

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	1,023,149	0.010	10,231
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	0	0.050	0
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	1,023,149		10,231
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	0	0.150	0
(23)	SUBTOTAL - EQUITY	0		0
(24)	TOTAL - ISSUER # (L7 + L23)	1,023,149		10,231

ASSET CONCENTRATION FACTOR - PR010

Issuer # 05 YUBA COUNTY, CA WATER

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	932,722	0.010	9,327
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	0	0.050	0
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	932,722		9,327
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	0	0.150	0
(23)	SUBTOTAL - EQUITY	0		0
(24)	TOTAL - ISSUER # (L7 + L23)	932,722		9,327

ASSET CONCENTRATION FACTOR - PR010

Issuer # 06 FACILITY INS HLDGS CORP

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	0	0.010	0
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	0	0.050	0
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	0		0
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	12,430	0.150	1,865
(23)	SUBTOTAL - EQUITY	12,430		1,865
(24)	TOTAL - ISSUER # (L7 + L23)	12,430		1,865

ASSET CONCENTRATION FACTOR - PR010

Issuer # 07 NOMURA SECURITIES

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	0	0.010	0
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	9,196	0.050	460
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	9,196		460
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	0	0.150	0
(23)	SUBTOTAL - EQUITY	0		0
(24)	TOTAL - ISSUER # (L7 + L23)	9,196		460

ASSET CONCENTRATION FACTOR - PR010

Issuer # 08 NC EASTERN MUNI PWR

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	4,614	0.010	46
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	0	0.050	0
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	4,614		46
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	0	0.150	0
(23)	SUBTOTAL - EQUITY	0		0
(24)	TOTAL - ISSUER # (L7 + L23)	4,614		46

ASSET CONCENTRATION FACTOR - PR010

Combined Totals:
All Issuers

GRAND TOTAL

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	6,179,857	0.010	61,797
(2)	Class 3 Unaffiliated Bonds	0	0.020	0
(3)	Class 4 Unaffiliated Bonds	0	0.045	0
(4)	Class 5 Unaffiliated Bonds	0	0.100	0
(5)	Collateral Loans	9,196	0.050	460
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	6,189,053		62,257
(8)	Class 02 Preferred Stock	0	0.010	0
(9)	Class 03 Preferred Stock	0	0.020	0
(10)	Class 04 Preferred Stock	0	0.045	0
(11)	Class 05 Preferred Stock	0	0.100	0
(12)	Class 02 Hybrid Securities	0	0.010	0
(13)	Class 03 Hybrid Securities	0	0.020	0
(14)	Class 04 Hybrid Securities	0	0.045	0
(15)	Class 05 Hybrid Securities	0	0.100	0
(16)	Property Held For Production of Income Excluding Home Office	0	0.100	0
(17)	Property Held For Production of Income Encumbrance Excluding Home Office	0	0.100	0
(18)	Schedule BA Assets	0	0.100	0
(19)	Receivable for Securities	0	0.050	0
(20)	Aggregate Write-Ins for Invested Assets	0	0.050	0
(21)	Derivatives	0	0.050	0
(22)	Unaffiliated Common Stock	12,430	0.150	1,865
(23)	SUBTOTAL - EQUITY	12,430		1,865
(24)	TOTAL - ISSUER # (L7 + L23)	6,201,483		64,122

PR010

CREDIT RISK FOR RECEIVABLES - PR011

	Reinsurance Recoverables	Annual Statement Source	(1) Statement Value	(2) Applicable Penalty †	(3) Amount Subject to RBC C(1) - C(2)	Factor	(4) RBC Requirement
(1)	Authorized Alien Affiliates	Sch F Pt 3, C15, L0399999	0 *	0	0	0.100	0
(2)	Authorized U.S. Unaffiliated Insurers	Sch F Pt 3, C15, L0599999	0 *	0	0	0.100	0
(3)	Authorized Voluntary Pools	Sch F Pt 3, C15, L0799999	0 *	0	0	0.100	0
(4)	Authorized Alien Unaffiliates	Sch F Pt 3, C15, L0899999	0 *	0	0	0.100	0
(5)	Unauthorized Alien Affiliates	Sch F Pt 3, C15, L1299999	0 *	0	0	0.100	0
(6)	Unauthorized U.S. Unaffiliated Insurers	Sch F Pt 3, C15, L1499999	0 *	0	0	0.100	0
(7)	Unauthorized Voluntary Pools	Sch F Pt 3, C15, L1699999	0 *	0	0	0.100	0
(8)	Unauthorized Alien Unaffiliates	Sch F Pt 3, C15, L1799999	0 *	0	0	0.100	0
(9)	Total Reinsurance Recoverables		0	0	0		0
(10)	Federal Income Tax Recoverable	P2 C3 L18.1 + L18.2	4,432,235			0.050	221,612
(11)	Guaranty Funds Receivable or on Deposit	P2 C3 L19	135,175			0.050	6,759
(12)	Investment Income Due & Accrued	P2 C3 L14	1,344,284			0.010	13,443
(13)	Recov from Parent, Subs, Affils	P2 C3 L23	6,016,591			0.050	300,830
(14)	Amts Receive relating to Uninsured A&H Plans	P2 C3 L17	0			0.050	0
(15)	Aggregate W/I for Other Than Invest Assets	P2 C3 L25	700,921			0.050	35,046
(16)	Total Credit RBC=C3 L(09) + Sum of C1 L(10) through L(15)		12,629,206				577,690

* Schedule F data should be brought to full dollar amount by multiplying 1000.

† Column 2 Line 9: Applicable Penalty for Total Reinsurance Recoverables should equal AST page 3 Line 16 less PR035 line 1 through line 3.

HEALTH CREDIT RISK - PR012

		PRBC Statement Source	(1) Amount	Factor	(2) RBC Requirement
	Capitations to Intermediaries				
(1)	Total Capitations Paid Directly to Providers	PR020 Underwriting Risk Managed Care Credit Col (2) Line (5)	0		
(2)	Less Secured Capitations to Providers	Company Records	0 *		
(3)	Net Capitations to Providers Subject to Credit Risk Charge	L(1) - L(2)	0	0.020	0
(4)	Total Capitations to Intermediaries	PR020 Column (2) Lines (6) + (7)	0		
(5)	Less Secured Capitations to Intermediaries	Company Records	0 *		
(6)	Net Capitations to Intermediaries Subject to Credit Risk Charge	L(4) – L(5)	0	0.040	0
(7)	Capitation Credit Risk RBC	L(3) + L(6)			0
	Health ASO/ASC Credit Risk				
(8)	ASC Claims Reported as Incurred Claims	Company Records	0	0.010	0
(9)	Other Medical Costs Paid through ASC Arrangements	Company Records	0	0.010	0
(10)	Fee-for Service Received from Health Insurer	Company Records	0	0.010	0
(11)	Total Health ASO/ASC Credit Risk	L(8) + L(9) + L(10)			0
(12)	Total Health Credit Risk	L(7) + L(11)			0

* Enter amounts of secured capitation in PRCPT.

MISCELLANEOUS OFF-BALANCE SHEET ITEMS - PR013

			(1)		(2)
	Non-controlled Assets	Annual Statement Source	Statement Value	Factor	RBC Requirement
(1)	Loaned to Others - Conforming Securities Lending Programs	General Interrogatories Part 1 L23.5	22,351,579	0.002	44,703
(2)	Loaned to Others - Securities Lending Programs - Other	General Interrogatories Part 1 L23.6	0	0.010	0
(3)	Subject to Repurchase Agreements	General Interrogatories Part 1 L24.21	0	0.010	0
(4)	Subject to Reverse Repurchase Agreements	General Interrogatories Part 1 L24.22	0	0.010	0
(5)	Subject to Dollar Repurchase Agreements	General Interrogatories Part 1 L24.23	0	0.010	0
(6)	Subject to Reverse Dollar Repurchase Agreements	General Interrogatories Part 1 L24.24	0	0.010	0
(7)	Pledged as Collateral	Company Records	0	0.010	0
(8)	Assets Placed Under Option Agreements	General Interrogatories Part 1 L24.26	0	0.010	0
(9)	Letter Stock or Other Securities Restricted	General Interrogatories Part 1 L24.27	0	0.010	0
(10)	On Deposit with State or Other Regulatory Body	General Interrogatories Part 1 L24.28	41,719,603	0.010	417,196
(11)	Other	General Interrogatories Part 1 L24.29	0	0.010	0
(12)	Total Non-controlled Assets	Sum of L(1) through L(11)	64,071,182		461,899
(13)	Guarantees for Affiliates	Notes to Financial Statements Item 10e	0	0.010	0
(14)	Contingent Liabilities	Notes to Financial Statements Item 14a1 + Item 27a Amount 2 Unrecorded Loss Contingencies	974,888	0.010	9,749
(15)	Total Miscellaneous Off Balance Sheet Items=L(12) + L(13) + L(14)		65,046,070		471,648

PR014

OFF-BALANCE SHEET COLLATERAL - PR014
(Including Schedule DL, Part 1 Assets)

	Asset Category	Annual Statement Source	(1) Book / Adjusted Carrying Value	Factor	(2) RBC Requirement
	Fixed Income Assets - Bonds				
(1)	Class 01 - U.S. Government - Direct and Guaranteed	Company Records	22,128,129	0.000	0
(2)	Other Class 01 Bonds	Company Records	214,254	0.003	643
(3)	Total Class 01 Bonds	L(1) + L(2)	22,342,383		643
(4)	Total Class 02 Bonds	Company Records	9,196	0.010	92
(5)	Total Class 03 Bonds	Company Records	0	0.020	0
(6)	Total Class 04 Bonds	Company Records	0	0.045	0
(7)	Total Class 05 Bonds	Company Records	0	0.100	0
(8)	Total Class 06 Bonds	Company Records	0	0.300	0
(9)	Total Bonds	L(3) + L(4) + L(5) + L(6) + L(7) + L(8)	22,351,579		735
	Equity Assets - Preferred Stock - Unaffiliated				
(10)	Class 01 Unaffiliated Preferred Stock	Company Records	0	0.003	0
(11)	Class 02 Unaffiliated Preferred Stock	Company Records	0	0.010	0
(12)	Class 03 Unaffiliated Preferred Stock	Company Records	0	0.020	0
(13)	Class 04 Unaffiliated Preferred Stock	Company Records	0	0.045	0
(14)	Class 05 Unaffiliated Preferred Stock	Company Records	0	0.100	0
(15)	Class 06 Unaffiliated Preferred Stock	Company Records	0	0.300	0
(16)	Total Unaffiliated Preferred Stock	L(10) + L(11) + L(12) + L(13) + L(14) + L(15)	0		0
(17)	Common Stock	Company Records	0	0.150	0
(18)	Schedule BA - Other Invested Assets	Company Records	0	0.200	0
(19)	Other Invested Assets	Company Records	0	0.200	0
(20)	Total	L(9) + L(16) + L(17) + L(18) + L(19)	22,351,579		735

EXCESSIVE PREMIUM GROWTH - PR015

		(1) Company Gross Written Premiums *	(2) Company Adjustments	(3) Group Gross Written Premiums *	(4) Group Adjustments	(5) Selected Adjusted Gross Written Premium	(6) Statement Value	(7) Factor	(8) RBC Requirement
(1)	2010	284,224,514	0	26,030,446,181	152,127,952	25,878,318,229	XXX		XXX
(2)	2009	274,633,564	0	25,445,584,575	217,009,282	25,228,575,293	XXX		XXX
(3)	2008	330,509,071	0	27,049,736,358	336,259,149	26,713,477,209	XXX		XXX
(4)	2007	358,934,948	0	26,779,856,752	465,578,318	26,314,278,434	XXX		XXX

		(6) Statement Value	(7) Factor	(8) RBC Requirement
(5)	2010 Growth Rate=[L(1)-L(2)]/L(2)		0.026	
(6)	2009 Growth Rate=[L(2)-L(3)]/L(3)		(0.056)	
(7)	2008 Growth Rate=[L(3)-L(4)]/L(4)		0.015	
(8)	Three Year Average Growth Rate		(0.005)	
(9)	Two Year Average Growth Rate		(0.015)	
(10)	One Year Average Growth Rate		0.026	
(11)	Selected Average Growth Rate		(0.005)	
(12)	RBC Average Growth Rate = L(11) - 10%, capped to fall between 0% and 30%		0.000	
(13)	Excessive Growth Charge Applied to Loss/Expense Reserve from Schedule P Summary C24 L12 x 1000 (in whole dollars)	87,391,000	0.000	0
(14)	Excessive Growth Charge Applied to Net Written Premiums from U&I Exhibit Pt 1B C6 L35	84,363,752	0.000	0

* Enter Company and Group Gross Written Premiums in PR036.

Footnote	Name of Involuntary Residual Market (For Servicing Carrier only)	Adjustment Amount
(0000001)	Servicing Carrier	152,127,952
(0000002)	Servicing Carrier	217,009,282
(0000003)	Servicing Carrier	336,259,149
(0000004)	Servicing Carrier	465,578,318
(9999999)	Total	1,170,974,701

UNDERWRITING RISK - RESERVES - PR016

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Sch P Line of Business	H/F	PPA	CA	WC	CMP	MPL OCCURRENCE	MPL CLMS MADE	SL	OL	FIDELITY / SURETY
(1)	INDUSTRY AVERAGE DEVELOPMENT	0.984	0.992	1.015	1.005	0.962	1.213	0.981	0.998	0.959	1.253
(2)	COMPANY DEVELOPMENT	0.985	0.949	0.938	0.993	0.919	1.213	0.981	0.998	0.691	0.776
(3)	(2)/(1)	1.001	0.957	0.924	0.988	0.955	1.000	1.000	1.000	0.721	0.619
(4)	INDUSTRY LOSS & EXPENSE RBC %	0.201	0.192	0.230	0.324	0.465	0.431	0.306	0.257	0.511	0.325
(5)	COMPANY RBC % (4)*(3)*.5+(4)*.5	0.201	0.188	0.221	0.322	0.455	0.431	0.306	0.257	0.440	0.263
(6)	LOSS +EXPENSE UNPAID SCH. P PART 1 (in 000s)	3,806	13,280	8,722	24,827	20,156	29	4	1	10,299	2,782
(7)	OTHER DISCOUNT AMOUNT NOT INCLUDED IN LOSS+EXP	0	0	0	0	0	0	0	0	0	0
(8)	ADJUSTMENT FOR INVESTMENT INCOME	0.938	0.928	0.911	0.830	0.876	0.865	0.883	0.890	0.852	0.940
(9)	CASE LOSS+EXPENSE RESERVE RISK-BASED CAPITAL (000's) MAX [0,[((5)+1)*(8)-1]*[(6)+(7)]] zero if Line [(6)+(7)] is negative	482	1,361	980	2,415	5,534	7	1	0	2,337	521
(10)	% DIRECT LOSS SENS	0.0	0.0	0.0	12.6	0.0	0.0	0.0	0.0	0.0	0.0
(11)	% ASSUMED LOSS SENS	0.0	0.0	0.0	12.6	0.0	0.0	0.0	0.0	0.0	0.0
(12)	LOSS SENSITIVE DISCOUNT (in 000s)	0	0	0	137	0	0	0	0	0	0
(13)	LOSS+EXPENSE RBC AFTER DSCT (in 000s) L(09) - L(12)	482	1,361	980	2,278	5,534	7	1	0	2,337	521
(14)	LOSS CONCEN FACTOR										
(15)	NET LOSS+EXPENSE RBC x1000 (converted to whole dollars)										

PR016

UNDERWRITING RISK - RESERVES - PR016 - Continued

	Sch P Line of Business	(11) SPECIAL PROPERTY	(12) AUTO PHYSICAL DAMAGE	(13) OTHER (CREDIT,A&H)	(14) FINANCIAL / MORTGAGE GUARANTY	(15) INTL	(16) REIN. PROPERTY & FINANCIAL LINES	(17) REIN. LIABILITY	(18) PL	(19) WARRANTY	(20) TOTAL
(1)	INDUSTRY AVERAGE DEVELOPMENT	1.144	1.155	1.277	0.841	1.102	0.965	1.304	1.063	1.717	XXX
(2)	COMPANY DEVELOPMENT	0.972	0.997	0.623	0.841	1.102	0.965	1.304	1.063	1.717	XXX
(3)	(2)/(1)	0.850	0.863	0.488	1.000	1.000	1.000	1.000	1.000	1.000	XXX
(4)	INDUSTRY LOSS & EXPENSE RBC %	0.191	0.112	0.172	0.200	0.327	0.286	0.769	0.643	0.325	XXX
(5)	COMPANY RBC % (4)*(3)*.5+(4)*.5	0.177	0.104	0.128	0.200	0.327	0.286	0.769	0.643	0.325	XXX
(6)	LOSS +EXPENSE UNPAID SCH. P PART 1 (in 000s)	676	554	400	0	0	0	1,601	254	0	87,391
(7)	OTHER DISCOUNT AMOUNT NOT INCLUDED IN LOSS+EXP	0	0	0	0	0	0	0	0	0	0
(8)	ADJUSTMENT FOR INVESTMENT INCOME	0.966	0.976	0.967	0.926	0.874	0.901	0.838	0.841	0.940	XXX
(9)	CASE LOSS+EXPENSE RESERVE RISK-BASED CAPITAL (00	93	43	36	0	0	0	772	97	0	14,679
(10)	% DIRECT LOSS SENS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	XXX
(11)	% ASSUMED LOSS SENS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	XXX
(12)	LOSS SENSITIVE DISCOUNT (in 000s)	0	0	0	0	0	0	0	0	0	137
(13)	LOSS+EXPENSE RBC AFTER DSCT (in 000s) L(09) - L(12)	93	43	36	0	0	0	772	97	0	14,542
(14)	LOSS CONCEN FACTOR										0.785
(15)	NET LOSS+EXPENSE RBC x1000 (converted to whole dollars)										11,415,470

UNDERWRITING RISK - NET WRITTEN PREMIUMS - PR017

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Sch P Line of Business	H/F	PPA	CA	WC	CMP	MPL OCCURRENC	MM CLMS MADE	SL	OL	FIDELITY / SURETY
(1)	INDUSTRY AVERAGE LOSS & EXPENSE RATIO	0.736	0.815	0.705	0.780	0.674	1.031	0.860	0.582	0.687	0.584
(2)	COMPANY AVERAGE LOSS & EXPENSE RATIO	0.686	0.763	0.625	0.826	0.634	1.031	0.860	0.582	0.504	0.285
(3)	(2)/(1)	0.932	0.936	0.887	1.059	0.941	1.000	1.000	1.000	0.734	0.488
(4)	INDUSTRY LOSS & EXPENSE RATIO	0.937	0.969	0.988	1.033	0.921	1.822	1.092	0.904	1.042	0.883
(5)	COMPANY RBC LOSS & EXPENSE RATIO (3)*(4)*0.5+(4)*0.5	0.905	0.938	0.932	1.063	0.894	1.822	1.092	0.904	0.903	0.657
(6)	COMPANY UNDERWRITING EXPENSE RATIO	0.329	0.329	0.329	0.329	0.329	0.329	0.329	0.329	0.329	0.329
(7)	ADJUSTMENT FOR INVESTMENT INCOME	0.954	0.925	0.890	0.839	0.896	0.767	0.827	0.898	0.816	0.904
(8)	C/Y NET WRITTEN PREMIUM (in 000s)	12,711	15,751	6,752	7,246	14,839	6	1	2	4,558	5,845
(9)	BASE WRITTEN PREMIUM RISK-BASED CAPITAL (in 000s) MAX [	2,445	3,097	1,070	1,600	1,929	4	0	0	300	0
(10)	% DIRECT LOSS SENS WP	0.0	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0
(11)	% ASSUMED LOSS SENS WP	0.0	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0
(12)	LOSS SENSITIVE DSCT - WP (in 000s)	0	0	0	36	0	0	0	0	0	0
(13)	NWP RBC AFTER DSCT (in 000s)	2,445	3,097	1,070	1,564	1,929	4	0	0	300	0
(14)	PREMIUM CONCENTRATION FACTOR										
(15)	NET WRITTEN PREMIUM RBC x 1000 (converted to whole dollars)										

UNDERWRITING RISK - RESERVES - PR017 - Continued

	Sch P Line of Business	(11) SPECIAL PROPERTY	(12) AUTO PHYSICAL DAMAGE	(13) OTHER (CREDIT,A&H)	(14) FINANCIAL / MORTGAGE GUARANTY	(15) INTL	(16) REIN. PROPERTY & FINANCIAL LINES	(17) REIN. LIABILITY	(18) PL	(19) WARRANTY	(20) TOTAL
(1)	INDUSTRY AVERAGE LOSS & EXPENSE RATIO	0.565	0.692	0.691	0.738	0.954	0.828	1.010	0.747	0.860	XXX
(2)	COMPANY AVERAGE LOSS & EXPENSE RATIO	0.475	0.650	0.691	0.738	0.954	0.828	1.010	0.361	0.860	XXX
(3)	(2)/(1)	0.841	0.939	1.000	1.000	1.000	1.000	1.000	0.483	1.000	XXX
(4)	INDUSTRY LOSS & EXPENSE RATIO	0.941	0.843	0.893	1.482	1.169	1.349	1.507	1.214	0.883	XXX
(5)	COMPANY RBC LOSS & EXPENSE RATIO (3)*(4)*0.5+(4)*0.5	0.866	0.817	0.893	1.482	1.169	1.349	1.507	0.900	0.883	XXX
(6)	COMPANY UNDERWRITING EXPENSE RATIO	0.329	0.329	0.329	0.329	0.329	0.329	0.329	0.329	0.329	XXX
(7)	ADJUSTMENT FOR INVESTMENT INCOME	0.949	0.971	0.947	0.884	0.905	0.893	0.777	0.774	0.904	XXX
(8)	C/Y NET WRITTEN PREMIUM (in 000s)	4,356	12,185	(1)	0	0	0	0	113	0	84,364
(9)	BASE WRITTEN PREMIUM RISK-BASED CAPITAL (in 000s) MAX [	657	1,490	0	0	0	0	0	3	0	12,595
(10)	% DIRECT LOSS SENS WP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	XXX
(11)	% ASSUMED LOSS SENS WP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	XXX
(12)	LOSS SENSITIVE DSCT - WP (in 000s)	0	0	0	0	0	0	0	0	0	36
(13)	NWP RBC AFTER DSCT (in 000s)	657	1,490	0	0	0	0	0	3	0	12,559
(14)	PREMIUM CONCENTRATION FACTOR										0.756
(15)	NET WRITTEN PREMIUM RBC x 1000 (converted to whole dollars)										9,494,604

PR017

HEALTH PREMIUMS - PR018

		Annual Statement Source	(1) Statement Value	Factor		(2) RBC Requirement
	Medical Insurance Premiums - Individual Morbidity					
(1)	Usual and Customary Major Medical and Hospital	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(2)	Medicare Supplement	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(3)	Dental & Vision	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(3.1)	Stand-Alone Medicare Part D Coverage	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(3.2)	Supplemental benefits within Stand-Alone Part D Coverage	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.350		0
(4)	Hospital Indemnity and Specified Disease	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.035	*	0
(5)	AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(6)	Other Accident	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.050		0
	Medical Insurance Premiums - Group and Credit Morbidity					
(7)	Usual and Customary Major Medical, Hospital	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(8)	Dental & Vision	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(9)	Stop Loss and Minimum Premium	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.250		0
(10)	Medicare Supplement	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(10.1)	Stand-Alone Medicare Part D Coverage (see instructions for limits)	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		XXX
(10.2)	Supplemental benefits within Stand-Alone Part D Coverage	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.350		0
(11)	Hospital Indemnity and Specified Disease	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.035	*	0
(12)	AD&D (Maximum Retained Risk Per Life 0)	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(13)	Other Accident	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.050		0
(14)	Federal Employee Health Benefit Plan	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.000		0
	Disability Income Premium					
(15)	Noncancellable Disability Income - Individual Morbidity	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(16)	Other Disability Income - Individual Morbidity	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(17)	Disability Income - Credit Monthly Balance Plans	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(18)	Disability Income - Group Long-Term	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(19)	Disability Income - Credit Single Premium with Additional Reserve	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(20)	Disability Income - Credit Single Premium without Additional Reserve	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
(21)	Disability Income - Group Short-Term	Earned Premium (Schedule H Part 1 Line 2 in part)	0	‡		0
	Long-Term Care					
(22)	Noncancellable Long-Term Care Premium - Rate Risk**	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.100	**	0
(23)	Other Long-Term Care Premium ‡‡	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.000		0
	Health Premium With Limited Underwriting Risk					
(24)	ASC Business with Premium Revenue	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.000		0
	Other Health					
(25)	Other Health	Earned Premium (Schedule H Part 1 Line 2 in part)	0	0.120		0
(26)	Total Earned Premiums C(1), L(26) should equal Schedule H Part 1 Column 1 Line 2	Sum of Lines (1) through (25)	0			0
(27)	Additional Reserves for Credit Disability Plans	Company Records	0 §			
(28)	Additional Reserves for Credit Disability Plans, prior year	Company Records	0 §			

† The premium amounts in these lines are transferred to PR019 Underwriting Risk – Premium Risk for Comprehensive Medical, Medicare Supplement and Dental & Vision and Stand-Alone Medicare Part D Coverage *Lines (1.1) and (1.2) for the calculation of risk-based capital. The premium amounts are included here to assist in the balancing of total health premium. If managed care arrangements have been entered into,* the company may also complete PR020 Underwriting Risk – Managed Care Credit. In which case, the company will also need to complete PR011 Health Credit Risk in the formula. If there are amounts in any of lines (1), (2), (3), (7), (8) or (10) on page PR018 Health Premiums, the company will also be directed to complete the Health Administrative Expense portion of PR021.

‡ *The two tiered calculation is illustrated in the risk-based capital instructions for PR018 Health Premiums.*

‡‡ The balance of the RBC requirement for Long Term Care - Morbidity Risk is calculated on Page PR022. The premium is shown to allow totals to check to Schedule H.

* If there is premium included on either or both of these lines, the RBC value in Column (2) will include 3.5% of such premium and $50,000 (included in the line with the larger premium).

** The factor applies to all Noncancellable premium.

§ These amounts are used to adjust the premium base for single premium credit disability plans that carry additional tabular reserves.

UNDERWRITING RISK - PREMIUM RISK FOR COMPREHENSIVE MEDICAL, MEDICARE SUPPLEMENT AND DENTAL & VISION - PR019

(Experience Fluctuation Risk in Life RBC Formula)

	Line of Business	(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand - Alone Medicare Part D Coverage	(5) Total
(1.1)	Premium – Individual	0	0	0	0	0
(1.2)	Premium – Group	0	0	0	0	0
(1.3)	Premium – Total = Line (1.1) + Line (1.2)	0	0	0	0	0
(2)	Title XVIII-Medicare †	0	XXX	0	0	0
(3)	Title XIX-Medicaid †	0	XXX	0	0	0
(4)	Other Health Risk Revenue †	0	XXX	0	0	0
(5)	Underwriting Risk Revenue = Lines (1.3) + (2) + (3) + (4)	0	0	0	0	0
(6)	Net Incurred Claims	0	0	0	0	0
(7)	Fee-for-Service Offset †	0	XXX	0	0	0
(8)	Underwriting Risk Incurred Claims = Line (6) – Line (7)	0	0	0	0	0
(9)	Underwriting Risk Claims Ratio = Line (8) / Line (5)	0.000	0.000	0.000	0.000	XXX
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium ‡	0.150	0.105	0.120	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount ‡	0.090	0.067	0.076	0.151	XXX
(10.3)	Composite Underwriting Risk Factor	0.000	0.000	0.000	0.000	XXX
(11)	Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)	0	0	0	0	0
(12)	Managed Care Discount Factor = PR020 Line (12)	0.000	0.000	0.000	0.000	XXX
(13)	Base RBC After Managed Care Discount = Line (11) x Line (12)	0	0	0	0	0
(14)	RBC Adjustment For Individual = [Line(1.1) x 1.2 + Line (1.2) / Line (1.3)] x Line (13) §	0	0	0	0	0
(15)	Maximum Per-Individual Risk After Reinsurance †	0	0	0	0	XXX
(16)	Alternate Risk Charge *	0	0	0	0	0
(17)	Net Alternate Risk Charge £	0	0	0	0	0
(18)	Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))	0	0	0	0	0

† Source is company records unless already included in premiums.

‡ For Comprehensive Medical the Initial Premium Amount is $25,000,000 or the amount in Line (1.3) if smaller. For Medicare Supplement and Dental & Vision the Initial Premium Amount is $3,000,000 or the amount in Line (1.3) if smaller. For Stand-Alone Medicare Part D the Initial Premium Amount is $25,000,000 or the amount in Line (1.3) if smaller.

§ Formula applies only to Column (1), for all other columns Line (14) should equal Line (13).

* The Line (16) Alternate Risk Charge is calculated as follows:

LESSER OF:	$1,500,000 or 2 x Maximum Individual Risk	$50,000 or 2 x Maximum Individual Risk	$50,000 or 2 x Maximum Individual Risk	$150,000 or 6 x Maximum Individual Risk	Maximum of Columns (1), (2) and (3)

£ Applicable only if Line (16) for a column equals Line (16) for Column (5), otherwise zero.

PR020

UNDERWRITING RISK – MANAGED CARE CREDIT - PR020

		Annual Statement Source	(1) Amount	(2) Paid Claims	Factor	(3) Weighted Claims	(4) Part D Weighted Claims ††
	Comprehensive Medical, Medicare Supplement and Dental & Vision Claim Payments						
(1)	Category 0 - Arrangements not Included in Other Categories	Company Records		0	0.000	0	
(2)	Category 1 - Payments Made According to Contractual Arrangements	Company Records		0	0.150	0	
(3)	Category 2a - Subject to Withholds or Bonuses – Otherwise Category 0 *	Company Records		0	*	0	
(4)	Category 2b - Subject to Withholds or Bonuses – Otherwise Category 1 **	Company Records		0	**	0	
(5)	Category 3a - Capitated Payments Directly to Providers	Company Records		0	0.600	0	
(6)	Category 3b - Capitated Payments to Regulated Intermediaries	Company Records		0	0.600	0	
(7)	Category 3c - Capitated Payments to Non-Regulated Intermediaries	Company Records		0	0.600	0	
(8)	Category 4 - Medical & Hospital Expense Paid as Salary to Providers	Company Records		0	0.750	0	
(9)	Subtotal Paid Claims	Sum of Lines (1) through (8)		0		0	
	Medicare Part D Coverage Claim Payments						
(10.1)	Category 0 - No Federal Reinsurance or Risk Corridor Protection	Company Records		XXX	XXX		XXX
(10.2)	Category 1 - Federal Reinsurance but no Risk Corridor Protection	Company Records		XXX	XXX		XXX
(10.3)	Category 2a - No Federal Reinsurance but Risk Corridor Protection	Company Records		0	0.667		0
(10.4)	Category 3a - Federal Reinsurance and Risk Corridor Protection apply	Company Records		0	0.767		0
(10.5)	Subtotal Paid Claims	Sum of Lines (10.1) through (10.4)		0			0
(10.6)	Total Paid Claims	Sum of Lines (9) and (10.5)		0			
(11)	Weighted Average Managed Care Discount	Col (3) = Col (3) Line (9) / Col (2) Line (9) Col (4) = Col (4) Line (10.5) / Col (2) Line (10.5)				0.000	0.000
(12)	Weighted Average Managed Care Risk Adjustment Factor	Col (3) =1.0 - Col (3) Line (11) Col (4) =1.0 - Col (4) Line (11)				0.000	0.000
	Calculation of Category 2 Managed Care Factor		(1) Amount				
(13)	Withhold & bonus payments, prior year	Company Records	0				
(14)	Withhold & bonuses available, prior year	Company Records	0				
(15)	Managed Care Credit Multiplier – average withhold returned	Line (13) / Line (14)	0.000				
(16)	Withholds & bonuses available, prior year	Line (14)	0				
(17)	Claims payments subject to withhold, prior year	Company Records	0				
(18)	Average withhold rate, prior year	Line (16) / Line (17)	0.000				
(19)	Managed Care Credit Discount Factor, Category 2	Minimum of 0.25 or Line (15) x Line (18)	0.000				

* Category 2 Managed Care Factor calculated on Line (19)

** Category 2 Managed Care Factor calculated on Line (19) with a minimum factor of 15 percent.

† This column is for a single result for the Comprehensive Medical & Hospital, Medicare Supplement and Dental managed care discount factor.

†† This column is for the Medicare Part D managed care discount factor.

UNDERWRITING RISK - OTHER AND TOTAL NET HEALTH PREMIUM RBC - PR021

			(1)		(2)
		Data Source	Amount	Factor	RBC Requirement
	Rate Guarantees & Federal Employees Health Benefits				
(1)	Business with Rate Guarantees Between 15-36 Months	Company Records	0	0.024	0
(2)	Business with Rate Guarantees Over 36 Months	Company Records	0	0.064	0
(3)	Federal Employees Health Benefit Program (FEHBP) Claims Incurred	Company Records	0	0.020	0
(4)	Total, Rate Guarantees & Federal Employees Health Benefits	L(1) + L(2) + L(3)	0		0
	Administrative Expenses for Certain A&H Coverages				
(5)	Total Accident and Health Premiums	PR018 Health Premiums Column (1) Line (26)	0		
(6)	Accident and Health Premiums from Underwriting Risk	PR019 Underwriting Risk Column (5) Line (1.3)	0		
(7)	Accident and Health Premiums Factor	L(6)/L(5)	0.000		
(8)	Administrative Expenses for Health Insurance	Company Records	0		
(9)	Less Administrative Expenses for Administrative Service Contracts (ASC) included in Line (8)	Company Records	0		
(10)	Less Administrative Expenses for Administrative Services Only (ASO) Business included in Line (8)	Company Records	0		
(11)	Less Administrative Expenses for Commissions and Premium Taxes	Company Records	0		
(12)	Net Administrative Expenses	L(8) - L(9) - L(10) - L(11)	0		
(13)	Composite Health Administrative Expense Risk Factor	(7% of L(6) up to $25 million + 4% of excess)/L(6)	0.000		
(14)	Administrative Expense Component for Health	L(12) x L(7) x L(13)			0
	Health ASO/ASC				
(15)	Administrative Expenses for ASC Business	Company Records *	0	0.020	0
(16)	Administrative Expenses for ASO Business	Company Records *	0	0.020	0
(17)	Total Health ASO/ASC	L(15) + L(16)	0		0
(18)	Total Underwriting Risk - Other	L(4) + L(14) + L(17)			0
	Total Net Health Premium RBC				
(19)	Total Health Premium RBC	L(18) + PR018 C(2) L(26) + PR019 C(5) L(18)			0
(20)	Premium Concentration Factor	PR017 C(20) L(14)			0.756
(21)	Total Net Health Premium RBC	L(19) x L(20)			0

* Line (15) should be greater than or equal to Line (9). Line (16) should be greater than or equal to Line (10).

LONG-TERM CARE - PR022

				(1)			(2)
		Annual Statement Source		Amount	Factor		RBC Requirement
	Long-Term Care (LTC) Insurance Premium						
(1)	All LTC Premium - Morbidity Risk (to $50 million)	Line (4.1) Column (1) up to 50 million		0	0.100		0
(2)	LTC Premium (over $50 million) - Morbidity Risk	Remainder of Line (4.1) Column (1) over 50 million		0	0.030		0
(3)	Premium-based RBC	Column (2), Line (1) + Line (2)					0
			(1)	(2)	(3)		(4)
	Historical Loss Ratio Experience		Premiums	Incurred Claims	Col. (2)/(1) Loss Ratio	§	RBC Requirement
(4.1)	Current Year	Company Records	0	0	0.000		
(4.2)	Immediate Prior Year	Company Records	0	0	0.000		
(4.3)	Average Loss Ratio	If loss ratios are used, [Column (3) Line (4.1) + Line (4.2)]/2, otherwise zero			0.000		
(5)	Adjusted LTC Claims for RBC	If Column (3) Line (4.3) <> 0, then [Column (1) Line (1) + Line (2)] X Column (3) Line (4.3), else Column (2) Line (4.1)		0			
(5.1)	Claims (to $35 million) - Morbidity Risk	Lower of Column (2) Line (5) and $35 million		0	0.370	†	0
(5.2)	Claims (over $35 million) - Morbidity Risk	Excess of Column (2) Line (5) over $35 million		0	0.120	‡	0
(6)	Claims-based RBC	Line (5.1) + (5.2)		0			0
(7)	LTC Morbidity Risk	Column (2) Line (3) + Column (4) Line (6)					0

† If Column (1), Line (4.1) is positive, then a factor of 0.250 is used. Otherwise, a higher factor of 0.370 is used.

‡ If Column (1), Line (4.1) is positive, then a factor of 0.080 is used. Otherwise, a higher factor of 0.120 is used.

§ If Column (1), Line (4.1) or (4.2) are less than or equal to zero or if Column (2), Line (4.1) or (4.2) are less than zero, the loss ratios are not used and Column (3), Line (4.3) is set to zero.

HEALTH CLAIM RESERVES - PR023

		Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
(1)	Individual claim reserves	Company Records	0	0.050	0
(2)	Group & credit claim reserves	L(3) - L(1)	362,406	0.050	0
(3)	Total Health Claims Reserve RBC	Sch H Pt 2, Sec C, Col 1, Line C1	362,406		0
(4)	Loss Concentration Factor	PR016 C(20) L(14)			0.785
(5)	Net Health Claims Reserves RBC	L(3) x L(4)			0

PREMIUM STABILIZATION RESERVES - PR024

		Data Source	(1) Statement Value	Factor	(2) RBC Requirement
	Group & Credit Health Premium Stabilization Reserves Reported				
(1)	Stabilization Reserves and Experience Rating Refunds	Company Records	0	0.500	0
(2)	Provision for Experience Rating Refunds	Company Records	0	0.500	0
(3)	Reserve for Group Rate Credits	Company Records	0	0.500	0
(4)	Reserve for Credit Rate Credits	Company Records	0	0.500	0
(5)	Premium Stabilization Reserves	Company Records	0	0.500	0
(6)	Total of Preliminary Premium Stabilization Reserve Credit	Sum of Lines (1) through (5)	0		0
	Group & Credit Health Risk-Based Capital				
(7)	Maximum Risk-Based Capital	PR023 Health Claim Reserves Column (2) Line (2) + PR018 Health Premiums Column (2) Lines (9), (11), (12), (13), (17),(18),(19),(20) and (21) + [PR019 Underwriting Risk- Premiums Risk (Column (5) Line (18) - Column (4) Line (18)) x Line (1.2) / Line (1.3)]	0		
(8)	Final Premium Stabilization Reserve	Column (2) Line (6), but not more than Column (1) Line (9)	0	-1.000	0

PR025

CAPITAL NOTES BEFORE LIMITATION - PR025

	Years to Maturity at the Time of the Statement	(1) Original Principal Amount	Limitation Factor	(2) Limitation on Principal Amount	(3) Current Principal Amount	(4) Credit to Total Adjusted Capital *
	Capital Notes Maturing 15 Years or less from the Year of Issue					
(1)	Greater than 0 and less than or equal to 1	0	0.00	0	0	0
(2)	Greater than 1 and less than or equal to 2	0	0.20	0	0	0
(3)	Greater than 2 and less than or equal to 3	0	0.40	0	0	0
(4)	Greater than 3 and less than or equal to 4	0	0.60	0	0	0
(5)	Greater than 4 and less than or equal to 5	0	0.80	0	0	0
(6)	Greater than 5	0	1.00	0	0	0
	Capital Notes Maturing more than 15 Years from the Year of Issue					
(7)	Greater than 0 and less than or equal to 1	0	0.00	0	0	0
(8)	Greater than 1 and less than or equal to 2	0	0.10	0	0	0
(9)	Greater than 2 and less than or equal to 3	0	0.20	0	0	0
(10)	Greater than 3 and less than or equal to 4	0	0.30	0	0	0
(11)	Greater than 4 and less than or equal to 5	0	0.40	0	0	0
(12)	Greater than 5 and less than or equal to 6	0	0.50	0	0	0
(13)	Greater than 6 and less than or equal to 7	0	0.60	0	0	0
(14)	Greater than 7 and less than or equal to 8	0	0.70	0	0	0
(15)	Greater than 8 and less than or equal to 9	0	0.80	0	0	0
(16)	Greater than 9 and less than or equal to 10	0	0.90	0	0	0
(17)	Greater than 10	0	1.00	0	0	0
(18)	Credit for Capital Notes Before Limitation (sum of lines (1) through (17))	0		0	0	0

* Column (4) is calculated as the lesser of Column (2) or Column (3).

PR026

CALCULATION OF TOTAL ADJUSTED CAPITAL - PR026

		Annual Statement Reference	(1) Statement Value *	Factor	(2) Adjusted Capital
(1)	Capital and Surplus	P3 C1 L37	46,025,313	1.000	46,025,313
(2)	Non-Tabular Discount - Losses	Sch P P1-Sum C32 L12	0	1.000	0
(3)	Non-Tabular Discount - Expense	Sch P P1-Sum C33 L12	0	1.000	0
(4)	Discount on Medical Loss Reserves Reported as Tabular in Schedule P	Company Records	0	1.000	0
(5)	Discount on Medical Expense Reserves Reported as Tabular in Schedule P	Company Records	0	1.000	0
(6)	P&C Subs Non-Tabular Discount - Losses	Subs' Sch P Pt1-Sum C32 L12	0	1.000	0
(7)	P&C Subs Non-Tabular Discount - Expense	Subs' Sch P Pt1-Sum C33 L12	0	1.000	0
(8)	P&C Subs Discount on Medical Loss Reserves Reported as Tabular in Schedule P	Subs' Company Records	0	1.000	0
(9)	P&C Subs Discount on Medical Expense Reserves Reported as Tabular in Schedule P	Subs' Company Records	0	1.000	0
(10)	AVR - Life Subs	Subs P3 C1 L24.01	0	1.000	0
(11)	Dividend Liability - Life Subs	Subs P3 C1 L6.1 + L6.2	0	0.500	0
(12)	Total Adjusted Capital Before Capital Notes L(1) - L(2) - L(3) - L(4) - L(5) - L(6) - L(7) - L(8) - L(9) + L(10) + L(11)				46,025,313
	Credit for Capital Notes				
(13.1)	Surplus Notes	Page 3 Column 1 Line 33	0		
(13.2)	Limitation on Capital Notes	0.5x[Line(12)-Line(13.1)]-Line 13.1, but not less than zero	23,012,657		
(13.3)	Capital Notes Before Limitation	PR025 Column (4) Line (18)	0		
(13.4)	Credit for Capital Notes	Lesser of Column (1) Line (13.2) or Line (13.3)			0
(14)	Total Adjusted Capital (Post-Deferred Tax)	Line (12) + Line (13.4)			46,025,313
	Sensitivity Test:				
(15)	Deferred Tax Assets	Page 2, Line 18.2	4,432,235	1.000	4,432,235
(15.1)	Deferred Tax Liabilities	Page 3, Line 7.2	0	1.000	0
(16)	Deferred Tax Assets for Subsidiary	Company Record	0	1.000	0
(16.1)	Deferred Tax Liabilities for Subsidiary	Company Record	0	1.000	0
(17)	Total Adjusted Capital For Sensitivity Test	Line (14) - Line (15) + (15.1) - (16) + (16.1)			41,593,078
	Expanded DTA Sensitivity Test				
(18)	Expanded Deferred Tax Asset	Page 2 Column 3 Line 18.2, in part	0	1.000	0
(19)	Total Adjusted Capital Less Expanded Deferred Tax Asset	Line (14) less Line (18)			46,025,313
(20)	Authorized Control Level RBC	PR031 Comparison of Total Adjusted Capital to Risk-Based Capital Line (4)			7,676,388
(21)	RBC % Without Expanded Deferred Tax Asset	Line (19) / Line (20)			599.570

* Report amounts in this column as whole dollars.

Calculation of Total Risk-Based Capital After Covariance - PR027 - R0-R1

		PRBC O&I Reference	(1) RBC Amount
	R0 - Asset Risk - Subsidiary Insurance Companies		
(1)	Affiliated US P&C Insurers - Directly Owned	PR003 L(1)C(5)	0
(2)	Affiliated US P&C Insurers - Indirectly Owned	PR003 L(4)C(5)	0
(3)	Affiliated US Life Insurers - Directly Owned	PR003 L(2)C(5)	0
(4)	Affiliated US Life Insurers - Indirectly Owned	PR003 L(5)C(5)	0
(5)	Affiliated US Health Insurer - Directly Owned	PR003 L(3)C(5)	0
(6)	Affiliated US Health Insurer - Indirectly Owned	PR003 L(6)C(5)	0
(7)	Affiliated Alien Insurers - Directly Owned	PR003 L(8)C(5)	0
(8)	Affiliated Alien Insurers - Indirectly Owned	PR003 L(9)C(5)	0
(9)	Misc Off-Balance Sheet - Non-controlled Assets	PR013 L(12) C(2)	461,899
(10)	Misc Off-Balance Sheet - Guarantees for Affiliates	PR013 L(13) C(2)	0
(11)	Misc Off-Balance Sheet - Contingent Liabilities	PR013 L(14) C(2)	9,749
(12)	**Total R0**	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)	471,648
	R1 - Asset Risk - Fixed Income		
(13)	Class 01 U.S. Government Agency Bonds	PR005 L(2)C(2)	55,488
(14)	Unaffiliated Bonds Subject to Size Factor	PR005 L(21)C(2)+PR014L(9)C(2)	316,829
(15)	Bond Size Factor RBC	PR005 L(24)C(2)	373,623
(16)	Bonds - Aff'd Invest Sub	PR003 L(7)C(4)	0
(17)	Bonds - Aff'd Hold. Co. in excess of Ins. Subs.	PR003 L(10)C(4)	0
(18)	Bonds - Investment in Parent	PR003 L(11)C(4)	0
(19)	Bonds - Affil US P&C Not Subj to RBC	PR003 L(12)C(4)	0
(20)	Bonds - Affil US Life Not Subj to RBC	PR003 L(13)C(4)	0
(21)	Bonds - Affil US Health Insurer Not Subj to RBC	PR003 L(14)C(4)	0
(22)	Bonds - Affil Non-insurer	PR003 L(15)C(4)	0
(23)	Other Long-Term Assets - Mortgage Loans	PR007 L(10)C(2)	0
(24)	Misc Assets - Collateral Loans	PR008 L(14)C(2)	0
(25)	Misc Assets - Cash	PR008 L(3)C(2)	338
(26)	Misc Assets - Cash Equivalents	PR008 L(6)C(2)	0
(27)	Misc Assets - Other Short-Term Investments	PR008 L(11)C(2)	0
(28)	Replication -Synthetic Asset: One Half	PR009 L(9999999)C(7)	0
(29)	Asset Concentration RBC - Fixed Income	PR010 L(7)C(3) Grand Total Page	62,257
(30)	**Total R1**	L(13)+(14)+L(15)+L(16)+L(17)+L(18)+L(19)+L(20) L(21)+L(22)+L(23)+L(24)+L(25)+L(26)+L(27)+L(28)+L(29)	808,535

Calculation of Total Risk-Based Capital After Covariance - PR028 - R2-R3

			(1) RBC Amount
		PRBC O&I Reference	
	R2 - Asset Risk - Equity		
(31)	Common - Affiliate Investment Subsidiary	PR003 L(7)C(2)	0
(32)	Common - Affiliate Hold. Company. in excess of Ins. Subs.	PR003 L(10)C(2)	0
(33)	Common - Investment in Parent	PR003 L(11)C(2)	0
(34)	Common - Aff'd US P&C Not Subj to RBC	PR003 L(12)C(2)	0
(35)	Common - Affil US Life Not Subj to RBC	PR003 L(13)C(2)	0
(36)	Common - Affil US Health Insurer Not Subj to RBC	PR003 L(14)C(2)	0
(37)	Common - Aff'd Non-insurer	PR003 L(15)C(2)	0
(38)	Preferred - Aff'd Invest Sub	PR003 L(7)C(3)	0
(39)	Preferred - Aff'd Hold. Co. in excess of Ins. Subs.	PR003 L(10)C(3)	0
(40)	Preferred - Investment in Parent	PR003 L(11)C(3)	0
(41)	Preferred - Affil US P&C Not Subj to RBC	PR003 L(12)C(3)	0
(42)	Preferred - Affil US Life Not Subj to RBC	PR003 L(13)C(3)	0
(43)	Preferred - Affil US Health Insurer Not Subj to RBC	PR003 L(14)C(3)	0
(44)	Preferred - Affil Non-insurer	PR003 L(15)C(3)	0
(45)	Unaffiliated Preferred Stock and Hybrid Securities	PR006 L(15)C(2)+PR014L(16)C(2)	0
(46)	Unaffiliated Common Stock	PR006 L(22)C(2)+PR014L(17)C(2)	1,865
(47)	Other Long-Term Assets - Real Estate	PR007 L(7)C(2)	0
(48)	Other Long-Term Assets - Schedule BA Assets	PR007 L(13)C(2)+PR014L(18)C(2)+PR014L(19)C(2)	0
(49)	Misc Assets - Receivable for Securities	PR008 L(1)C(2)	5
(50)	Misc Assets - Aggregate Write-ins for Invested Assets	PR008 L(2)C(2)	0
(51)	Misc Assets - Derivatives	PR008 L(15)C(2)	0
(52)	Replication -Synthetic Asset: One Half	PR009 L(9999999)(7)	0
(53)	Asset Concentration RBC - Equity	PR010 L(23)C(3) Grand Total Page	1,865
(54)	**Total R2**	L(31) +L(32)+L(33)+L(34)+L(35)+L(36)+L(37) +L(38)+L(39)+L(40)+L(41)+L(42)+L(43)+L(44)+L(45) +L(46)+L(47)+L(48)+L(49)+L(50)+L(51)+L(52)+L(53)	3,735
	R3 - Asset Risk - Credit		
(55)	Other Credit RBC	PR011 L(16)C(4)-L(9)C(4)	577,690
(56)	One half of Rein Recoverables	.5 x PR011 L(9)C(4)	0
(57)	Other half of Rein Recoverables	If R4 L(61)>(R3 L(55) + R3 L(56)), 0, otherwise, R3 L(56)	0
(58)	Health Credit Risk	PR012 L(12)C(2)	0
(59)	**Total R3**	L(55)+L(56) + L(57) + L(58)	577,690

First National Insurance Company of America - 2010 RBC

Calculation of Total Risk-Based Capital After Covariance - PR029 - R4-R5

		PRBC O&I Reference	(1) RBC Amount
	R4 - Underwriting Risk - Reserves		
(60)	One half of Reinsurance RBC	If R4 L(61)>(R3 L(55) + R3 L(56)), R3 L(56), otherwise, 0	0
(61)	Total Adjusted Unpaid Loss/Expense Reserve RBC	PR016 L(15)C(20)	11,415,470
(62)	Excessive Premium Growth - Loss/Expense Reserve	PR015 L(13) C(8)	0
(63)	A&H Claims Reserves Adjusted for LCF	PR023 L(5) C(2) + PR022 L(6) C(4)	0
(64)	**Total R4**	L(60)+L(61)+L(62)+L(63)	11,415,470
	R5 - Underwriting Risk - Net Written Premium		
(65)	Total Adjusted NWP RBC	PR017 L(15)C(20)	9,494,604
(66)	Excessive Premium Growth - Written Premiums Charge	PR015 L(14)C(8)	0
(67)	Total Net Health Premium RBC	PR021 L(21)C(2)	0
(68)	Health Stabilization Reserves	PR024 L(8)C(2) + PR022 L(3) C(2)	0
(69)	**Total R5**	L(65)+L(66)+L(67)+L(68)	9,494,604
(70)	Total RBC After Covariance=R0+SQRT(R1^2+R2^2+R3^2+R4^2+R5^2)		15,352,775
(71)	Authorized Control Level RBC = .5 x Total RBC After Covariance		7,676,388

TREND TEST - PR030

		Annual Statement Source	(1) Amount	(2) Result
	Original RBC % Before Applying Trend Test			
(1)	Authorized Control Level Risk-Based Capital	PR029, C(1) L(71)	7,676,388	
(2)	Total Adjusted Capital	PR026, C(2) L (14)	46,025,313	
(3)	RBC %	L(2)C(1) / L(1)C(1)	599.600	
	Combined Ratio Data			
(4)	Premiums Earned	Pg 4, Col 1, L 1	82,513,440	
(5)	Losses Incurred	Pg 4, Col 1, L 2	46,233,101	
(6)	Loss Expenses Incurred	Pg 4, Col 1, L 3	9,740,817	
(7)	Other Underwriting Expenses Incurred	Pg 4, Col 1, L 4	27,729,780	
(8)	Aggregate Write-ins for Underwriting Deductions	Pg 4, Col 1, L 5	(4,514)	
(9)	Dividends to Policyholders	Pg 4, Col 1, L 17	(28,194)	
(10)	Net Written Premiums	Pg 8, Col 6, L 35	84,342,720	
	Combined Ratio Calculation			
(11)	Loss Ratio	[Pg 4, Col 1, L 2 + Pg 4, Col 1, L 3] / Pg 4, Col 1, L 1	67.800	
(12)	Dividend Ratio	Pg 4, Col 1, L 17 / Pg 4, Col 1, L 1	0.000	
(13)	Expenses Ratio	[Pg 4, Col 1, L 4 + Pg 4, Col 1, L 5] / Pg 8, Col 6, L 35	32.900	
(14)	Combined Ratio	L(11) + L(12) + L(13)	100.700	
(15)	Trend Test Result ‡	If L(3) Between 200% & 300% & L(14) >120%, L(15), YES, Otherwise, NO		NO

† The Trend Test applies only if L(15) = YES

‡ If result = YES, the company triggers regulatory attention at the Company Action Level based on the trend test.

NOTE: This page is for information only until the modifications made by Capital Adequacy Task Force to the Risk-Based Capital (RBC) FOR INSURERS MODEL ACT are implemented by states.

COMPARISON OF TOTAL ADJUSTED CAPITAL TO RISK-BASED CAPITAL - PR031

		Abbreviation	(1) Amount
	Excluding the Trend Test:		
(1)	Total Adjusted Capital (Post-Deferred Tax: PR026 Line 14)		46,025,313
(2)	Company Action Level=200% of Authorized Control Level	CAL	15,352,776
(3)	Regulatory Action Level=150% of Authorized Control Level	RAL	11,514,582
(4)	Authorized Control Level=100% of Authorized Control Level	ACL	7,676,388
(5)	Mandatory Control Level=70% of Authorized Control Level	MCL	5,373,472
(6)	Level of Action, if Any (excluding the trend test)	NONE	
	Including the Trend Test:		
(7)	Level of Action, if Any (including the trend test)	NONE	

THE FOLLOWING NUMBERS MUST BE REPORTED IN THE FIVE YEAR HISTORY EXHIBIT ON THE INDICATED LINE		
Total Adjusted Surplus to Policyholders	Five Yr Hist C1 L28	46,025,313
Authorized Control Level Risk-Based Capital	Five Yr Hist C1 L29	7,676,388

UNDERWRITING AND INVESTMENT EXHIBIT - PREMIUMS WRITTEN - PR032

(1)	Did your company write Accident and Health Insurance in 2009? If answer is yes, please complete Column 2, 2009 Net Premiums Written.	YES
(2)	Did your company write Accident and Health Insurance in 2008? If answer is yes, please complete Column 3, 2008 Net Premiums Written.	YES
(3)	Were the total net Premiums written zero in 2009?	NO
(4)	Were the total net Premiums written zero in 2008?	NO

For all companies, enter net premiums written in all Columns, Line 1 through Line 34.

Line of Business	(1) 2010 Net Premiums Written	(2) 2009 Net Premiums Written	(3) 2008 Net Premiums Written
1. Fire	1,476,101	XXX	XXX
2. Allied Lines	1,249,163	XXX	XXX
3. Farmowners Multiple Peril	618,261	XXX	XXX
4. Homeowners Multiple Peril	12,092,279	XXX	XXX
5. Commercial Multiple Peril	14,839,206	XXX	XXX
6. Mortgage Guaranty	0	XXX	XXX
8. Ocean marine	0	XXX	XXX
9. Inland marine	1,354,155	XXX	XXX
10. Financial Guaranty	0	XXX	XXX
11.1 Medical Professional Liability - Occurrence	6,186	XXX	XXX
11.2 Medical Professional Liability - Claims-Made	859	XXX	XXX
12. Earthquake	273,708	XXX	XXX
13. Group accident and health	0	0	0
14. Credit accident and health (group and individual)	0	0	0
15. Other accident and health	(637)	3,178	190
16. Workers' compensation	7,246,076	XXX	XXX
17.1 Other Liability - Occurrence	4,374,134	XXX	XXX
17.2 Other Liability - Claims-Made	184,024	XXX	XXX
17.3 Excess Workers' Compensation	0	0	0
18.1 Products Liability - Occurrence	112,670	XXX	XXX
18.2 Products Liability - Claims-Made	0	XXX	XXX
19.1, 19.2 Private Passenger Auto Liability	15,751,380	XXX	XXX
19.3, 19.4 Commercial Auto Liability	6,751,683	XXX	XXX
21. Auto Physical Damage	12,185,487	XXX	XXX
22. Aircraft (all perils)	0	XXX	XXX
23. Fidelity	52,323	XXX	XXX
24. Surety	5,792,693	XXX	XXX
26. Burglary and theft	2,476	XXX	XXX
27. Boiler and machinery	1,525	XXX	XXX
28. Credit	0	XXX	XXX
29. International	0	XXX	XXX
30. Warranty	0	XXX	XXX
31. Reinsurance - Property	0	XXX	XXX
32. Reinsurance Liability	0	XXX	XXX
33. Reinsurance - Financial Lines	0	XXX	XXX
34. Aggregate write-ins for other lines of business	0	XXX	XXX
35. TOTALS	84,363,752	85,063,384	106,819,052

SCHEDULE P PART 1L - OTHER (ACCIDENT AND HEALTH ONLY) - PR033

		(3) Premiums Earned, Net	(24) Total Net Losses and Expenses Unpaid	(28) Total Losses and Expenses Incurred, Net
(2)	2001	0	XXX	0
(3)	2002	0	XXX	0
(4)	2003	0	XXX	0
(5)	2004	0	XXX	0
(6)	2005	0	XXX	0
(7)	2006	0	XXX	0
(8)	2007	0	XXX	0
(9)	2008	0	XXX	0
(10)	2009	0	XXX	0
(11)	2010	0	XXX	0
(12)	Totals	XXX	0	XXX
(13)	Discount on Medical Reserves and Loss Adjustment Expenses Included in Col 24 Sch P Part 1L		0	

PR033

SCHEDULE P PART 2L - OTHER (ACCIDENT & HEALTH ONLY) - PR034

		(1) 2001	(2) 2002	(3) 2003	(4) 2004	(5) 2005	(6) 2006	(7) 2007	(8) 2008	(9) 2009	(10) 2010
(2)	2001	0									0
(3)	2002		0								0
(4)	2003			0							0
(5)	2004				0						0
(6)	2005					0					0
(7)	2006						0				0
(8)	2007							0			0
(9)	2008								0		0
(10)	2009									0	0

SCH F PT 3 REINSURANCE CREDIT AND MED TABULAR RESERVE - PR035

		PR011		(1)
	Credit Risk for Receivables **Annual Statement Source**			
	Adjustment For Reinsurance Penalty For Affiliates Applicable To Schedule F	Line	Column	Value
1	Schedule F Part 3, L0199999, L0299999, L1099999 and L1199999	9	3	0
2	Schedule F Part 3, L0799999, Amounts Attributable To Exempt Pools	9	3	0
3	Schedule F Part 3, L1699999, Amounts Attributable To Exempt Pools	9	3	0
	Underwriting Risk - Reserves	PR016		
	Annual Statement Source: Medical Tabular Reserve Discount	Line	Column	Value (000 Omitted)
4	Homeowner/Farmowner	7	1	0
5	Private Pass Auto Liab	7	2	0
6	Comm Auto Liab	7	3	0
7	Workers' Comp	7	4	0
8	Comm Multi Peril	7	5	0
9	Medical Professional Liability - Occurrence	7	6	0
10	Medical Professional Liability - Claims-Made	7	7	0
11	Special Liab	7	8	0
12	Other Liab - Occurrence	7	9	0
13	Other Liab - Claims Made	7	9	0
14	Fidelity & Surety	7	10	0
15	Special Property	7	11	0
16	Auto Physical Damage	7	12	0
17	Other (Credit, A&H)	7	13	0
18	Fin Guaranty/Mrtg Guaranty	7	14	0
19	International	7	15	0
20	Medical Tabular Reserve Discount - Reinsurance: Property	7	16	0
21	Medical Tabular Reserve Discount - Reinsurance: Liability	7	17	0
22	Medical Tabular Reserve Discount - Reinsurance: Financial Lines	7	16	0
23	Product Liab - Occurence	7	18	0
24	Product Liab - Claims Made	7	18	0
25	Warranty	7	19	0
26	Total	7	20	0
	Underwriting Risk - Premiums	PR017		
	Annual Statement Source : STMTINCOME (Page 4, Col.1 Line 4)	Line	Column	Value
27	Other Underwriting Expenses Incurred	6	1	27,729,780

First National Insurance Company of America - 2010 RBC

GROSS WRITTEN PREMIUMS - PR036

	Description	Annual Statement Source	(1) Statement Value
(1)	2010 Company Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L35	284,224,514
(2)	2010 Company Gross Written Premium - Assumed	Pg 8, PREMWRTN, Col 3, L35	0
(3)	2009 Company Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L35	274,633,564
(4)	2009 Company Gross Written Premium - Assumed	Pg 8, PREMWRTN, Col 3, L35	0
(5)	2008 Company Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L35	330,509,071
(6)	2008 Company Gross Written Premium - Assumed	Pg 8, PREMWRTN, Col 3, L35	0
(7)	2007 Company Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L34	358,934,948
(8)	2007 Company Gross Written Premium - Assumed	Pg 8, PREMWRTN, Col 3, L34	0
(9)	2010 Group Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L35	25,318,186,887
(10)	2010 Group Gross Written Premium - Assumed	Pg 8, PREMWRTN, Col 3, L35	712,259,294
(11)	2009 Group Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L35	24,772,894,285
(12)	2009 Group Gross Written Premium - Assumed	Pg 8, PREMWRTN, Col 3, L35	672,690,290
(13)	2008 Group Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L35	26,329,242,333
(14)	2008 Group Gross Written Premium - Assumed	Pg 8, PREMWRTN, Col 3, L35	720,494,025
(15)	2007 Group Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L34	26,154,762,872
(16)	2007 Group Gross Written Premium - Assumed	Pg 8, PREMWRTN, Col 3, L34	625,093,880

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COMPANY INFORMATION PAGE (JURAT)
Property Risk-Based Capital
For the Year Ending December 31, 2010

(A)	Company Name	First National Insurance Company of America				
(B)	NAIC Group Code	0111	(C) NAIC Company Code	24724	(D) Employer's ID Number	91-0742144
(E)	Organized under the Laws of the State of	WA				
	Contact Person for Property & Casualty Risk-Based Capital:					
(F)	First Name	Douglas	(G) Middle		(H) Last Name	Link
(I)	Mail Address of Contact Person	175 Berkeley Street (Street and Number of P.O. Box)				
(J)	City	Boston	(K) State	MA	(L) Zip	02116
(M)	Phone Number of RBC Contact Person	617-357-9500	Extension	45668	Email	Douglas.Link@LibertyMutual.com
(N)	Date Prepared	01/31/2011				
(O)	Preparer (if different than Contact)	First Name		Middle Name		Last Name
(P)	Is this filing an Original, Amended or Refiling?	Original				
(P1)	If Amended, Amendment Number:					
(Q)	Were any items that come directly from the annual statement entered manually to prepare this filing? (Yes/No)	Yes				
	Officers Name:	Gary Richard Gregg		Dexter Robert Legg		Michael Joseph Fallon
	Officers Title:	President and Chief Executive Officer		Secretary		Treasurer and Chief Financial Officer

Each says that they are the above described officers of the said insurer, and that this risk-based capital report is a true and fair representation of the company's affairs and has been completed in accordance with the NAIC instructions according to the best of their information, knowledge and belief, respectively.

(Signature)	Dexter R. Legg (Signature)	Michael J. Fallon (Signature)

PR001

Audited Consolidated Financial Statements

Liberty Mutual Holding Company Inc.
December 31, 2010 and 2009 and each of the
Three Years in the Period Ended December 31, 2010

Ernst & Young LLP
200 Clarendon Street
Boston, MA 02116

Tel: +1 617 266 2000
Fax: +1 617 266 5843
www.ey.com

Report of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Mutual Holding Company Inc.

We have audited the accompanying consolidated balance sheets of Liberty Mutual Holding Company Inc. (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in policyholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Liberty Mutual Holding Company Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2009, the Company changed its method of accounting for other-than-temporary impairments. In 2008, the Company changed its method of accounting and reporting for deferred compensation and postretirement benefit aspects of split dollar life insurance arrangements.

Ernst + Young LLP

March 16, 2011

Liberty Mutual Holding Company Inc.

Consolidated Statements of Income

(dollars in millions)

	Years Ended December 31,		
	2010	**2009**	**2008**
Revenues			
Premiums earned	$ 28,699	$ 27,791	$ 25,524
Net investment income	3,328	2,482	2,880
Net realized investment gains (losses)	402	26	(330)
Fee and other revenues	764	795	781
Total revenues	33,193	31,094	28,855
Claims, Benefits and Expenses			
Benefits, claims and claim adjustment expenses	20,984	20,169	18,894
Insurance operating costs and expenses	4,496	4,336	4,105
Amortization of deferred policy acquisition costs	4,757	4,692	3,989
Interest expense	456	483	411
Interest credited to policyholders	185	204	203
Total claims, benefits and expenses	30,878	29,884	27,602
Income before income tax expense	2,315	1,210	1,253
Income tax expense	637	187	140
Net income	$ 1,678	$ 1,023	$ 1,113

Net Realized Investment Gains (Losses)			
Other-than-temporary impairment losses:	**2010**	**2009**	**2008**
Total other-than-temporary impairment losses	$ (55)	$ (244)	$ (800)
Change in portion of loss recognized in other comprehensive income	(1)	13	-
Other-than-temporary impairment losses	(56)	(231)	(800)
Other net realized investment gains	458	257	470
Net realized investment gains (losses)	$ 402	$ 26	$ (330)

See accompanying notes to the audited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Balance Sheets

(dollars in millions)

	December 31, 2010	December 31, 2009
Assets:		
Investments		
Fixed maturities, available for sale, at fair value (amortized cost of $56,375 and $54,789)	$ 58,553	$ 56,439
Equity securities, available for sale, at fair value (cost of $1,552 and $1,077)	1,733	1,188
Short-term investments	313	575
Mortgage loans	1,206	1,121
Other investments	3,067	2,619
Total investments	64,872	61,942
Cash and cash equivalents	4,930	4,847
Premium and other receivables (net of allowance of $143 and $121)	8,072	7,629
Reinsurance recoverables (net of allowance of $393 and $434)	14,310	14,749
Deferred income taxes (net of valuation allowance of $153 and $160)	796	1,691
Deferred acquisition costs	2,771	2,636
Goodwill	4,750	4,748
Prepaid reinsurance premiums	1,404	1,317
Separate account assets	3,893	3,557
Other assets	6,552	6,359
Total assets	$ 112,350	$ 109,475
Liabilities:		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	$ 48,059	$ 48,355
Life	6,781	6,586
Other policyholder funds and benefits payable	3,629	3,300
Unearned premiums	13,977	13,224
Funds held under reinsurance treaties	1,784	1,819
Short-term and current maturities of long-term debt	1	305
Long-term debt	5,635	5,635
Separate account liabilities	3,893	3,557
Other liabilities	11,613	12,180
Total liabilities	95,372	94,961
Policyholders' equity:		
Unassigned equity	15,692	14,014
Accumulated other comprehensive income	1,286	500
Total policyholders' equity	16,978	14,514
Total liabilities and policyholders' equity	$ 112,350	$ 109,475

See accompanying notes to the audited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Changes in Policyholders' Equity

(dollars in millions)

	Unassigned Equity	Accumulated Other Comprehensive Income (Loss)	Policyholders' Equity
Balance, January 1, 2008	$ 11,891	$ 745	$ 12,636
Cumulative effect of adoption of ASC 715 at January 1, 2008 (Note 1)	(41)		(41)
Comprehensive loss			
Net income	1,113	-	1,113
Other comprehensive income, net of taxes:			
Unrealized losses on securities	-	(2,246)	(2,246)
Less: reclassification adjustment for gains			
and losses included in net income	-	215	215
Change in pension and post retirement plans funded status	-	(869)	(869)
Foreign currency translation and other adjustments	-	(405)	(405)
Other comprehensive loss, net of taxes	-	(3,305)	(3,305)
Total comprehensive loss			(2,192)
Balance, December 31, 2008	$ 12,963	$ (2,560)	$ 10,403
Cumulative effect of adoption of ASC 320 at January 1, 2009 (Note 1)	28	(28)	-
Comprehensive income			
Net income	1,023	-	1,023
Other comprehensive income, net of taxes:			
Unrealized gains on securities	-	2,589	2,589
Less: reclassification adjustment for gains			
and losses included in net income	-	(17)	(17)
Change in pension and post retirement plans funded status	-	298	298
Foreign currency translation and other adjustments	-	218	218
Other comprehensive income, net of taxes	-	3,088	3,088
Total comprehensive income			4,111
Balance, December 31, 2009	$ 14,014	$ 500	$ 14,514
Comprehensive income			
Net income	1,678	-	1,678
Other comprehensive income, net of taxes:			
Unrealized gains on securities	-	443	443
Less: reclassification adjustment for gains			
and losses included in net income	-	(261)	(261)
Change in pension and post retirement plans funded status	-	560	560
Foreign currency translation and other adjustments	-	44	44
Other comprehensive income, net of taxes	-	786	786
Total comprehensive income			2,464
Balance, December 31, 2010	$ 15,692	$ 1,286	$ 16,978

See accompanying notes to the audited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Cash Flows

(dollars in millions)

	Year Ended December 31, 2010	2009	2008
Cash flows from operating activities:			
Net income	$ 1,678	$ 1,023	1,113
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	409	350	313
Realized investment (gains) losses	(402)	(26)	330
Undistributed private equity investment (gains) losses	(364)	423	5
Premium, other receivables, and reinsurance recoverables	(132)	526	572
Deferred policy acquisition costs	(167)	(131)	(16)
Liabilities for insurance reserves	1,081	197	1,775
Taxes payable, net of deferred	649	(173)	(220)
Other, net	9	298	(1,127)
Total adjustments	1,083	1,464	1,632
Net cash provided by operating activities	2,761	2,487	2,745
Cash flows from investing activities:			
Purchases of investments	(19,578)	(18,874)	(13,668)
Sales and maturities of investments	17,721	14,928	18,257
Property and equipment purchased, net	(507)	(355)	(143)
Payment for purchase of companies, net of cash acquired	-	-	(5,414)
Other investing activities	(40)	173	(185)
Net cash used in investing activities	(2,404)	(4,128)	(1,153)
Cash flows from financing activities:			
Net activity in policyholder accounts	194	122	62
Debt financing, net	(301)	(84)	1,121
Net security lending activity and other financing actitivites	50	621	(65)
Net cash (used in) provided by financing activities	(57)	659	1,118
Effect of exchange rate changes on cash	(217)	(19)	(61)
Net increase (decrease) in cash and cash equivalents	83	(1,001)	2,649
Cash and cash equivalents, beginning of year	4,847	5,848	3,199
Cash and cash equivalents, end of year	$ 4,930	$ 4,847	5,848
Supplemental disclosure of cash flow information:			
Income tax (refund) paid	$ (2)	$ 366	310

See accompanying notes to the audited consolidated financial statements.

LIBERTY MUTUAL HOLDING COMPANY INC

Notes to Consolidated Financial Statements

(dollars in millions, except per share amounts)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Liberty Mutual Holding Company Inc. and its subsidiaries (collectively "LMHC" or the "Company"). Certain reclassifications have been made to the 2009 and 2008 consolidated financial statements to conform with the 2010 presentation. All material intercompany transactions and balances have been eliminated.

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's principal estimates include (1) unpaid claims and claim adjustment expense reserves, including asbestos and environmental liability reserves and loss sensitive premium attributable to prior years; (2) reinsurance recoverables and associated uncollectible reserves; (3) fair value determination and other-than-temporary impairments of the investment portfolio; (4) deferred acquisition costs; (5) valuation of goodwill and intangible assets; and (6) deferred income tax valuation allowance. While management believes that the amounts included in the consolidated financial statements reflect their best estimates and assumptions, these amounts ultimately could be materially different from the amounts currently provided for in the consolidated financial statements.

Nature of Operations

The Company conducts substantially all of its business through four strategic business units: Liberty Mutual Agency Corporation ("LMAC"), International, Personal Markets, and Commercial Markets.

The Company's LMAC business unit, with $11,687 of revenues in 2010, distributes products through independent agents and brokers. It consists of: eight regionally branded insurance companies that offer commercial insurance coverage to small businesses; personal lines products sold under the Safeco brand; and Liberty Mutual Surety (contract and commercial surety bonds).

The Company's International business unit, with $7,928 of revenues in 2010, provides insurance products and services through local businesses outside the United States and Liberty International Underwriters ("LIU") which sells specialty commercial lines worldwide. The local businesses consist of local insurance operations selling property, casualty, health and life insurance products to individuals and businesses in countries with a large and growing middle class. Automobile insurance is the predominant line of business. International operates local businesses in Latin America (Venezuela, Argentina, Colombia, Brazil and Chile); Asia (Singapore, Thailand, Vietnam and China); and Europe (Spain, Portugal, Turkey and Poland). LIU, a global specialty commercial lines insurance and reinsurance business with operations principally based in 18 countries: United States, Canada, Brazil, United Kingdom, Germany, France, the United Arab Emirates, the Netherlands, Spain, Switzerland, Ireland, Australia, Hong Kong, China, Singapore, Malaysia, India and Vietnam. LIU operations provide a variety of specialty products including casualty, marine, construction, energy, inland marine, directors and officers, professional liability, aviation, property, surety and crisis management insurance, together with multi-line insurance and reinsurance written through Lloyd's of London, Syndicate 4472.

The Company's Personal Markets business unit, with $7,502 of revenues in 2010, writes U.S. property and casualty insurance covering personal risks, primarily automobile and homeowners, as well as a wide range of life and annuity products, to individuals in the United States. Products are distributed through licensed captive sales representatives, licensed telesales counselors, third-party producers, and the Internet.

The Commercial Markets business unit, with $6,331 of revenues in 2010, is organized into separate operating units. Each of these operating units consists of separate marketing and underwriting groups focusing on a particular customer base, product grouping or distribution channel to provide tailored products and services to address customers' needs. Operating units within the Commercial Markets business unit include Commercial Markets P&C, Liberty Mutual Reinsurance, Summit, and Group Benefits. Commercial Markets coverages include workers compensation, commercial automobile, general liability, group disability, group life, assumed reinsurance, property, commercial multiple peril, and a variety of other coverages. Commercial Markets is also a servicing carrier for workers compensation involuntary market pools. In addition, Commercial Markets provides third-party administration services through Helmsman Management Services. Effective January 1, 2010, Summit, a mono-line workers compensation company for Florida and the Southeast, previously included in LMAC, became part of the Commercial Markets strategic business unit. On July 14, 2010, Commercial Markets established a new distribution and service organization, Commercial Markets P&C, combining Middle Market, National Market, Specialty Lines and Liberty Mutual Property. This operating model provides agents and brokers a single point of entry for accessing Commercial Markets' property, casualty and specialty lines insurance as well as claims and loss control services for national accounts and mid-sized business clients.

Adoption of New Accounting Standards

Effective January 1, 2009, the Company adopted new guidance for accounting for other-than-temporary impairments, as codified in FASB Accounting Standards Codification ("ASC") 320, *Investments – Debt and Equity Securities*. This guidance amends the accounting for other-than-temporary impairment of debt securities, requires the establishment of a policy for determining when "credit losses" exist, and provides direction on determining the amount of impairment to be recognized in the statement of income. The adoption of the new guidance resulted in an increase of $28 (net of tax) to policyholders' unassigned equity and a corresponding decrease to accumulated other comprehensive income (loss).

Effective January 1, 2008, the Company adopted the guidance related to the recognition and measurement of assets related to collateral assignment split-dollar life insurance arrangements as codified in ASC 715, *Compensation – Retirement Plans*. The adoption of this guidance resulted in a decrease to policyholders' unassigned equity of $41 (net of tax).

Future Adoption of New Accounting Standards
In October 2010, the FASB issued Accounting Standards Update 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* ("ASU 2010-26"). This guidance, as codified in ASC 944, *Financial Services - Insurance*, specifies that acquisition costs should include only those costs that are directly related to the acquisition or renewal of insurance contracts. All other acquisition related costs - including market research, training, administration, unsuccessful acquisition or renewal efforts, and product development - should be charged to expense as incurred. The Company is required to adopt ASU 2010-26 effective January 1, 2012. The Company is in the process of evaluating the impact of adoption.

Investments
Fixed maturity securities classified as available for sale are debt securities that have principal payment schedules, held for indefinite periods of time, and are used as a part of the Company's asset/liability strategy or sold in response to risk/reward characteristics, liquidity needs or similar economic factors. These securities are reported at fair value with changes in fair values, net of deferred income taxes, reported in accumulated other comprehensive income (loss).

Equity securities classified as available for sale include common equities and non-redeemable preferred stocks and are reported at quoted fair values. Changes in the fair values of these securities, net of deferred income taxes, are reflected as unrealized investment gains or losses in accumulated other comprehensive income (loss).

Realized gains and losses on sales of investments are recognized in income using the specific identification method. Unrealized losses that are other-than-temporary are recognized as realized losses. The Company reviews fixed income, public equity securities, private equity securities and private equity co-investment securities for impairment on a quarterly basis. Securities are reviewed for both quantitative and qualitative considerations including, but not limited to, (1) the extent of the decline in fair value below book value, (2) the duration of the decline, (3) significant adverse changes in the financial condition or near term prospects for the investment or issuer, (4) significant changes in the business climate or credit ratings of the issuer, (5) general market conditions and volatility, (6) industry factors, and (7) the past impairment of the security holding or the issuer.

For fixed maturity securities that the Company does not intend to sell or for which it is more likely than not that the Company would not be required to sell before an anticipated recovery in value, the Company separates impairments into credit loss and non-credit loss components. The determination of the credit loss component of the impairment charge is based on management's best estimate of the present value of the cash flows expected to be collected from the debt security compared to its amortized cost and is reported as part of net realized gains (losses). The non-credit component, the residual difference between the credit impairment component and the fair value, is recognized in other comprehensive income (loss). The factors considered in making an evaluation of credit versus non-credit other-than-temporary impairment include the following: (1) failure of the issuer of the security to make scheduled interest or principal payments (including the payment structure of the debt security and the likelihood the issuer will be able to make payments that increase in the future), (2) performance indicators of the underlying assets in the security (including default and delinquency rates),. (3) vintage, (4) geographic concentration, and (5) industry analyst reports, sector credit ratings, and volatility of the security's fair value.

For non-fixed maturity investments and fixed maturity investments the Company intends to sell or for which it is more likely than not that the Company will be required to sell before an anticipated recovery in value, the full amount (fair value less amortized cost) of the impairment is included in net realized investment gains (losses).

Upon recognizing an other-than-temporary impairment, the new cost basis of the investment is the previous amortized cost basis less the other-than-temporary impairment recognized in net realized investment gains (losses). The new cost basis is not adjusted for any subsequent recoveries in fair value; however, for fixed maturity investments the difference between the new cost basis and the expected cash flows is accreted to net investment income over the remaining expected life of the investment.

All mortgage-backed securities and asset-backed securities are reviewed for other-than-temporary impairment treatment in accordance with the guidance of ASC 320, *Investments – Debt and Equity Securities* and ASC 325, *Investments - Other*.

For mortgage-backed fixed maturity securities, the Company recognizes income using a constant effective yield based on anticipated prepayments over the economic life of the security. The mortgage-backed portfolio is accounted for under the retrospective method and prepayment assumptions are based on market expectations. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments and any resulting adjustment is included in net investment income.

Cash equivalents are short-term, highly liquid investments that are both readily convertible into known amounts of cash and so near to maturity that they present insignificant risk of changes in value due to changing interest rates. The Company's cash equivalents include debt securities purchased with maturities of three months or less at acquisition and are carried at amortized cost, which approximates fair value.

Short-term investments are debt securities with maturities at acquisition between three months and one year, are considered available for sale, and are carried at fair value, which approximates amortized cost.

All Variable Interest Entities ("VIEs") for which the Company is the primary beneficiary are consolidated into the Company's financial statements.

Other investments are primarily comprised of limited partnerships and other alternative investments, which are reported at their carrying value with the change in carrying value accounted for under the equity method and, accordingly, the Company's share of earnings are included in net investment income. Recognition of limited partnerships and other alternative investment income is delayed due to the availability of the related financial statements, as private equity and other funds are generally on a three-month delay. Equity investments in privately held businesses are carried at fair value.

Mortgage loans are stated at amortized cost less a valuation allowance for potentially uncollectible amounts.

Derivatives

All derivatives are recognized on the balance sheet at fair value. On the date a contract is entered into, the Company designates the derivative as either (1) a hedge of a fair value of a recognized asset ("fair value hedge"), (2) an economic hedge ("non-designated derivative"), or (3) a cash flow hedge. Changes in the fair value of a derivative that is highly effective and is designated as a fair value hedge, along with the loss or gain on the hedged asset attributable to the hedged risk, are recorded in current period income. Changes in the fair value of non-designated derivatives are reported in current period income and the derivative is included in other assets or liabilities. The effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedge is reported as a component of other comprehensive (loss) income and reclassified into earnings in the same period in which the hedged items affect earnings. The ineffective portion of the cash flow hedge is recorded directly to earnings.

The Company owns fixed maturity securities which have an option to convert to equity. The derivative features embedded are ancillary to the overall investment. This type of activity is unrelated to hedging. In addition, there may be call, put or conversion options embedded in certain bonds it has purchased. These derivatives are not material to the Company's financial statements.

Securities Lending

The Company participates in a securities lending program to generate additional income, whereby certain domestic fixed income securities are loaned for a short period of time from the Company's portfolio to qualifying third parties via a lending agent. Terms of the agreement are for borrowers of these securities to provide collateral of at least 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or permitted securities as outlined in the securities lending agreement. 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. Under the terms of the securities lending program, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company; however, the Company records a liability for the amount of cash collateral held, representing its obligation to return the collateral related to the loaned securities.

Goodwill and Intangible Assets

Goodwill is tested for impairment at least annually using a two-step process. The first step is performed to identify potential impairment and, if necessary, the second step is performed for the purpose of measuring the amount of impairment, if any. Impairment is recognized only if the carrying amount is not recoverable from the discounted cash flows using a "market" rate and is measured as the difference between the carrying amount and the implied fair value. Other changes in the carrying amount of goodwill are primarily caused by foreign currency translation adjustments.

Indefinite-lived intangible assets held by the Company are reviewed for impairment on at least an annual basis. The classification of the asset as indefinite-lived is reassessed, and an impairment is recognized if the carrying amount of the asset exceeds its fair value.

Intangible assets that are deemed to have a finite useful life are amortized over their useful lives. The carrying amount of intangible assets with a finite useful life is regularly reviewed for indicators of impairment in value. Impairment is recognized only if the carrying amount of the intangible asset is not recoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the fair value of the asset.

Deferred Policy Acquisition Costs

Costs that vary with and are primarily related to the acquisition of new insurance and investment contracts are deferred and amortized over the respective policy terms. For short-duration contracts, acquisition costs include commissions, underwriting expenses and premium taxes. For long-duration insurance contracts, these costs include first year commissions in excess of annual renewal commissions and variable sales and underwriting expenses. Deferred policy acquisition costs are reviewed annually for recoverability. Investment income is considered in the recoverability assessment.

For short-duration contracts, acquisition costs are amortized in proportion to earned premiums. For traditional long-duration contracts, acquisition costs are amortized over the premium paying period of the related policies using assumptions consistent with those used in computing policy benefit reserves. For universal life insurance and investment products, acquisition costs are amortized in relation to expected gross profits.

For long-duration contracts, to the extent unrealized gains or losses on fixed income securities carried at fair value would result in an adjustment of estimated gross profits had those gains or losses actually been realized, the related unamortized deferred policy acquisition costs are recorded net of tax as a change in unrealized capital gains or losses and included in accumulated other comprehensive income (loss).

Real Estate and Other Fixed Assets

The costs of buildings, furniture, and equipment are depreciated, principally on a straight-line basis, over their estimated useful lives (a maximum of 39.5 years for buildings, 10 years for furniture, and 3-5 years for equipment). Expenditures for maintenance and repairs are charged to income as incurred while expenditures for improvements are capitalized and depreciated.

Separate Account Assets and Liabilities
Separate and variable accounts represent funds for which investment income and investment gains and losses accrue directly to the policyholders who bear the investment risk. Each account has specific investment objectives, and the assets are carried at fair value. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company. The liabilities of these accounts are equal to the account assets. Investment income, realized investment gains (losses), and policyholder account deposits and withdrawals related to separate accounts are excluded from the consolidated statements of income. The fees earned for administrative and contract holder maintenance services performed for these separate accounts are included in fee and other revenues.

Insurance Liabilities and Reserves
For short-duration contracts, the Company establishes reserves for unpaid insurance claims and claim adjustment expenses covering events that occurred in 2010 and prior years. These reserves reflect estimates of the total cost of claims reported but not yet paid and the cost of claims not yet reported, as well as the estimated expenses necessary to settle the claims. Reserve estimates are based on past loss experience modified for current claim trends, as well as prevailing social, economic and legal conditions. Final claim payments, however, may ultimately differ from the established reserves, since these payments might not occur for several years. Reserve estimates are continually reviewed and updated, and any resulting adjustments are reflected in current operating results. The Company does not discount reserves other than discounting on the long-term indemnity portion of workers compensation settled claims, the long-term disability portion of group accident and health claims as permitted by insurance regulations in certain states, the long-term portion of certain workers compensation claims of foreign subsidiaries, and specific asbestos structured settlements. Reserves are reduced for estimated amounts of salvage and subrogation and deductibles recoverable from policyholders. The Company discounts the long-term indemnity portion of workers compensation claims at risk-free discount rates determined by reference to the U.S. Treasury yield curve. The weighted average discount rates were 5.3%, 5.5%, and 5.7% for 2010, 2009, and 2008, respectively. The held discounted reserves on these unpaid workers compensation claims, net of all reinsurance, as of December 31, 2010 and 2009 were $1,935 and $1,974, respectively.

The held discounted reserves on unpaid asbestos structured settlement claims as of December 31, 2010 and 2009 were $93 and $118, respectively.

The discounting of disability claims is based on the 1987 Commissioners Group Disability Table (CGDT) at annual discount rates varying from 4.0% to 7.0% and 4.5% to 7.0% in 2010 and 2009, respectively. Unpaid disability claims and claim adjustment expenses as of December 31, 2010 and 2009, include liabilities at discounted values of $1,155 and $1,030, respectively.

For long-duration contracts, measurement of liabilities is based on generally accepted actuarial techniques but requires assumptions about mortality, lapse rates, and assumptions about future returns on related investments. Annuity and structured settlement contracts without significant mortality or morbidity risk are accounted for as investment contracts, whereby the premium received plus interest credited less policyholder withdrawals represents the investment contract liability. Implied credited interest rates for domestic structured settlement contracts in force were between 5.7% and 6.0% for 2010, 2009, and 2008. Implied credited interest rates for foreign structured settlement contracts in force were between 2.5% and 6.0% in 2010, 2009, and 2008. Credited rates for domestic universal life contracts in force were between 3.5% and 4.3% in 2010 and 3.5% and 6.3% in 2009 and 2008. Credited rates for foreign universal life contracts in force were between 0.9% and 6.0% in 2010 and 1.3% and 6.0% in 2009 and 2008. Liabilities for future policy benefits for traditional life policies have been computed using the net level premium method based upon estimated future investment yields (between 2.5% and 10.3% in 2010, 2009, and 2008), mortality assumptions (based on the Company's experience relative to standard industry mortality tables) and withdrawal assumptions (based on the Company's experience).

Policyholder Dividends
Policyholder dividends are accrued using an estimate of the ultimate amount to be paid in relation to premiums earned based on the related insurance policies.

For domestic property-casualty insurance, certain insurance contracts, primarily workers compensation policies, are issued with dividend plans to be paid subject to approval by the insurer's board of directors. The premium related to such policies approximated 2%, 2%, and 3% of domestic property-casualty insurance premiums written for the years ended December 31, 2010, 2009, and 2008, respectively. Additionally, certain jurisdictions impose excess profits taxes which limit the profitability of particular lines of business, and any excess is returned to the policyholder in the form of a dividend.

For life insurance, dividends to participating policyholders are calculated as the sum of the difference between the assumed mortality, interest and loading, and the actual experience of the Company relating to participating policyholders. As a result of statutory regulations, the major portion of earnings from participating policies inures to the benefit of the participating policyholders and is excluded from the consolidated net income and policyholders' equity. Participating policies approximate 31%, 34% and 37% of ordinary life insurance in force for the years ended December 31, 2010, 2009, and 2008, respectively. Participating policies approximate 15%, 23%, and 30% of life premium for the years ended December 31, 2010, 2009, and 2008, respectively.

Long-Term Incentive and Performance Based Incentive Plans

The Company maintains short-term and long-term incentive compensation plans. Long-term plans that vest over the requisite service period and are based upon notional units are accounted for under ASC 718, *Compensation – Stock Compensation*, using the intrinsic value method. Additionally, the Company provides performance based incentive compensation to the majority of employees meeting the participation requirements of the respective plans. Compensation cost related to these plans is determined in accordance with plan formulas and recorded over the years the employee service is provided.

Revenue Recognition
For short-duration insurance contracts, premiums are reported as earned income generally on a pro-rata basis over the terms of the related policies. For retrospectively rated policies and contracts, premium estimates are continually reviewed and updated and any resulting adjustments are reflected in current operating results. For traditional long-duration insurance contracts (including term and whole life contracts and annuities), premiums are earned when due. For loss portfolio transfers, premiums are fully recognized as written and earned on a prospective basis at contract inception. For annuities and structured settlements without significant mortality or morbidity risk (investment contracts) and universal life contracts (long-duration contracts with terms that are not fixed or guaranteed), revenues represent investment income earned on the related assets. Universal life and annuity contract revenues also include mortality, surrender, and administrative fees charged to policyholders.

Reinsurance
All assets and liabilities related to ceded reinsurance contracts are reported on a gross basis in the consolidated balance sheets. Prospective reinsurance premiums, losses, and loss adjustment expenses are accounted for on a basis consistent with the terms of the reinsurance contracts. The consolidated statements of income reflect premiums, benefits, and settlement expenses net of reinsurance ceded.

Transactions that do not transfer risk are included in other assets or other liabilities. Ceded transactions that transfer risk but are retroactive are included in reinsurance recoverables. The excess of estimated liabilities for claims and claim costs over the consideration paid net of experience adjustments is established as a deferred credit at inception. The deferred amounts are subsequently amortized using the effective interest method over the expected settlement period. The periodic amortization is reflected in the accompanying consolidated statements of income through claims and claims adjustment expenses.

Amounts recoverable from reinsurers include unpaid losses estimated in a manner consistent with the claim liabilities associated with the reinsured business. The Company evaluates reinsurance collectability and a provision for uncollectible reinsurance is recorded.

Translation of Foreign Currencies
The Company translates the financial statements of its foreign operations into U.S. dollars from the functional currency designated for each foreign unit, generally the currency of the primary economic environment in which that operation does its business. Assets and liabilities are translated into U.S. dollars at period-end exchange rates, while income and expenses are translated using average rates for the period. Translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss), net of tax to the extent applicable. Foreign currency amounts are remeasured to the functional currency, and the resulting foreign exchange gains or losses are reflected in earnings.

For subsidiaries operating in highly inflationary economies, monetary assets and liabilities are remeasured at the rate of exchange as of the balance sheet date and non-monetary items are remeasured at historical rates. Gains and losses from balance sheet remeasurement adjustments and foreign currency transactions are included in net income.

The aggregate exchange (losses) gains included in income from continuing operations for the years ended December 31, 2010, 2009, and 2008 were $(109), $(1), and $16, respectively. These amounts have been included in insurance operating costs and expenses in the accompanying consolidated statements of income.

Income Taxes
The income tax provision is calculated under the liability method. The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return bases of assets and liabilities based on enacted tax rates and other provisions of the tax law. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that all or some portion of the deferred tax assets will not be realized. Deferred tax positions are not established for adjustments arising from foreign operations whose earnings are considered to be permanently reinvested.

Fee and Other Revenues
Fee and other revenues primarily consist of revenues from the Company's energy production operations and service fees generated from processing business for involuntary assigned risk pools, self insured customers, and risk retention groups. Service fees are earned on a pro-rata basis over the term of the related policies.

(dollars in millions, except per share amounts)

Accumulated Other Comprehensive Income (Loss)
Accumulated other comprehensive income (loss) consists principally of unrealized gains and losses on certain investments in debt and equity securities, foreign currency translation adjustments, and pension and postretirement liability adjustments.

The components of accumulated other comprehensive income (loss), net of related deferred acquisition costs and taxes, for the years ended December 31, 2010, 2009, and 2008 are as follows:

	2010	2009	2008
Unrealized gains (losses) on securities	$1,269	$1,115	$(1,457)
Foreign currency translation and other adjustments	313	269	51
Pension liability funded status	(296)	(856)	(1,154)
Cumulative effect of adoption of ASC 320 at January 1, 2009	-	(28)	-
Accumulated other comprehensive income (loss)	$1,286	$ 500	$(2,560)

(2) ACQUISITIONS AND DISPOSITIONS

Safeco Corporation
On September 22, 2008, Liberty Mutual Group completed the acquisition of Safeco Corporation ("Safeco"). Pursuant to the terms of the purchase agreement, the Company paid cash of $68.25 per share in exchange for all outstanding shares of the Safeco common stock for a total purchase price of $6,244. The operations of Safeco were merged into the LMAC strategic business unit.

The total purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was primarily determined using the income approach, which discounts expected cash flows to present value using estimates and assumptions determined by management.

Intangible Assets

	Carrying Value December 31, 2010	**Carrying Value December 31, 2009**	**Period (Years)**	**Method**
Agency relationship	$523	$564	15	Straight-line
Trademarks	229	229	Not subject to amortization	Not subject to amortization
State licenses	63	63	Not subject to amortization	Not subject to amortization
Other	16	17	10	Present Value Mid-year Convention
Total intangible assets(1)	$831	$873		

(1) Net of accumulated amortization of $89 and $47 as of December 31, 2010 and 2009, respectively.

For the years ended December 31, 2010 and 2009, the Company recognized $42 and $38, respectively, of amortization expense which is reflected in insurance operating costs and expenses on the consolidated statements of income. Estimated amortization for the years ended December 31, 2011 through 2015 is $42, $43, $44, $44 and $44, respectively.

Integration Activities
As part of the Safeco acquisition, management conducted integration efforts that resulted in employment reductions, contract terminations, systems integrations and other transitional activities. Total integration (benefit) costs incurred for the years ended December 31, 2010 and 2009 were $(2) and $65, respectively, of which $(1) and $42, respectively, were recognized as assumed liabilities as part of purchase accounting for the acquisition. Integration costs not directly associated with the acquisition were included in insurance operating costs and expenses in the consolidated statements of income. $6 and $77 of the costs were paid in 2010 and 2009, respectively.

Ohio Casualty Corporation
On August 24, 2007, Liberty Mutual Group completed the acquisition of Ohio Casualty Corporation ("Ohio Casualty"). Pursuant to the terms of the purchase agreement, the Company paid cash of $44.00 per share in exchange for all outstanding shares of the Ohio Casualty common stock for a total purchase price of $2,780. The operations of Ohio Casualty were merged into the LMAC strategic business unit.

The total purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was primarily determined using the income approach, which discounts expected cash flows to present value using estimates and assumptions determined by management.

(dollars in millions, except per share amounts)

Intangible Assets

	Carrying Value December 31, 2010	Carrying Value December 31, 2009	Period (Years)	Method
Agency relationship	$124	$132	20	Straight-line
Trademarks	33	33	Not subject to amortization	Not subject to amortization
State licenses [2]	20	22	Not subject to amortization	Not subject to amortization
Total intangible assets [1]	$177	$187		

(1) Net of accumulated amortization of $30 and $22 as of December 31, 2010 and 2009, respectively.

(2) On February 23, 2010, the Company merged two of its insurance subsidiaries, Avomark Insurance Company and West American Insurance Company. As of May 24, 2010, authorization was given by all states to terminate certificates of authority resulting in a decrease in value of $2.

For the years ended December 31, 2010 and 2009, the Company recognized $8 and $9, respectively, of amortization expense which is reflected in insurance operating costs and expenses on the consolidated statement of income. For each of the years ended December 31, 2011 through 2015 estimated amortization is $8.

Dispositions

The Company recognized $35 related to restructuring efforts, principally related to employee and contract terminations with respect to the Business Market and Wausau Insurance market segments within Commercial Markets. These costs are primarily included in insurance operating costs and expenses in the 2008 statement of income. Payments under restructuring activities were substantially completed in 2009.

On January 22, 2009, the Company established Liberty Mutual Middle Market, a new market segment in Commercial Markets that combined the former Business Market and Wausau Insurance market segments. As part of this change, the Company eliminated its direct distribution channel to its mid-sized commercial lines customers and retired the Wausau brand. In 2009 and forward, Middle Market will provide Liberty Mutual products and services exclusively through independent agents and brokers. This transaction has been deemed to be a migration of business. As part of this change, the Company completed the sale of the policy renewal rights of the existing Business Market and Wausau Insurance policyholders in various portions to three nationally recognized brokerage firms on February 27, 2009.

In accordance with the Asset Purchase Agreements (collectively, the "Sales Agreements"), total consideration due to the Company for the sale of the renewal rights will be paid over a two or three year period subject to the Earn Out Adjustment provisions provided by the Sales Agreements. Amounts received by the Company will be recognized in earnings when received.

(3) INVESTMENTS

Components of Net Investment Income

	Years Ended December 31,		
	2010	2009	2008
Taxable interest income	$2,426	$2,301	$2,349
Tax-exempt interest income	539	623	472
Dividends	42	41	98
Limited partnerships and limited liability companies	398	(411)	4
Commercial mortgage loans	73	68	58
Other investment income	6	9	27
Gross investment income	3,484	2,631	3,008
Investment expenses	(156)	(149)	(128)
Net investment income	$3,328	$2,482	$2,880

(dollars in millions, except per share amounts)

Components of Net Realized Investment Gains (Losses)

	Years Ended December 31,		
	2010	**2009**	**2008**
Fixed maturities			
Gross realized gains	$421	$173	$109
Gross realized losses	(72)	(259)	(436)
Equities			
Gross realized gains	52	146	341
Gross realized losses	(3)	(64)	(801)
Other			
Gross realized gains	73	84	469
Gross realized losses	(69)	(54)	(12)
Net realized investment gains (losses)	$402	$26	$(330)

As of December 31, 2010 and 2009, other-than-temporary impairments recognized through accumulated other comprehensive income were $31 and $30, respectively.

During the years ended December 31, 2010, 2009, and 2008, proceeds from sales of fixed maturities available for sale were $9,177, $4,859, and $7,013, respectively. The gross realized gains (losses) on such sales totaled $357 and $(22) in 2010, $145 and $(67) in 2009, and $85 and $(122) in 2008.

Components of Change in Net Unrealized Investment Gains (Losses)

	2010	**2009**	**2008**
Fixed maturities	$357	$3,864	$(2,257)
Equities	71	206	(962)
Other	(10)	18	(5)
Adjustments to deferred policy acquisition costs	(8)	(169)	145
Net change in unrealized investment gains (losses)	410	3,919	(3,079)
Deferred income tax (expense) benefit	(228)	(1,347)	1,048
Net change in unrealized investment gains (losses), net of tax	$182	$2,572	$(2,031)

Available for Sale Investments

The gross unrealized gains and losses and fair values of available for sale investments as of December 31, 2010 and 2009, are as follows:

December 31, 2010	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government and agency securities	$3,008	$197	$(13)	$3,192
Residential mortgage and ABS securities	9,628	455	(50)	10,033
Commercial mortgage and ABS securities	2,378	99	(4)	2,473
Other mortgage and ABS securities	1,661	93	(6)	1,748
U.S. state and municipal	12,414	438	(120)	12,732
Corporate and other	22,907	1,274	(206)	23,975
Foreign government securities	4,379	106	(85)	4,400
Total fixed maturities	56,375	2,662	(484)	58,553
Common stock	1,000	253	(23)	1,230
Preferred stock	552	35	(84)	503
Total equity securities	1,552	288	(107)	1,733
Total securities available for sale	$57,927	$2,950	$(591)	$60,286

(dollars in millions, except per share amounts)

December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$2,324	$147	$(6)	$2,465
Residential mortgage and ABS securities	10,725	376	(112)	10,989
Commercial mortgage and ABS securities	2,163	39	(42)	2,160
Other mortgage and ABS securities	1,849	74	(21)	1,902
U.S. state and municipal	14,910	700	(100)	15,510
Corporate and other	19,134	891	(342)	19,683
Foreign government securities	3,684	128	(82)	3,730
Total fixed maturities	54,789	2,355	(705)	56,439
Common stock	525	195	(32)	688
Preferred stock	552	32	(84)	500
Total equity securities	1,077	227	(116)	1,188
Total securities available for sale	$55,866	$2,582	$(821)	$57,627

Of the $1,230 and $688 of common stock as of December 31, 2010 and 2009, respectively, $304 and $275, respectively, related to securities associated with non-guaranteed unit linked products where the policyholder bears the investment risk.

As of December 31, 2010 and 2009, securities carried at $4,281 and $4,051, respectively, were on deposit with regulatory authorities as required by law.

As of December 31, 2010 and 2009, the fair values of fixed maturities loaned were approximately $1,687 and $1,547, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately $1,336 and $1,352 as of December 31, 2010 and 2009, respectively. Other investments received as collateral in connection with the loaned securities was approximately $396 and $247 as of December 31, 2010 and 2009, respectively.

The amortized cost and fair value of fixed maturities as of December 31, 2010, by contractual maturity are as follows:

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$2,428	$2,458
Over one year through five years	15,801	16,408
Over five years through ten years	12,768	13,391
Over ten years	11,711	12,042
Mortgage and asset-backed securities of government and corporate agencies	13,667	14,254
Total fixed maturities	$56,375	$58,553

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(dollars in millions, except per share amounts)

The following table shows a schedule of the Company's unrealized losses and fair value by security type and by duration that individual securities have been in a continuous unrealized loss position as of December 31, 2010, that are not deemed to be other-than-temporarily impaired.

	Less Than 12 Months		12 Months or Longer	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
U.S. government and agency securities	$(13)	$ 571	$(-)	$-
Residential mortgage and ABS securities	(14)	1,182	(36)	403
Commercial mortgage and ABS securities	(2)	103	(2)	62
Other mortgage and ABS securities	(1)	17	(5)	31
U.S. state and municipal	(84)	2,295	(36)	214
Corporate and other	(96)	3,601	(110)	892
Foreign government securities	(43)	1,536	(42)	305
Common stock	(8)	178	(15)	98
Preferred stock	(2)	51	(82)	308
Total	$(263)	$ 9,534	$(328)	$ 2,313

The following table shows a schedule of the Company's unrealized losses and fair value by security type and by duration that individual securities have been in a continuous unrealized loss position as of December 31, 2009, that are not deemed to be other-than-temporarily impaired.

	Less Than 12 Months		12 Months or Longer	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
U.S. government and agency securities	$(6)	$386	$-	$25
Residential mortgage and ABS securities	(16)	1,077	(96)	501
Commercial mortgage and ABS securities	(2)	253	(40)	629
Other mortgage and ABS securities	(7)	274	(14)	60
U.S. state and municipal	(35)	1,148	(65)	604
Corporate and other	(30)	1,324	(312)	2,875
Foreign government securities	(49)	884	(33)	150
Common stock	(2)	15	(30)	132
Preferred stock	-	-	(84)	357
Total	$(147)	$5,361	$(674)	$5,333

The above table for 2010 includes $227 of unrealized losses related to securities issued and guaranteed by the United States government, its agencies, government sponsored enterprises and state and municipal governments. Unrealized losses decreased from $821 as of December 31, 2009 to $591 as of December 31, 2010 primarily due to declining Treasury yields and a decrease in credit spreads. Unrealized losses less than 12 months increased from $147 at December 31, 2009 to $263 as of December 31, 2010, an increase of $116. Unrealized losses 12 months or longer decreased from $674 as of December 31, 2009 to $328 as of December 31, 2010 and accounted for $346 of the overall decrease in unrealized losses. As of December 31, 2010, there were 488 securities that were in an unrealized loss position for 12 months or longer. The Company monitors the difference between the amortized cost and estimated fair value of debt securities to ascertain whether declines in value are temporary in nature. The Company currently does not have the intent to sell these securities and has determined it is not more likely than not that it would be required to sell these fixed income securities before they recover their fair value.

Approximately 76% of the Company's securitized portfolio is explicitly backed by the U.S. government (GNMA and SBA) or by government-sponsored entities (FHLMC and FNMA). Over 94% of the mortgage and asset-backed holdings are rated AAA. The commercial mortgage backed securities portfolio is well diversified and of high quality with over 99% rated AA or above with approximately 18% of the underlying collateral having been defeased with U.S. Treasuries.

As of December 31, 2010, no single issuer, excluding U.S. Treasuries, agency securities and mortgage-backed securities, accounted for more than 1.1% of invested assets.

Variable Interest Entities

The Company invests in energy, private equity and real estate limited partnerships and other entities subject to VIE analysis under the VIE subsections of ASC 810, *Consolidation*. The Company analyzes each investment to determine whether it is a VIE, and if so, whether the Company is the primary beneficiary or a significant interest holder based on a qualitative and quantitative assessment. The Company evaluates the design of the entity, the risks to which the entity was designed to expose the variable interest holder and the extent of the Company's control of and variable interest in the VIE. As of December 31, 2009, the Company determined that it was the primary beneficiary of two VIEs in the energy investment sector, and as such, these VIEs were consolidated in the Company's 2009 financial statements. The carrying value of assets and liabilities, and the Company's maximum exposure to loss of the consolidated VIEs were immaterial to the Company. These entities were deconsolidated in 2010 upon adoption of the revised guidance in ASC 810 when the Company determined that it did not have a controlling financial interest in the VIEs.

(dollars in millions, except per share amounts)

The Company has variable interests in VIEs for which it is not the primary beneficiary and accounts for these VIEs under the equity method in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*. The VIEs are principally private equity limited partnerships in which the Company has invested as a passive limited partner. The partnerships were deemed to be VIEs because the equity holders as a group lack the power to direct the activities that most significantly impact the respective entity's economic performance. The VIEs generate variability primarily from investment portfolio performance and that variability is passed to equity holders. For these VIEs, the Company absorbs a portion, but not majority, of this variability. The carrying value of assets was $94 and $87 as of December 31, 2010 and December 31, 2009, respectively and the Company's maximum exposure to loss was $123 and $99 as of December 31, 2010 and December 31, 2009, respectively for unconsolidated VIEs in which the Company has a significant variable interest. The assets are included in Other Investments on the consolidated balance sheets. Maximum exposure to loss includes the carrying value and unfunded commitment of the VIE. There is no recourse provision to the general credit of the Company for any VIE beyond the full amount of the Company's loss exposure.

Investments in Mortgage Loans

As of December 31, 2010 and 2009, the carrying values of commercial mortgage loans were $1,206 and $1,121 respectively. The carrying values reflect allowances of $14 and $6 as of December 31, 2010 and 2009, respectively. Additionally, the Company's participation in any one commercial mortgage loan acquired does not exceed 49% of the loan value. As of December 31, 2010, the average total loan size was $2, and the average loan participation size was $1. The number of loans in the portfolio increased from 2,469 as of December 31, 2009, to 2,948 as of December 31, 2010. Approximately 90% of the loans are full or partial recourse to borrowers.

Derivatives

The Company has a Derivative Use Policy, which has been approved by the Investment Committee of each domestic insurance subsidiary that has entered into derivative transactions. Pursuant to the policy, the Company may enter into derivative transactions. Beginning in January 2008, the Company, as part of its risk management program, diversification, and economic hedging strategies, entered into several futures contracts related to the equities market with notional amounts totaling $599. All futures contracts expired in March 2008, and the Company realized gains of $26 on these transactions. In March 2008, the Company entered into an equity swap agreement with a notional amount of $600. This contract was terminated in December 2008, and the Company realized gains of $187 on this transaction. In August 2008, the Company, as part of its risk management program and diversification strategy, entered into two equity swap agreements with a total notional amount of $335. For the year ended December 31, 2008, these contracts incurred a $99 net gain. These contracts matured in January 2009 resulting in realized gains of $25 for the twelve months ended December 31, 2009. As of December 31, 2010, the Company had no material derivative agreements in place.

(4) DEFERRED POLICY ACQUISITION COSTS AND ACQUIRED IN-FORCE POLICY INTANGIBLES

The following reflects the policy acquisition costs and acquired in-force policy intangibles deferred for amortization against future income and related amortization charged to income:

	Years Ended December 31,		
	2010	**2009**	**2008**
Balance at beginning of year	$2,636	$2,541	$2,045
Acquisition costs deferred and other	4,892	4,787	3,991
Acquired in-force policy intangibles [1]	-	-	494
Amortization charged to income	(4,757)	(4,692)	(3,989)
Balance at end of year	$2,771	$2,636	$2,541

[1] For 2008, the acquired in-force policy intangible was recognized in conjunction with the Company's purchase of Safeco on September 22, 2008 and the acquisition of Indiana Seguros S.A. through the Company's Brazilian subsidiary, Liberty International Brazil Ltda. on January 9, 2008.

(5) ASBESTOS AND 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.

Upon their de-affiliation from the Nationwide Group and affiliation with the Company, Employers Insurance Company of Wausau ("EICOW"), Wausau Business Insurance Company ("WBIC"), Wausau General Insurance Company ("WGIC"), and Wausau Underwriters Insurance Company

("WUIC") entered into ceded reinsurance contracts whereby Nationwide Indemnity Company assumed full responsibility for obligations on certain policies with effective dates prior to January 1, 1986, including all asbestos and environmental exposures.

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 2009, the Company completed its biennial ground-up asbestos reserve study. The study was completed by a multi-disciplined team of internal claims, legal, reinsurance and actuarial personnel, and it included all major segments of the Company's direct, assumed, and ceded asbestos claims. As part of the internal review, potential exposures of certain policyholders were individually evaluated using the Company's proprietary stochastic model, which is consistent with 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 study resulted in an increase to reserves of $383, which included an increase of $70 to the allowance for uncollectible reinsurance. The previous comprehensive study was completed in 2007. The Company also completed its study on the environmental claims liability in 2009, resulting in immaterial adjustments to held reserves. During 2010 the Company monitored asbestos and environmental activity to determine whether or not any adjustment to reserves is warranted. Based on this review of actual emerged losses, no material adjustments were made.

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.

(dollars in millions, except per share amounts)

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, 2010, 2009, and 2008. Acquisition activity in 2009 and 2008 relates to the purchase of Safeco.

	2010	2009	2008
Gross Asbestos:			
January 1 reserves	$2,665	$2,539	$2,526
Acquisitions	-	67	224
Incurred activity	134	384	146
Paid activity[1]	655	325	357
Ending reserves	$2,144	$2,665	$2,539
Net Asbestos:			
January 1 reserves	$1,171	$901	$848
Acquisitions	-	64	182
Incurred activity (net of change in allowance)	(104)	399	20
Paid activity	235	193	149
Total unpaid losses including allowance for unpaid reinsurance	$832	$1,171	$901

[1] In 2010, the increase in paid activity is due to the payment of the 2009 settlement with Armstrong World Industries, with which the Company had been in various insurance coverage disputes.

Included in gross asbestos incurred for 2010, 2009, and 2008 are amounts attributable to claims against 1985 and prior policies issued by EICOW and its affiliates, which are 100% ceded to Nationwide Indemnity Company and guaranteed by Nationwide Mutual Insurance Company. In addition, the Company's 2003 acquisition of Prudential Property and Casualty Insurance Company, Prudential General Insurance Company, and Prudential Commercial Insurance Company (collectively referred to as "PruPac") included $175 and $118 of gross and net asbestos reserves, respectively. Any increase in asbestos reserves related to PruPac is reinsured by Vantage Casualty Insurance Company ("Vantage") and guaranteed by Prudential Financial, Inc. The Company had gross paid losses associated with these reserves of $1, $0, and $47 in 2010, 2009, and 2008, respectively. All remaining 2010 and 2008 gross paid losses are recoverable from Vantage.

	2010	2009	2008
Gross Environmental:			
January 1 reserves	$527	$620	$621
Acquisitions	-	(25)	95
Incurred activity	35	50	13
Paid activity	80	118	109
Ending reserves	$482	$527	$620
Net Environmental:			
January 1 reserves	$409	$495	$486
Acquisitions	-	(25)	84
Incurred activity	(6)	4	(5)
Paid activity	45	65	70
Ending reserves	$358	$409	$495

The Company's 2003 acquisition of PruPac included $15 and $12 of gross and net environmental reserves, respectively. Any increase in environmental reserves related to PruPac is reinsured by Vantage and guaranteed by Prudential Financial, Inc. The Company had gross paid losses associated with these reserves of $0, $0, and $1 in 2010, 2009, and 2008 respectively. All remaining 2008 gross paid losses are recoverable from Vantage.

(6) UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The Company establishes reserves for payment of claims and claim adjustment expenses that arise from the policies issued. As required by applicable accounting rules, no reserves are established until a loss, including a loss from a catastrophe, occurs. The Company's reserves are segmented into three major categories: reserves for reported claims (estimates made by claims adjusters); IBNR representing reserves for unreported claims and supplemental reserves for reported claims; and reserves for the costs to settle claims. The Company establishes its reserves net of salvage and subrogation by line of business or coverage and year in which losses occur.

(dollars in millions, except per share amounts)

Establishing loss reserves, including loss reserves for catastrophic events that have occurred, is an estimation process. Many factors can ultimately affect the final settlement of a claim and, therefore, the necessary reserve. Changes in the law, results of litigation, medical costs, the costs of repair materials, and labor rates can all affect ultimate claim costs. In addition, time can be a critical part of reserving determinations since the longer the span between the incidence of a loss and the payment or settlement of the claim, the more variable the ultimate settlement can be. Accordingly, "short-tail" claims, such as property damage claims, tend to be easier to estimate than "long-tail" claims, such as workers compensation or general liability claims.

As information develops that varies from past experience, provides additional data, or in some cases, augments data that previously was not considered sufficient for use in determining reserves, changes in the Company's estimate of ultimate liabilities may be required. The effects of these changes are reflected in current operating results.

Catastrophes are an inherent risk of the property-casualty insurance business and have contributed to material period-to-period fluctuations in the Company's results of operations and financial position. Catastrophe losses are severe losses resulting from natural and man-made events, including risks such as fire, earthquake, windstorm, explosion, terrorism, and other similar events. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in an area affected by the event and the severity of the event. The level of catastrophe losses experienced in any period cannot be predicted and can be material to the results of operations and financial position of the Company. Catastrophe losses incurred during the years ended December 31, 2010, 2009, and 2008 were $1,091, $709, and $1,580, respectively.

Note 5 includes a discussion of incurred attributable to prior years for asbestos and environmental reserves.

Activity in property and casualty unpaid claims and claim adjustment expenses of the Company are summarized as follows:

	2010	2009	2008
Balance as of January 1	$48,355	$48,311	$42,531
Less: unpaid reinsurance recoverables (1)	12,052	12,423	12,429
Net balance as of January 1	36,303	35,888	30,102
Balance attributable to dispositions and acquisitions	-	56	4,918
Incurred attributable to:			
Current year	20,033	19,584	18,623
Prior years:			
Asbestos and environmental	(7)	312	6
All other	(366)	(999)	(1,081)
Discount accretion	128	154	167
Total incurred	19,788	19,051	17,715
Paid attributable to:			
Current year	10,205	9,583	9,064
Prior years	9,138	9,385	7,567
Total paid	19,343	18,968	16,631
Amortization of deferred retroactive reinsurance gain	54	74	82
Net adjustment due to foreign exchange	(269)	202	(298)
Add: unpaid reinsurance recoverables (1)	11,526	12,052	12,423
Balance as of December 31	$ 48,059	$48,355	$48,311

(1) In addition to the unpaid reinsurance recoverable balances noted above, and as a result of retroactive reinsurance agreements, the Company has recorded retroactive reinsurance recoverable balances of $1,992, $2,067, and $2,111 as of December 31, 2010, 2009, and 2008, respectively.

Incurred attributable to prior years, excluding asbestos and environmental, includes $54, $74, and $82 of amortization of deferred retroactive gain in the years ended December 31, 2010, 2009, and 2008, respectively. In 2010, incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is primarily attributable to favorable prior year development driven by the personal automobile and LIU reinsurance lines of business. The personal automobile favorable development is driven by better than expected severity trends, and the LIU reinsurance favorable development is driven by better than expected frequency of large loss events. In 2009, incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is primarily attributable to favorable prior year development driven by the workers compensation and general liability lines of business. The workers compensation favorable development is driven by the involuntary market workers compensation pools and the general liability favorable development is due to better than expected frequency and severity trends. In 2008, incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is primarily attributable to favorable loss trends in the LIU reinsurance and workers compensation lines of business.

For certain commercial lines of insurance, the Company offers experience-rated insurance contracts whereby the ultimate premium is dependent upon the claims incurred. As of December 31, 2010 and 2009, the Company held $4,156 and $4,384, respectively, of unpaid claims and claim adjustment expenses related to experience-rated contracts. Premiums receivable included accrued retrospective and unbilled audit premiums of $635 and $495 as of December 31, 2010 and 2009, respectively. For the years ended December 31, 2010, 2009, and 2008, the Company recognized a decrease in premium income of $64, $85, and $77, respectively, relating to prior years.

(dollars in millions, except per share amounts)

Unpaid claims and claim adjustment expenses are recorded net of anticipated salvage and subrogation of $1,143 and $1,175 as of December 31, 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the reserve for unpaid claim reserves was reduced by $4,823 and $4,784, respectively, for large dollar deductibles. Large dollar deductibles billed and recoverable were $221 and $228 as of December 31, 2010 and 2009, respectively.

(7) REINSURANCE

In the ordinary course of business, the Company assumes reinsurance and also cedes reinsurance to other insurers to reduce overall risk, including exposure to large losses and catastrophic events. The Company is also a member of various involuntary pools and associations and serves as a servicing carrier for residual market organizations.

A summary of reinsurance financial data reflected within the consolidated statements of income is presented below:

P&C	2010		2009		2008	
	Written	Earned	Written	Earned	Written	Earned
Direct	$31,222	$30,752	$30,582	$30,389	$27,667	$27,338
Assumed	1,770	1,678	1,590	1,641	1,640	1,642
Ceded[1]	4,851	4,778	4,921	5,233	4,750	4,369
Net premiums	$28,141	$27,652	$27,251	$26,797	$24,557	$24,611

[1] As of December 31, 2010 and 2009, the Company, through its domestic insurance subsidiaries, participated in homeowners quota share reinsurance contracts on a written premium basis, ceding 30.0% of its Personal Markets' homeowners premium and as of December 31, 2008, ceding 31.725% of total U.S. homeowners premium.

Life	2010		2009		2008	
	Written	Earned	Written	Earned	Written	Earned
Direct	$ 1,124	$ 1,121	$1,065	$1,052	$968	$971
Ceded	74	74	58	58	58	58
Net premiums	$ 1,050	$ 1,047	$ 1,007	$994	$910	$913

The following table summarizes the Company's reinsurance recoverables by reinsurers' Standard & Poor's ("S&P") rating (or the rating of any guarantor) as of December 31, 2010.

S&P Rating	Reinsurance Recoverables	Collateral Held	Net Recoverables[2]
AAA	$3	$-	$3
AA+, AA, AA-	2,884	1,237	1,716
A+, A, A-	6,205	1,341	5,114
BBB+,BBB, BBB-	7	4	5
BB+ or below	5	-	5
Involuntary pools	2,920	5	2,915
Voluntary pools	363	71	301
Other [1]	2,316	2,701	621
Gross recoverables	$14,703	$5,359	$10,680
Less: allowance	393	-	-
Net recoverables	$14,310	$5,359	$10,680

[1] Includes $784 and $1,532 of recoverables from non-rated reinsurers and captive and program business, respectively.
[2] Net recoverables represent gross recoverables less applicable collateral that can be specifically applied against recoverable balances.

The Company remains contingently liable in the event reinsurers are unable to meet their obligations for paid and unpaid reinsurance recoverables and unearned premiums ceded under reinsurance agreements.

The Company has an aggregate reinsurance recoverable from Nationwide Indemnity Company in the amount of $1,638 and $1,725 as of December 31, 2010, and 2009, respectively. The reinsurance recoverable is guaranteed by Nationwide Mutual Insurance Company. Additionally, the Company has significant reinsurance recoverable concentrations with Swiss Reinsurance Group, Munich Re, Everest Re Group and Berkshire Hathaway Group totaling $1,443, $501, $464, and $370 respectively, as of December 31, 2010, net of offsetting collateral under the contracts.

The reinsurance recoverables from state mandated involuntary pools and associations represent the Company's servicing carrier business. As a servicing carrier, the Company retains no direct underwriting risk but instead cedes 100% of the involuntary market premium and losses back to the pool. Payment of losses is shared by the pool participants in proportion to their pool participation. Reinsurer credit risk with respect to any such involuntary pool or association is a function of the creditworthiness of all of the pool participants.

The Company is party to retroactive reinsurance arrangements where a significant portion of the consideration was retained on a "funds held" basis and interest is credited on the balance at a weighted average rate of approximately 7.7% annually. These contracts resulted in deferred gains (including experience related profit accruals of $195) that are amortized into income using the effective interest method over the estimated settlement periods. As of December 31, 2010 and 2009, deferred gains related to these reinsurance arrangements were $550 and $592, respectively, and are included in other liabilities within the consolidated balance sheets. Interest credited to the funds held balances for the years ended December 31, 2010, 2009, and 2008 was $118, $117, and $115, respectively. Deferred gain amortization was $54, $72, and $77 for the years ended December 31, 2010, 2009, and 2008, respectively. Reinsurance recoverables related to these transactions including experience related profit accruals were $1,947 and $2,019 as of December 31, 2010 and 2009, respectively.

Additionally, the Company has an aggregate stop loss program covering substantially all of Commercial Markets voluntary workers compensation business from the fourth quarter 2000 through the fourth quarter 2002 accident year periods. Under these contracts, losses in excess of a specified loss ratio are reinsured up to a maximum loss ratio and were accounted for as prospective reinsurance at inception. However, due to a material contract change at the January 1, 2002, renewal, any premium and loss activity subsequent to December 31, 2001, is accounted for as retroactive reinsurance for coverage provided from the fourth quarter 2000 through the fourth quarter 2001 covered accident year periods. Additional premium and loss activity related to each of these retroactive and prospective contracts was immaterial in 2010, 2009, and 2008. The retroactive portion of the aggregate stop loss program is included in the preceding paragraph.

In 2007, the Company entered into a multi-year property catastrophe reinsurance agreement with Mystic Re II Ltd. ("Mystic Re II"), a Cayman Islands domiciled reinsurer, to provide $150 of reinsurance coverage for the Company and its affiliates in the event of a Northeast and/or Florida hurricane event. In the first quarter 2009, the Company entered into another agreement with Mystic Re II to provide $225 of additional reinsurance coverage for the Company in the event of a U.S. hurricane or earthquake event. The reinsurance agreements are collateralized through a trust and guarantee received by Mystic Re II from the issuance of catastrophe bonds and provides coverage for hurricane or earthquake-related losses based on industry insured losses as reported by Property Claim Services along with company specific losses on the event. The Company has not recorded any recoveries under these programs. Mystic Re II does not have any other reinsurance in force.

Catastrophe Exposure

The Company writes insurance and reinsurance contracts that cover catastrophic events, both natural and man-made. Although the Company purchases reinsurance to mitigate its exposure to certain catastrophic events, claims from catastrophic events could cause substantial volatility in its financial results for any fiscal year and have a material adverse effect on its financial condition.

On November 26, 2002, the Terrorism Risk Insurance Act of 2002 (the Terrorism Act) was enacted into Federal law and established the Terrorism Risk Insurance Program (the Program), a temporary Federal program in the Department of the Treasury, that provided for a system of shared public and private compensation for certain insured losses resulting from acts of terrorism or war committed by or on behalf of a foreign interest. The Program was scheduled to terminate on December 31, 2005. In December 2005, the Terrorism Risk Insurance Extension Act of 2005 (the Terrorism Extension Act) was enacted into Federal law, reauthorizing the Program through December 31, 2007, while reducing the Federal role under the Program. In December 2007, the Terrorism Risk Insurance Program Reauthorization Act of 2007 was enacted into Federal law, extending coverage to include domestic acts of terrorism and reauthorizing the Program through 2014. The three acts are hereinafter collectively referred to as "the Acts."

In order for a loss to be covered under the Program (subject losses), the loss must meet certain aggregate industry loss minimums and must be the result of an event that is certified as an act of terrorism by the U.S. Secretary of the Treasury. The annual aggregate industry loss minimum is $100 through 2014. The original Program excluded from participation certain of the following types of insurance: Federal crop insurance, private mortgage insurance, financial guaranty insurance, medical malpractice insurance, health or life insurance, flood insurance, and reinsurance. The Terrorism Extension Act exempted from coverage certain additional types of insurance, including commercial automobile, professional liability (other than directors and officers'), surety, burglary and theft, and farm-owners multi-peril. In the case of a war declared by Congress, only workers' compensation losses are covered by the Acts. The Acts generally require that all commercial property casualty insurers licensed in the United States participate in the Program. Under the Program, a participating insurer is entitled to be reimbursed by the Federal Government for 85% of subject losses, after an insurer deductible, subject to an annual cap. The Federal reimbursement percentage is 85% through 2014.

The deductible for any calendar year is equal to 20% of the insurer's direct earned premiums for covered lines for the preceding calendar year. The Company's estimated deductible under the Program is $1,692 for 2011. The annual cap limits the amount of aggregate subject losses for all participating insurers to $100,000. Once subject losses have reached the $100,000 aggregate during a program year, participating insurers will not be liable under the Program for additional covered terrorism losses for that program year. The Company has had no terrorism-related losses since the Program was established. Because the Acts are relatively new and their interpretation is untested, there is substantial uncertainty as to how they will be applied to specific circumstances. It is also possible that future legislative action could change the Acts. Further, given the unpredictable frequency and severity of terrorism losses, as well as the limited terrorism coverage in the Company's own reinsurance program, future losses from acts of terrorism, particularly "unconventional" acts of terrorism involving nuclear, biological, chemical or radiological events, could be material to the Company's operating results, financial position and/or liquidity in future periods. The Company will continue to manage this type of catastrophic risk by monitoring and controlling terrorism risk aggregations to the best of its ability.

(dollars in millions, except per share amounts)

(8) DEBT OUTSTANDING

Debt outstanding as of December 31, 2010 and 2009 includes the following:

Short-term and current maturities of long-term debt:

	2010	2009
Commercial paper	$ -	$ -
Revolving credit facilities	-	4
Current maturities of long-term debt	1	301
Total short-term and current maturities of long-term debt	$ 1	$305

Long-term debt:

	2010	2009
7.25% Notes, due 2012	$ 204	$ 204
8.00% Notes, due 2013	260	260
7.86% Medium Term Notes, due 2013	25	25
5.75% Notes, due 2014	500	500
7.30% Notes, due 2014	200	200
5.588% Mortgage Loan due 2015	49	49
6.70% Notes, due 2016	249	249
7.00% Junior Subordinated Notes, due 2067[1]	300	300
8.50% Surplus Notes, due 2025	140	140
7.875% Surplus Notes, due 2026	227	227
7.625% Notes, due 2028	3	3
7.00% Notes, due 2034	231	231
6.50% Notes, due 2035	471	471
7.50% Notes, due 2036	440	440
7.80% Junior Subordinated Notes, due 2087[2]	700	700
10.75% Junior Subordinated Notes, due 2088[3]	1,250	1,250
7.697% Surplus Notes, due 2097	435	435
	5,684	5,684
Unamortized discount	(49)	(49)
Total long-term debt excluding current maturities	$5,635	$5,635

[1] The par value call date and final fixed rate interest payment date is March 15, 2017, subject to certain requirements.
[2] The par value call date and final fixed rate interest payment date is March 15, 2037, subject to certain requirements.
[3] The par value call date and final fixed rate interest payment date is June 15, 2038, subject to certain requirements.

Debt Transactions and In-Force Credit Facilities

On May 12, 2010, LMAC entered into a $200 unsecured revolving credit facility for general corporate purposes with a syndicate of lenders led by Bank of America, N.A. that terminates three years following the date the facility first becomes available. On November 5, 2010, LMAC and Ohio Casualty entered into an Amended and Restated Revolving Credit Agreement to allow both LMAC and Ohio Casualty to be joint and several co-borrowers under the facility, as well as to change certain covenants to reflect the combined financial statements of the co-borrowers. On December 20, 2010, the co-borrowers triggered the availability of the facility and established the specific terms of the financial covenants based on the current combined financial statements (after giving effect to certain reorganization transactions). To date, no funds have been borrowed under the agreement.

On May 11, 2010, Peerless Insurance Company ("PIC") became a member of the Federal Home Loan Bank of Boston. This membership provides the Company with access to a secured asset-based borrowing with loan maturities of up to 20 years. To date, no funds have been borrowed.

On March 26, 2010, Liberty Mutual Insurance Company ("LMIC") entered into a $750 three-year committed repurchase agreement. In connection with the new repurchase agreement, LMIC terminated its existing $750 364-day committed repurchase agreement. As of December 31, 2010, no borrowings were outstanding under the agreement.

On March 26, 2010, PIC entered into a $250 three-year committed repurchase agreement. The repurchase agreement is guaranteed by LMIC. To date, no funds have been borrowed under the agreement.

On December 14, 2009, Liberty Mutual Group, Inc ("LMGI") entered into a three-year $400 unsecured revolving credit facility which terminates on December 14, 2012. In connection with the new facility, LMGI terminated its $250 three-year unsecured revolving credit facility and its two revolving credit facilities totaling $750. To date, no funds have been borrowed under the facility.

The Company places commercial paper through a program issued by LMGI and guaranteed by LMIC. Effective December 14, 2009, the $1,000 commercial paper program was reduced to $400 and is backed by the three-year $400 unsecured revolving credit facility. As of December 31, 2010, no commercial paper borrowings were outstanding.

On December 10, 2009, Berkeley/St. James Real Estate LLC, a wholly-owned affiliate of the Company, entered into a five-year $50 mortgage loan secured by the Company's headquarters located at 175 Berkeley Street and 30 St. James Avenue, Boston, Massachusetts. The mortgage loan has limited recourse to Berkeley/St. James Real Estate LLC in certain instances, and LMGI guarantees those limited recourse obligations.

On March 11, 2009, LMIC became a member of the Federal Home Loan Bank of Boston. This membership provides the Company with access to a secured asset-based borrowing with loan maturities of up to 20 years. To date, no funds have been borrowed.

On June 9, 2006, Liberty Mutual Insurance Europe Limited entered into a $20 revolving loan facility. The facility is available to provide working capital to the Company's international operations. The revolving loan facility is guaranteed by LMIC. As of December 31, 2010, no borrowings were outstanding under the facility.

As part of its overall capital strategy, the Company previously announced that it may issue, repurchase or exchange debt depending on market considerations. Debt repurchases, may be done through open market or other appropriate transactions. For the year ended December 31, 2009, the Company repurchased $65 of the 7.697% Surplus Notes due 2097, $60 of the 7.50% Notes due 2036, $29 of the 6.50% Notes due 2035, $23 of the 7.875% Notes due 2026, $19 of the 7.00% Notes due 2034, $10 of the 8.50% Surplus Notes due 2025, and $1 of the 6.70% Notes due 2016. A gain of $59 was recorded on the transactions and is included in fee and other revenues in the consolidated statements of income.

Payments of interest and principal of the surplus notes are expressly subordinate to all policyholder claims and other obligations of LMIC. Accordingly, interest and principal payments are contingent upon prior approval of the Commissioner of Insurance of the Commonwealth of Massachusetts.

Capital lease obligations as of December 31, 2010 and 2009 were $177 and $105, respectively, and are included in other liabilities in the accompanying consolidated balance sheets. Amortization of the lease obligation was $15 and $49 for the years ended December 31, 2010 and 2009, respectively. In 2010 and 2008, the Company entered into arrangements to sell and leaseback certain furniture and equipment. The weighted average interest rate on these leases is 3.68%. The transactions are accounted for as capital leases. As of December 31, 2010, the Company's amortization of the lease obligations under the sale-leaseback agreements through maturity is approximately $30 for 2011, $32 for 2012, $33 for 2013, $17 for 2014 and $16 for 2015.

Interest

The Company paid $461, $468, and $406 of interest in 2010, 2009, and 2008, respectively.

(dollars in millions, except per share amounts)

(9) INCOME TAXES

The Company files a consolidated U.S. Federal income tax return for substantially all of its domestic operations. Pursuant to intercompany Federal income tax allocation agreements among each of these companies and their respective subsidiaries, the consolidated tax liabilities are allocated to each company based on its separate return tax liability. Tax benefits are allocated to each company for its portion of net operating losses and tax credit carry forwards in the year they are used by the consolidated group. Intercompany tax balances are settled quarterly. A provision is made, where applicable, for taxes on foreign operations.

The components of Federal, state and foreign income tax expense (benefit) are:

Years ended December 31,	2010	2009	2008
Current tax expense (benefit):			
United States Federal	$121	$108	$201
United States Federal benefit of net operating losses	(8)	(27)	-
State	5	6	1
Foreign	201	147	136
Total current tax expense	319	234	338
Deferred tax expense (benefit):			
United States Federal	294	(74)	(245)
Foreign	24	27	47
Total deferred tax expense (benefit)	318	(47)	(198)
Total Federal, state and foreign income tax expense	$637	$187	$140

A reconciliation of the income tax expense attributable to continuing operations computed at U.S. Federal statutory tax rates to the income tax expense as included in the consolidated statements of income follows:

Years ended December 31,	2010	2009	2008
Expected Federal income tax expense	$812	$423	$439
Tax effect of:			
Nontaxable investment income	(168)	(191)	(155)
Change in valuation allowance	(11)	4	15
Goodwill	(15)	(15)	(13)
Tax litigation	-	(1)	(76)
Revision to estimates	(21)	-	(24)
Medicare legislative change	55	-	-
State	5	6	1
Foreign	(69)	(27)	(84)
Other	49	(12)	37
Actual income tax expense	$637	$187	$140

(dollars in millions, except per share amounts)

The significant components of the deferred income tax assets and liabilities as of December 31, are summarized as follows:

	2010	2009
Deferred tax assets:		
Unpaid claims discount	$577	$601
Unearned premium reserves	779	723
Net operating losses	161	172
Employee benefits	521	954
Retroactive reinsurance deferred gain	201	215
Credits	94	134
Other	898	867
	3,231	3,666
Less: valuation allowance	(153)	(160)
Total deferred tax assets	3,078	3,506
Deferred tax liabilities:		
Deferred acquisition costs	740	694
Net unrealized gains	734	401
Intangibles	407	403
Other	401	317
Total deferred tax liabilities	2,282	1,815
Net deferred tax assets	$796	$1,691

The decrease in the valuation allowance is primarily due to the dissolution of a foreign subsidiary offset by net operating losses generated in certain foreign subsidiaries where there is uncertainty as to the timing and amount of the realization of these losses. Based on the assumption that future levels of income will be achieved, management believes it is more likely than not the remaining net deferred tax assets after valuation allowance will be realized.

The Company's subsidiaries had alternative minimum tax carry forwards of $86 and net operating loss carry forwards of $460 as of December 31, 2010. The alternative minimum tax credits do not expire. However, the net operating losses available in the U.S. and various non-U.S. tax jurisdictions will begin to expire, if not utilized, as follows:

2011	$14
2012	24
2013	27
2014	45
2015	42
Thereafter	308
Total	$460

The Company has not provided for deferred taxes on unremitted earnings of subsidiaries outside the U.S. where such earnings are permanently reinvested. As of December 31, 2010, unremitted earnings of foreign subsidiaries were $1,791. If these earnings were distributed in the form of dividends or otherwise, the Company would be subject to U.S. income taxes less an adjustment for applicable foreign tax credits.

The IRS has completed its review of the Company's federal income tax returns through the 1998 tax year and is currently reviewing income tax returns for the 1999 through 2007 tax years. Any adjustments that may result from the IRS examinations of these income tax returns are not expected to have a material impact on the financial position, liquidity, or results of operations of the Company.

(dollars in millions, except per share amounts)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance as of December 31, 2008	$221
Additions based on tax positions related to the current year	16
Additions for tax positions of prior years	7
Reductions for tax positions of prior years	(22)
Settlements	(1)
Balance as of December 31, 2009	221
Additions based on tax positions related to the current year	1
Additions for tax positions of prior years	138
Reductions for tax positions of prior years	(39)
Settlements	-
Balance as of December 31, 2010	$321

Included in the tabular roll forward of unrecognized tax benefits is interest in the amount of $84 and $85 as of December 31, 2010 and 2009, respectively.

Included in the December 31, 2010 balances above are $160 related to tax positions that would impact the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in Federal, state, and foreign income tax expense. During the years ended December 31, 2010, 2009, and 2008, the Company recognized approximately $(2), $18, and $8 in interest and penalties. The Company had approximately $80 and $82 of interest and penalties accrued as of December 31, 2010 and 2009, respectively.

On October 15, 2008, the Company prevailed in its suit for refund of overpaid federal income tax for the 1990 tax year, based on the treatment of salvage and subrogation. The United States District Court, District of Massachusetts, in *Liberty Mutual Insurance Company v. United States* and *Liberty Mutual Fire Ins. Co. v. United States*, ruled that the amount of income tax refund due and deficiency interest refund due were $42 and $40, respectively, plus statutory interest on the income tax and deficiency interest refunds until paid. On June 10, 2009, the United States Court of Appeals for the First Circuit entered a judgment that dismissed the Government's notice of appeal. As a result, Liberty Mutual received a cash refund of $126 from the U.S. Treasury in December 2009.

The Company does not expect any material changes to the unrecognized tax benefits within 12 months of the reporting date.

(10) BENEFIT PLANS

The Company sponsors non-contributory defined benefit pension plans ("the Plans") covering substantially all U.S. and Canadian employees. The benefits and eligibility are based on age, years of service, and the employee's final average compensation, as more fully described in the Plans. Some foreign subsidiaries sponsor pension plans (principally non-contributory) which provide benefits based on final pay.

The Company sponsors non-qualified supplemental pension plans to restore to selected highly compensated employees the pension benefits to which they would be entitled under the Company's U.S. tax qualified, defined benefit pension plan had it not been for limits imposed by the Internal Revenue Code. The supplemental plans are unfunded.

The Company also provides certain healthcare and life insurance benefits ("Postretirement") covering substantially all U.S. and Canadian employees. Life insurance benefits are based on a participant's final compensation subject to the plan maximum.

Assets of the U.S. tax qualified, defined benefit pension plan consist primarily of investments in separate accounts established under a group annuity contract issued by a subsidiary life insurance company. The separate accounts invest primarily in fixed income securities and in the equity securities of companies in The Standard and Poor's 500 Index. As of December 31, 2010 and 2009, assets of the plans totaling $3,749 and $3,393, respectively, were held in separate accounts of the Company.

The Company sponsors defined contribution savings plans for substantially all U.S. (a 401(k) plan) and Canadian (a Deferred Profit Sharing Plan) employees who meet certain eligibility requirements. During 2010, 2009, and 2008, employees could contribute a percentage of their annual compensation on a before and after-tax basis, subject to Federal limitations. The benefits are based on the employee's contribution amount and Company performance. In 2010, 2009, and 2008, the Company made matching contributions of $148, $162, and $156, respectively, including the supplemental defined contribution plans.

The Safeco Cash Balance Plan (a defined benefit pension plan) was liquidated in 2010. As a result, the benefit obligation was eliminated from the Company's books resulting in a settlement charge of $35.

Compensation expense related to the Company's long-term and short-term incentive compensation plans was $406, $434, and $387 for the years ended December 31, 2010, 2009, and 2008, respectively.

(dollars in millions, except per share amounts)

The following table sets forth the assets, obligations, and assumptions associated with the various U.S., Canadian, and certain foreign subsidiary pension and postretirement benefits. The amounts are recognized in the accompanying consolidated balance sheets as of December 31, 2010 and 2009, and consolidated statements of income for the years ended December 31, 2010, 2009, and 2008.

	Pension		Supplemental Pension		Postretirement	
	2010	2009	2010	2009	2010	2009
Change in benefit obligations:						
Benefit obligation at beginning of year	$4,907	$4,634	$328	$324	$803	$781
Service costs	196	200	10	12	24	28
Interest costs	290	278	20	19	46	46
Amendments	(2)	-	-	-	(71)	10
Actuarial gains	(555)	(32)	(22)	(2)	(53)	(31)
Currency exchange rate change	1	11	-	-	-	-
Acquisitions	3	-	-	-	-	-
Benefits paid	(345)	(185)	(15)	(25)	(30)	(31)
Employee contributions	1	1	-	-	-	-
Other	-	-	-	-	-	-
Benefit obligations at end of year	**$4,496**	**$4,907**	**$321**	**$328**	**$719**	**$803**
Accumulated benefit obligations	**$4,141**	**$4,251**	**$286**	**$283**	**$719**	**$803**
Change in plan assets:						
Fair value of plan assets at beginning of year	$3,640	$3,141	$ -	$ -	$ -	$3
Actual return on plan assets	335	472	-	-	-	-
Currency exchange rate change	2	10	-	-	-	-
Acquisitions	3	-	-	-	-	-
Employer contribution	263	201	-	-	-	-
Benefits paid	(345)	(185)	-	-	-	(3)
Other	2	1	-	-	-	-
Fair value of plan assets at end of year	**$3,900**	**$3,640**	**$ -**	**$ -**	**$ -**	**$ -**
Funded status of Plan	**$(596)**	**$(1,267)**	**$(321)**	**$(328)**	**$(719)**	**$(803)**

(dollars in millions, except per share amounts)

	Pension		Supplemental Pension		Postretirement	
	2010	2009	2010	2009	2010	2009
Amounts recognized in the Balance Sheets:						
Noncurrent assets	$6	$3	$-	$-	$-	$-
Current liabilities	-	(35)	(23)	(14)	(40)	(37)
Noncurrent liabilities	(602)	(1,235)	(298)	(314)	(679)	(766)
Net liability at end of year	**$(596)**	**$(1,267)**	**$(321)**	**$(328)**	**$(719)**	**$(803)**
Amounts recognized in Accumulated Other Comprehensive Loss (Income):						
Net loss (gain)	$563	$1,272	$93	$124	$(101)	$(46)
Prior service costs	26	34	3	6	(30)	(16)
Net transition (asset) liability	(1)	(8)	-	-	-	60
Total	**$588**	**$1,298**	**$96**	**$130**	**$(131)**	**$(2)**
Other changes in Plan assets and projected benefit obligation recognized in Other Comprehensive (Income):						
Net actuarial (gain)	$(628)	$(253)	$(22)	$(2)	$(54)	$(30)
Currency exchange rate change	1	1	-	-	-	-
Amortization of net actuarial (gain)	(82)	(58)	(9)	(10)	(1)	(2)
Prior service costs	(2)	-	-	-	(16)	10
Amortization of prior service cost	(6)	(6)	(3)	(2)	2	3
Transition obligation	-	-	-	-	(55)	-
Amortization of transition obligation	7	5	-	-	(5)	(9)
Total[1]	**$(710)**	**$(311)**	**$(34)**	**$(14)**	**$(129)**	**$(28)**

[1] The amounts recognized in other comprehensive (loss) income for the years ended December 31, 2010 and 2009 include a $(7) and $68 deferred tax (liability) asset related to the Medicare Part D subsidy.

The estimated net actuarial loss, prior service cost, and transition obligation for the pension, supplemental pension and postretirement welfare plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the 2011 fiscal year are $3, $6, and $(5) for pension plans, $8, $1, and less than $1 for supplemental pension plans, and $(3), $(3) and $0 for postretirement welfare plans.

The net benefit costs for the years ended December 31, 2010, 2009, and 2008, include the following components:

December 31, 2010	**Pension**	**Supplemental Pension**	**Postretirement**
Components of net periodic benefit costs:			
Service costs	$196	$10	$24
Interest costs	290	20	46
Expected return on plan assets	(260)	-	-
Settlement charge	35	-	-
Amortization of unrecognized:			
Net loss	47	9	1
Prior service cost	6	3	(2)
Net transition (assets) obligation	(7)	-	5
Net periodic benefit costs	**$307**	**$42**	**$74**

(dollars in millions, except per share amounts)

December 31, 2009	Pension	Supplemental Pension	Postretirement
Components of net periodic benefit costs:			
Service costs	$200	$12	$28
Interest costs	278	19	46
Expected return on plan assets	(251)	-	-
Settlement charge	2	-	-
Amortization of unrecognized:			
Net loss	55	10	2
Prior service cost	6	2	(3)
Net transition (assets) obligation	(5)	-	9
Net periodic benefit costs	**$285**	**$43**	**$82**

December 31, 2008	Pension	Supplemental Pension	Postretirement
Components of net periodic benefit costs:			
Service costs	$142	$10	$22
Interest costs	251	15	40
Expected return on plan assets	(267)	-	(1)
Settlement charge	1	-	-
Amortization of unrecognized:			
Net loss (gain)	10	5	(2)
Prior service cost	6	3	(3)
Net transition (assets) obligation	(5)	-	9
Net periodic benefit costs	**$138**	**$33**	**$65**

The measurement date used to determine pension and other postretirement is December 31, 2010.

Weighted-average actuarial assumptions for benefit obligations are set forth in the following table:

December 31,	2010	2009
Pension		
Discount rate	6.50%	6.15%
Rate of compensation increase	3.70%	4.70%
Supplemental Pension		
Discount rate	6.50%	6.15%
Rate of compensation increase	3.90%	4.90%
Postretirement		
Discount rate	6.50%	6.15%

(dollars in millions, except per share amounts)

Weighted-average actuarial assumptions for net periodic benefit costs are set forth in the following table:

December 31,	2010	2009	2008
Pension			
Discount rate	6.15%	6.00%	6.50%
Expected return on plan assets	6.75%	6.75%	7.50%
Rate of compensation increase	4.70%	4.70%	4.70%
Supplemental Pension			
Discount rate	6.15%	6.00%	6.50%
Rate of compensation increase	4.90%	4.90%	4.90%
Postretirement			
Discount rate	5.98%	6.00%	6.50%
Expected return on plan assets	-	7.15%	7.15%

The discount rate assumption used to determine the benefit obligations was based on a yield curve approach where the cash flow related to the benefit plans' liability stream was discounted at an interest rate specifically applicable to the timing of the cash flow. The process calculated the present value of these cash flows and determined the equivalent single discount rate that produced the same present value of the future cash flows. On an annual basis, the Company reviews the discount rate assumption used to determine the benefit obligations and the composition of various yield curves to ensure that the assumed discount rate reflects the Company's best estimate of the rate of return inherent in a portfolio of high-quality debt instruments that would provide the cash flows necessary to settle the Company's projected benefit payments.

In choosing the expected long-term rate of return on plan assets, the Company's Retirement Board considered the historical returns of equity and fixed income markets in conjunction with current economic and financial market conditions.

The weighted-average healthcare cost trend rates are expected to be 8.8% in 2011 graded down to 5.5% in 2018. Healthcare cost trend rate assumptions have a material impact on the postretirement benefit obligation. A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

	1% point increase	1% point decrease
Effect on Postretirement Benefit Obligation	$ 66	$ (51)
Effect on total service and interest costs	$ 11	$ (8)

Plan Assets

The assets of the domestic Plan represent 97% and 93% of the total Plan assets as of December 31, 2010 and 2009, respectively. The Company's overall investment strategy for the domestic Plans' assets is to achieve a mix of approximately 65% of investments for near-term benefit payments and 35% for long-term growth with a wide diversification of asset types, fund strategies, and fund managers. The domestic Plan's goal is to achieve a total return in the range of 6%-8% annually with sufficient liquidity to meet the benefit needs of the domestic Plan.

The majority of the domestic Plans' assets are managed through separate accounts sponsored by Liberty Life Assurance Company of Boston, a wholly owned indirect subsidiary of the Company.

The target allocation for domestic Plans assets are 62% bonds, 20% diversified public equities, 15% private equity and real estate investments, and 3% cash and short-term investments.

Bonds include investment grade and high yield corporate bonds of companies from diversified industries, residential and commercial mortgage backed securities (RMBS and CMBS), asset backed securities (ABS) and collateralized mortgage obligations (CMO) along with U.S. Treasuries and Agencies (FNMA and FHLMC). Equity securities primarily include investments in large-cap and small-cap companies primarily located in the United States but also with exposures to Europe and Asia. Private equity and real estate investments include investments in private equity funds that follow several different strategies and real estate funds.

The investment strategy for each category of domestic Plans assets is as follows:

Fixed maturities - Achieve superior performance against Barclay's Aggregate Bond Index and Merrill High Yield Index over a 3 to 5 year period.

U.S large cap equities – Mirror performance of the Standard and Poor's Index ("S&P 500").

U.S mid and small cap equities – Achieve superior performance against the Russell 2000 Index over a 3 to 5 year period.

European equities – Achieve superior performance against the MSCI Europe Index over a 3 to 5 year period.

(dollars in millions, except per share amounts)

Asian equities – Achieve superior performance against the MSCI Asia, ex Japan Index over a 3 to 5 year period.

Other equities – Represents other foreign equities.

Private equity investments – Achieve long-term returns in excess of liquid equity securities and provide diversification to domestic Plan's assets. Performance is targeted to outperform the S&P 500, Russell 2000, NASDAQ and private equity benchmarks or other relative benchmarks. Exposures are targeted at 80% to U.S. partnerships and 20% to International partnerships diversified by geography, manager, industry, stage and single vintage year.

Real estate investments – Achieve attractive risk-adjusted total returns through investment primarily in U.S. real estate funds diversified by geography, sector and single vintage year.

The domestic Plans' assets are administered by the Liberty Mutual Retirement Board who has the fiduciary responsibility for management of the domestic Plans' assets in accordance with the Liberty Mutual Retirement Benefit Plan Investment Policy. This policy has been approved by the Liberty Mutual Board of Directors.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2010 and 2009.

Fair Value Measurements as of December 31, 2010

Asset Category	Total	Quoted prices in active markets for identical assets Level 1[1]	Significant Observable Inputs Level 2[1]	Significant Unobservable Inputs Level 3[1]
Cash, cash equivalents and short-term investments	$325	$ 325	$ -	$ -
Fixed maturities:				
U.S. government and agency securities	361	351	10	-
RMBS/CMO/ABS/CMBS	974	-	974	-
Corporate and other	995	2	993	-
U.S. large cap equities	604	603	-	1
U.S. mid and small cap equities	154	154	-	-
European equities	148	145	-	3
Asian equities	230	230	-	-
Other equities	20	13	1	6
Private equity investments	86	-	-	86
Real estate investments	3	-	-	3
Total	$ 3,900	$ 1,823	$ 1,978	$ 99

[1] See Note 11 for descriptions of the three levels of fair value presentation.

(dollars in millions, except per share amounts)

Fair Value Measurements as of December 31, 2009

Asset Category	Total	Quoted prices in active markets for identical assets Level 1[1]	Significant Observable Inputs Level 2[1]	Significant Unobservable Inputs Level 3[1]
Cash, cash equivalents and short-term investments	$465	$465	$-	$-
Fixed maturities:				
U.S. government and agency securities	301	292	9	-
RMBS/CMO/ABS/CMBS	945	-	945	-
Corporate and other	853	23	830	-
U.S. large cap equities	513	513	-	-
U.S. mid and small cap equities	122	122	-	-
European equities	153	150	-	3
Asian equities	184	184	-	-
Other equities	19	12	3	4
Private equity investments	83	-	-	83
Real estate investments	2	-	-	2
Total	$3,640	$1,761	$1,787	$92

[1] See Note 11 for descriptions of the three levels of fair value presentation.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Balance January 1, 2010	Actual return on plan assets still held	Actual return on plan assets sold	Actual return on plan asset purchases, sales, & settlements	Balance December 31, 2010
U.S. large cap equities	$-	$-	$-	$1	$1
European equities	3	-	-	-	3
Private equity investments	83	(4)	11	(4)	86
Real estate investments	2	1	-	-	3
Other equities	4	1	-	1	6
Total	$92	$(2)	$11	$(2)	$99

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Balance January 1, 2009	Actual return on plan assets still held	Actual return on plan assets sold	Actual return on plan asset purchases, sales, & settlements	Balance December 31, 2009
European equities	$2	$-	$-	$1	$3
Private equity investments	95	(15)	5	(2)	83
Real estate investments	2	-	-	-	2
Other equities	4	-	-	-	4
Total	$103	$(15)	$5	$(1)	$92

(dollars in millions, except per share amounts)

The valuation of the Plan's investments in real estate and private equity are determined either internally or by an external fund manager based on recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals.

Cash Flows

Contributions

The Company contributed $263 to the qualified plans, and directly funded $15 to retirees in the supplemental pension plans in 2010. In addition, the Company directly funded $30 to the postretirement benefit plans in 2010.

The Company expects to contribute approximately $305 to the qualified plans, directly fund $23 to retirees in the supplemental pension plans, and $44 to the postretirement benefit plans gross of the Medicare Subsidy in 2011.

Expected Future Benefit Payments

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension	Supplemental Pension	Postretirement Welfare Plans	Postretirement Medicare Subsidy
2011	$186	$23	$44	$(5)
2012	195	15	46	(5)
2013	207	41	41	-
2014	220	31	42	-
2015	234	31	44	-
2016-2020	1,412	145	226	-

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach, which generally utilizes market transaction data for identical or similar instruments.

The hierarchy level assigned to each security in the Company's available for sale portfolio is based on the Company's assessment of the transparency and reliability of the inputs used in the valuation of each instrument at the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Securities are classified based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels at the end of each reporting period. The three hierarchy levels are defined as follows:

- Level 1 — Valuations based on unadjusted quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets or liabilities at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. The unobservable inputs reflect the Company's own assumptions about the assumptions that market participants might use.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the financial instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3.

The Company used the following methods and assumptions in estimating the fair value of its financial instruments as well as the general classification of such financial instruments pursuant to the above fair value hierarchy:

Fixed Maturities

At each valuation date, the Company uses various valuation techniques to estimate the fair value of its fixed maturities portfolio. The primary method for valuing the Company's securities is through independent third-party valuation service providers. For positions where valuations are not available from independent third-party valuation service providers, the Company utilizes broker quotes and internal pricing methods to determine fair values. The Company obtains a single non-binding price quote from a broker familiar with the security who, similar to the Company's valuation service providers, may consider transactions or activity in similar securities, as applicable, among other information. The brokers providing price quotes are generally from the brokerage divisions of leading financial institutions with market making, underwriting and distribution expertise regarding the security subject to valuation. The evaluation and prioritization of these valuation sources is systematic and predetermined resulting in a single quote or price for each financial instrument. The following describes the techniques generally used to determine the fair value of the Company's fixed maturities by asset class:

U.S. government and agency
U.S. government and agency securities consist primarily of bonds issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal Home Loan Bank, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. As the fair values of the Company's U.S. Treasury securities are based on unadjusted market prices, they are classified within Level 1. The fair value of U.S. government agency securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, reported trades, bids, offers and credit spreads. Accordingly, the fair value of U.S. government agency securities is classified within Level 2.

Mortgage-Backed Securities
The Company's portfolio of residential mortgage-backed securities ("MBS") and commercial MBS are originated by both agencies and non-agencies, the majority of which are pass-through securities issued by U.S. government agencies. The fair value of MBS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of MBS is primarily classified within Level 2.

Asset-Backed Securities
Asset-backed securities ("ABS") include mostly investment-grade bonds backed by pools of loans with a variety of underlying collateral, including automobile loan receivables, credit card receivables, and collateralized loan obligation securities originated by a variety of financial institutions. The fair value of ABS is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, contractual cash flows, prepayment speeds, collateral performance and credit spreads. Accordingly, the fair value of ABS is primarily classified within Level 2.

Municipals
The Company's municipal portfolio comprises bonds issued by U.S. domiciled state and municipal entities. The fair value of municipal securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades and credit spreads. Accordingly, the fair value of municipal securities is primarily classified within Level 2.

Corporate debt and other
Corporate debt securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of corporate and other securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, new issuances, issuer ratings, reported trades of identical or comparable securities, bids, offers and credit spreads. Accordingly, the fair value of corporate and other securities is primarily classified within Level 2. In the event third-party vendor valuation is not available, prices are determined using non-binding price quotes from a broker familiar with the security. In this instance, the valuation inputs are generally unobservable and the fair value is classified within Level 3.

Foreign government securities
Foreign government securities comprise bonds issued by foreign governments and their agencies along with supranational organizations. The fair value of foreign government securities is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active, benchmark yields, broker quotes, issuer ratings, reported trades of identical or comparable securities and credit spreads. Accordingly, the fair value of foreign government securities is primarily classified within Level 2.

Equity securities
Equity securities include common and preferred stocks. Common stocks with fair values based on quoted market prices in active markets are classified in Level 1. Common stocks with fair values determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active are classified in Level 2. The fair value of preferred stock is generally determined using observable market inputs that include quoted prices for identical or similar assets in markets that are not active. Accordingly, the fair value of preferred stock is primarily classified within Level 2.

Other investments
Other investments include primarily international loans, foreign cash deposits and equity investments in privately held businesses. International loans and cash deposits are primarily valued using quoted prices for similar instruments in active markets; these assets are categorized as Level 2 of the fair value hierarchy. Equity investments in privately held businesses are valued using internal management estimates; they are categorized as Level 3 of the hierarchy. Limited partnership investments, which represent the remainder of the other investment balance on the consolidated balance sheet, are not subject to these disclosures and therefore are excluded from the below table.

Separate account assets

Separate account assets, which primarily consist of fixed maturity and equity securities, are measured based on the methodologies discussed above. The activity in separate account assets is offset by an equal amount for separate account liabilities, which results in a net zero impact for the Company.

Other assets

Other assets primarily consist of fixed maturities, short-term investments, and equity securities of captive companies sponsored by the Company. These assets are measured based on the methodology for individual securities as discussed above.

Life insurance obligations

Life insurance obligations include certain variable annuity contracts which contain guaranteed minimum income benefits that contain embedded derivatives and are bifurcated from the host contract and carried at fair value. The measurements on these embedded derivatives is computed on a recurring basis using assumptions predominately classified as Level 3 (significant unobservable) inputs. While some inputs are observable in the market such as risk free rates, volatility and historical equity returns, the underlying future policyholder behavior inputs are highly unobservable. These assumptions include mortality, lapse, and the underlying take-up rate with regard to annuitization.

(dollars in millions, except per share amounts)

The following tables summarize the Company's assets that are measured at fair value on a recurring basis as of December 31, 2010 and December 31, 2009:

	As of December 31, 2010			
Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government and agency securities	$2,152	$1,024	$16	$3,192
Mortgage and asset-backed securities:				
Residential	-	9,854	179	10,033
Commercial	-	2,453	20	2,473
Other mortgage and asset-backed securities	-	1,734	14	1,748
U.S. state and municipal	-	12,718	14	12,732
Corporate and other	-	23,204	771	23,975
Foreign government securities	-	4,286	114	4,400
Total fixed maturities, available for sale	2,152	55,273	1,128	58,553
Common stock	1,212	-	18	1,230
Preferred stock	-	499	4	503
Total equity securities, available for sale	1,212	499	22	1,733
Short-term investments	119	191	3	313
Other investments	-	54	115	169
Separate account assets	1,794	1,938	161	3,893
Other assets	9	52	23	84
Total assets	$5,286	$58,007	$1,452	$64,745
Liabilities, at Fair Value				
Life insurance obligations	$ -	$ -	$ (149)	$ (149)
Total liabilities	$ -	$ -	$ (149)	$ (149)

	As of December 31, 2009			
Assets, at Fair Value	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. government and agency securities	$1,504	$ 917	$ 44	$ 2,465
Mortgage and asset-backed securities:				
Residential	-	10,983	6	10,989
Commercial	-	2,145	15	2,160
Other mortgage and asset-backed securities	-	1,849	53	1,902
U.S. state and municipal	-	15,489	21	15,510
Corporate and other	-	18,835	848	19,683
Foreign government securities	-	3,723	7	3,730
Total fixed maturities, available for sale	1,504	53,941	994	56,439
Common stock	630	44	14	688
Preferred stock	-	497	3	500
Total equity securities, available for sale	630	541	17	1,188
Short-term investments	147	369	59	575
Other investments	-	62	64	126
Separate account assets	1,628	1,742	187	3,557
Other assets	15	75	19	109
Total assets	$3,924	$56,730	$1,340	$61,994
Liabilities, at Fair Value				
Life insurance obligations	$ -	$ -	$(143)	$ (143)
Total liabilities	$ -	$ -	$(143)	$ (143)

(dollars in millions, except per share amounts)

The following tables set forth the fair values of assets on a recurring basis classified as Level 3 within the fair value hierarchy:

	Balance January 1, 2010	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Purchases, (Sales) and (Maturities)	Transfer in and/ or out of Level 3	Balance December 31, 2010
U.S. government and agency securities	$ 44	$ -	$ 1	$ (17)	$ (12)	$ 16
Mortgage and asset-backed securities:						
Residential	6	-	2	175	(4)	179
Commercial	15	-	(1)	17	(11)	20
Other mortgage and asset-backed securities	53	(1)	5	(26)	(17)	14
U.S. state and municipal	21	-	-	(1)	(6)	14
Corporate and other	848	2	(6)	(105)	32	771
Foreign government securities	7	-	(1)	107	1	114
Total fixed maturities	994	1	-	150	(17)	1,128
Common stock	14	1	2	6	(5)	18
Preferred stock	3	1	-	-	-	4
Total equity securities	17	2	2	6	(5)	22
Short-term investments	59	(2)	(3)	(51)	-	3
Other investments	64	14	(1)	3	35	115
Separate account assets	187	45	(34)	(37)	-	161
Other assets	19	1	-	3	-	23
Total assets	$1,340	$61	$(36)	$74	$13	$1,452
Life insurance obligations	$(143)	$ (33)	$ -	$ 27	$ -	$ (149)
Total liabilities	$(143)	$ (33)	$ -	$ 27	$ -	$ (149)

	Balance January 1, 2009	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Purchases, (Sales) and (Maturities)	Transfer in and/ or out of Level 3	Balance December 31, 2009
U.S. government and agency securities	$ 31	$ -	$ 1	$(3)	$ 15	$ 44
Mortgage and asset-backed securities:						
Residential	4	-	-	-	2	6
Commercial	18	-	2	(1)	(4)	15
Other mortgage and asset-backed securities	44	1	-	(9)	17	53
U.S. state and municipal	9	-	1	(1)	12	21
Corporate and other	781	9	81	72	(95)	848
Foreign government securities	10	-	1	(3)	(1)	7
Total fixed maturities	897	10	86	55	(54)	994
Common stock	110	(5)	8	(16)	(83)	14
Preferred stock	-	-	-	3	-	3
Total equity securities	110	(5)	8	(13)	(83)	17
Short-term investments	73	-	-	(14)	-	59
Other investments	62	(2)	4	(1)	1	64
Separate account assets	188	(1)	5	(3)	(2)	187
Other assets	27	(12)	-	4	-	19
Total assets	$1,357	$(10)	$103	$28	$(138)	$1,340
Life insurance obligations	$(223)	$ -	$ 36	$44	$ -	$(143)
Total liabilities	$(223)	$ -	$ 36	$44	$ -	$(143)

(dollars in millions, except per share amounts)

There were no material unrealized gains (losses) for the period included in earnings attributable to the fair value relating to assets and liabilities classified as Level 3 that are still held as of December 31, 2010 and 2009.

For the years ended December 31, 2010, 2009, and 2008, there were impairments of $26, $22, and $29, respectively, recognized for items measured at fair value on a nonrecurring basis (principally direct investments in oil and gas production ventures, which are based on independent external studies). Impairment charges for the above are reflected in insurance operating costs and expenses in the consolidated statements of income.

The Company did not have significant transfers between Levels 1 and 2 during the year ended December 31, 2010.

For fixed maturities and equity securities, transfers into Level 3 were $106 and transfers out of Levels 3 were ($93) for the year ended December 31, 2010. These transfers were primarily due to re-evaluation of the observability of pricing inputs.

The Company has elected to apply the fair value option to certain financial instruments in limited circumstances. The fair value option election is made on an instrument by instrument basis. All periodic changes in the fair value of the elected instruments are reflected in the income statement. The impact of the fair value option elections is immaterial to the Company.

The fair values and carrying values of the Company's financial instruments excluded from ASC 820 as of December 31, 2010 and 2009, are as follows:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Other investments	$2,898	$2,898	$2,493	$2,493
Mortgage loans	1,206	1,216	1,121	1,062
Cash and cash equivalents	4,930	4,930	4,847	4,847
Individual and group annuities	2,055	2,439	2,079	2,280
Debt	5,636	5,902	5,940	5,728

Other investments: Fair values represent (1) the Company's equity in partnership net assets and (2) equity investments in privately held businesses carried at fair value.

Mortgage loans: The fair values of commercial mortgage loans were estimated using option adjusted valuation discount rates.

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets for these instruments approximate fair values.

Individual and group annuities: Fair values of liabilities under fixed investment-type insurance contracts are estimated using discounted cash flow calculations at pricing rates as of December 31, 2010 and 2009. Also included are variable investment-type insurance contracts, for which carrying value approximates fair value as of December 31, 2010 and 2009.

Debt outstanding: Fair values of commercial paper and short-term borrowings approximate carrying value. Fair values of long-term debt were based on either quoted market prices or estimated using discounted cash flow analyses based on the Company's incremental borrowing rate as of December 31, 2010 and 2009.

The Company has not applied ASC 820 to non-financial assets and liabilities.

(12) COMMITMENTS AND CONTINGENT LIABILITIES

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

The Company is currently in coverage litigation with Kentile Floors, Inc. a former manufacturer of floor tile products, some of which contained asbestos. In November 1992, Kentile filed a voluntary petition for bankruptcy relief under Chapter 11 (Reorganization) of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York, and Metex Manufacturing Corporation ("Metex") emerged from the Chapter 11 Bankruptcy proceeding as the "Reorganized Debtor." Metex claims it has rights to the policies issued to Kentile, but this issue has not yet been resolved by the bankruptcy court.

In 2008, certain excess insurers of Kentile initiated a declaratory judgment action against Kentile, Metex and the other insurers of Kentile, including the Company, in state court in New York seeking, among other relief, products coverage without aggregate limits from the Company.

(dollars in millions, except per share amounts)

The Company intends to vigorously defend its position in this coverage litigation, including opposing any argument that the Kentile policies do not contain aggregate limits for products claims. Management believes that the ultimate liability, if any, to Metex will not be resolved for at least one year and very likely may not be known for several years. In the opinion of management, the outcome of these pending matters is difficult to predict and an adverse outcome could have a material adverse effect on the Company's business, financial condition and results of operation.

The Company leases certain office facilities and equipment under operating leases expiring in various years through 2018. Rental expense amounted to $278, $280, and $224 for the years ended December 31, 2010, 2009, and 2008, respectively. In addition, the Company is party to two land leases expiring in 2025 and 2101. The Company also owns certain office facilities and receives rental income from tenants under operating leases expiring in various years through 2043. Rental income amounted to $25, $28, and $30 for the years ended December 31, 2010, 2009, and 2008, respectively.

Future minimum rental payments and receipts under non-cancelable leases with terms in excess of one year are estimated as follows:

	Operating Leases	Land Leases	Rental Income	Net Lease Obligations
2011	$174	$1	$27	$148
2012	164	1	25	140
2013	123	1	26	98
2014	88	1	22	67
2015	63	1	27	37
2016 – 2035	83	20	46	57
2036 – 2055	-	20	-	20
2056 – 2101	-	93	-	93
Total	$695	$138	$173	$660

As of December 31, 2010, the Company had unfunded capital commitments related to traditional private equity partnerships of $905, other partnerships (primarily energy) of $1,154, and real estate partnerships of $346.

As of December 31, 2010, the Company had commitments to purchase various mortgage-backed securities settling in 2011, at a cost of $84 with a fair value of $84, which are included as fixed maturities in the consolidated balance sheets.

As of December 31, 2010, the Company had $383 of undrawn letters of credit outstanding secured by assets of $460.

Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the entity to pay an imposed or probable assessment has occurred (based on past premiums for life lines and future premiums for property and casualty lines). Liabilities for guaranty funds and other insurance-related assessments are not discounted and are included as part of other liabilities in the consolidated balance sheets. As of December 31, 2010 and 2009, the liability balance was $248 and $291, respectively. As of December 31, 2010 and 2009, included in other assets were $10 and $12, respectively, of related assets for premium tax offsets or policy surcharges. The related asset is limited to the amount that is determined based on future premium collections or policy surcharges from policies in force. Current assessments are expected to be paid out over the next five years, while premium tax offsets are expected to be realized within one year.

The Company has reinsurance funds held balances of approximately $1,651, which are subject to ratings and surplus triggers whereby if any of the Company's insurance financial strength ratings (with the three major rating agencies) fall below the A- or A3 categories or specified surplus decreases occur, the funds may be required to be placed in trust and invested in assets acceptable to the Company. $186 is held in trust as of December 31, 2010. The Company has no additional material ratings triggers related to reinsurance arrangements.

(13) POLICYHOLDERS' EQUITY

Statutory Surplus

The statutory surplus of the Company's domestic insurance companies was $16,039 and $14,704 as of December 31, 2010 and 2009, respectively. The Company's domestic insurance subsidiaries prepare the statutory basis financial statements in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual ("NAIC APP"), subject to any deviations prescribed or permitted by the insurance commissioners of the various insurance companies' states of domicile. The Company does not have any material permitted practices that deviate from the NAIC APP.

Dividends

The insurance subsidiaries' ability to pay dividends is restricted under applicable insurance law and regulations and may only be paid from unassigned surplus. Under the insurance laws of the domiciliary states of the insurance subsidiaries, an insurer may make an ordinary dividend payment if its surplus as regards to policyholders, following such dividend, is reasonable in relation to its outstanding liabilities, is adequate to its financial needs and does not exceed the insurer's unassigned surplus. However, no insurer may pay an extraordinary dividend without the approval or non-disapproval of the domiciliary insurance regulatory authority. Under the insurance laws of Massachusetts, the domiciliary state of LMIC, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends made within the preceding 12 months, exceeds the greater of 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or the insurer's net income for the 12-month period ending on the preceding December 31. Under the insurance laws of Wisconsin, the domiciliary state of Liberty Mutual Fire Insurance Company ("LMFIC") and EICOW, an extraordinary dividend is defined as a dividend whose fair market value, together with other dividends paid within the preceding 12 months, exceeds the lesser of (a) 10% of the insurer's surplus as regards policyholders as of the preceding December 31, or (b) the greater of (1) the insurer's net income for the preceding calendar year, minus realized capital gains for that calendar year, or (2) the aggregate of the insurer's net income for the three preceding calendar years minus realized capital gains for those calendar years and minus dividends paid within the first two of the preceding three calendar years. Changes in the extraordinary dividend regulation of the domiciliary states of LMIC, LMFIC, and EICOW could negatively affect LMGI's ability to pay principal and interest on the notes held at LMGI, as could a redomestication, merger, or consolidation of LMIC, LMFIC, or EICOW to a different domiciliary state. The maximum dividend payout in 2011 that may be made prior to regulatory approval is $3,153.

(14) SUBSEQUENT EVENTS

Management has assessed material subsequent events through March 16, 2011, the date the financial statements were available to be issued.

Applicant Name: First National Insurance Company of America

NAIC No. 24724
FEIN: 91-0742144

Primary UCAA Application

Item 19. Reports of Examination

1) List of recent market conduct examinations

2) A copy of the company's most recent Financial Exam.

STATE	REPORT DATE	EXAM START DATE	EXAM END DATE	ENTITIES	SCOPE OF REVIEW	LINE OF BUSINESS
AZ	7/1/2009	1/1/2006	12/31/2006	SICA	This examination consisted of a review of the Company's Private Passenger Automobile claim settlement practices. The purpose of the examination was to determine compliance with A.R.S. §§ 20-268, 20-461, 20-462, 20-463, 20-466, 20466.03,20-468,20-469,20-2106 and A.A.C R20-6-801	Personal Property Automobile
CA	3/1/2010	11/10/209	12/29/2009	Safeco Insurance Companies	Audit Unit conducted an audit of your California workers' compensation claims as required by California Labor Code Sections l29.and 129.5. The purpose of the audit pursuant to Section l29(a) is "(t)o make certain that injured workers, and their dependents in the event of their death, receive promptly and accurately the full measure of compensation to which they are entitled... "The audit was a Proflle Audit Review conducted pursuant to Labor Code Section l29(b)(1). The audited consisted of a review of key claims performance areas in an abbreviated sample of indenmity claims randomly selected, pursuant to Title 8, California Code of Regulations, Section 10107.l(c)(1). from your claim logs for the years 2006 through 2008. The Audit Unit reviewed flfty-four (54) randomly selected indemnity claims.	Workers Compensation
CT	11/17/2008	1/1/2006	12/31/2006	AEIC, ASIC, GICA, SICA, SICI	From May 5, 2008 to on or about October 17, 2008, the Market Conduct Division of the Connecticut Insurance Department examined the market conduct practices of the companies using a sample period of January 1, 2006 through December 31, 2006.	Commercial Lines
NV	7/13/2009	1/1/2004	12/31/2007	GICA	This market conduct examination focused on the following areas: • Company operations and management; • Producer licensing and training; and • Underwriting.	Operations and Management
OR	Sep-09	1/1/2007	12/31/2007	AEIC, ASIC, ASICT, FNICA	Select a general sample from claims reported to the Division within a one-year timeframe based on processing location, with a proportional breakdown of each insurer's claims, where any of the following may be reviewed: • Payments made as authorized • Prompt time loss payments (except 1" payment) • Accuracy and timeliness ofreimblJrsements to the worker • Complete and accurate Notice of Closure Summary (Fonll 1503) • Accuracy and timeliness ofNotice of Closure	Workers Compensation
PA	4/28/2010	1/1/2008	12/31/20008	SICA	The examination focused on Company operations in the following areas: 1. Private Passenger Automobile • Underwriting - Appropriate and timely notices of midterm cancellations and 60-day cancellations. • Rating - Proper use of all classification and rating plans and procedures. 2. Property • Underwriting - Appropriate and timely notices of nonrenewals and midterm cancellations. • Rating - Proper use of all classification and rating plans and procedures. 3. Commercial Property • Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, renewals and declinations. 4. Claims 5. Forms 6. Advertising 7. Complaints 8. Licensing	Personal Property Automobile
VA	3/31/2009	4/1/2008	3/31/2009	ASPIC, GICA, ICI, SICA, SICI, SICIN	The examination included a detailed review of the companies' private passenger automobile and homeowners lines of business written in Virginia for the period beginning April 1, 2008 and ending March 31, 2009. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance*, statutory notices, agent licensing, complaint-handling, and information security practices.	

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000
www.insurance.wa.gov

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. 11-155
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
FIRST NATIONAL INSURANCE	)	AND ORDER ADOPTING REPORT
COMPANY OF AMERICA	)	OF FINANCIAL EXAMINATION

A Domestic Insurer.

BACKGROUND

An examination of the financial condition of **FIRST NATIONAL INSURANCE COMPANY OF AMERICA** (the Company) as of December 31, 2009, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on May 19, 2011. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 11 of the report.

Mailing Address: P. O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **FIRST NATIONAL INSURANCE COMPANY OF AMERICA** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on page 1.

1. The Company is ordered to comply with RCW 48.13.273(2)(d) by limiting its investments in medium and lower grade securities to no more than one percent of its total admitted assets. Instruction 1, Examination Report, page 1.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 27th day of June, 2011.

MIKE KREIDLER
Insurance Commissioner

Liberty Mutual
Agency Corporation™

June 20, 2011

James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
P.O. Box 40255
Olympia, WA 98504-0255

Re: Financial Examination Reports of Safeco Insurance Company of America, First National Insurance Company of America, General Insurance Company of America and Safeco Surplus Lines Insurance Company as of December 31, 2009.

Dear Mr. Odiorne:

This letter is to acknowledge receipt and acceptance of the State of Washington's Statutory Reports of Examination of the above-mentioned companies' Statutory Reports of Examination.

Respectfully,

Michael Fallon

Michael Fallon, Chief Financial Officer and Treasurer

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
OF
FIRST NATIONAL INSURANCE COMPANY OF AMERICA
SEATTLE, WASHINGTON

NAIC CODE 24724
December 31, 2009

Participating States:
Washington
Indiana
Illinois

First National Insurance Company of America
Order No. 11-155
Exhibit A

SALUTATION

Seattle, Washington
June 21, 2011

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building-Capitol Campus
302 Sid Snyder Avenue SW, Suite 200
Olympia, WA 98504

The Honorable Joseph Torti, III
Chair, NAIC Financial Condition (E) Committee
Superintendent
State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, RI 02920

The Honorable Monica J. Lindeen
NAIC Secretary, Western Zone
Commissioner
Montana Office of the Commissioner of Securities and Insurance
840 Helena Avenue
Helena, MT 59601

Dear Commissioners and Superintendent:

In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an Association examination was made of the corporate affairs and financial records of

First National Insurance Company of America
of
Seattle, Washington

hereinafter referred to as "FNICA," or the "Company" at the home office located of the Liberty Mutual group of companies (Liberty Mutual) at 175 Berkeley Street, Boston, Massachusetts 02116. This report is respectfully submitted showing the condition and related corporate matters of FNICA as of December 31, 2009.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of First National Insurance Company of America of Seattle, Washington. This report shows the financial condition and related corporate matters as of December 31, 2009.

Patrick H. McNaughton

Patrick H. McNaughton
Chief Examiner

6-21-2011

Date

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2006 through December 31, 2009 and comprises a risk focused review of the books and records of the Company. The examination followed statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination through the end of field work on April 13, 2011.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following section of this report. In addition, the Company's Certified Public Accountants' (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

This examination was performed in compliance with the 2009 NAIC FCEH which requires the examiner to consider the Company's risk management process, corporate governance structure, and control environment. The examiners utilized the information obtained during the examination to assess the Company's overall potential risks both currently and on an on-going basis, allowing the examiners to focus on the Company's greatest areas of risk, and providing assurance on the Company's financial statements as of the examination date.

This examination was classified as a coordinated lead state examination. Indiana was designated the lead state of the coordinated examination and examiners from the states of Washington, Indiana, and Illinois participated and assessed the financial condition and corporate affairs of the Company.

INSTRUCTIONS

The examiners reviewed the Company's filed 2009 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the NAIC Annual Statement in accordance with the NAIC Annual Statement Instructions and to determine if the Company's accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC Statements of Statutory Accounting Principles (SSAP) as outlined in the NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exception noted while performing this review:

1. Compliance with Limitations in Medium and Lower Grade Investments

   FNICA reported in its 2009 NAIC Annual Statement, as medium grade securities, its investment in Bank of America Corporation (BoA) preferred stock, that exceeded the one percent limitation of RCW 48.13.273(2)(d) by $2,204,831. RCW 48.13.273(2)(d) limits investments in medium and lower grade securities issued, guaranteed, or insured by any one entity to one percent of the insurer's total admitted assets. No examination adjustment was necessary due to immateriality.

   The Company is instructed to comply with RCW 48.13.273(2)(d) by limiting its investments in medium and lower grade securities to no more than one percent of its total admitted assets.

COMMENTS AND RECOMMENDATIONS

None

COMPANY PROFILE

Company History

The Company was incorporated under the laws of the state of Washington on October 10, 1928 and began active operations on November 1, 1928. The Company is authorized to write property, inland marine, general casualty, vehicle, surety, and ocean marine insurance.

As of December 31, 2009, FNICA was wholly-owned by its parent, Safeco Corporation. On September 22, 2008, all of the outstanding and issued common stock shares of Safeco Corporation were acquired by LIH US P&C Corporation, a Delaware corporation and a direct wholly-owned subsidiary of Liberty Insurance Holdings, Inc. (LIHI), which in turn is a Delaware corporation that at the time was more than 93% owned by Liberty Mutual Insurance Company (LMIC), a Massachusetts domiciled stock insurance company and an indirect, wholly-owned subsidiary of Liberty Mutual Holding Company Inc. (LMHC), with the remaining percentage of LIHI owned by other indirect, wholly-owned subsidiaries of LMHC.

Capitalization

As of December 31, 2009, the Company's authorized capital was $5 million, which consisted of 20,000 shares of issued and outstanding common stock at a par value of $250 per share and all authorized shares were issued and outstanding. Total capital and surplus as of December 31, 2009 was $80,665,460.

There has been no change in the par value or the number of issued and outstanding common shares of the Company since the last examination.

Territory and Plan of Operation

FNICA is licensed in all 50 states. For 2009, the Company's direct business consists of nearly 37 percent auto, 22 percent homeowners multiple peril, 15 percent commercial multiple peril, and 13 percent surety. Approximately 70 percent of FNICA's direct written premiums were in the states of California, Washington, South Carolina, Florida and Texas.

The Company was a participant with Peerless Insurance Company (PIC) and other Liberty Mutual affiliated insurance companies in the Amended and Restated Reinsurance Pooling Agreement, where the mix of business for the pooled companies was approximately 50 percent commercial lines, 43 percent personal, and 7 percent surety, based on net earned premiums.

With over 57,000 appointed independent agents and brokers nationwide (including over 2,300 in Washington state), FNICA is part of Liberty Mutual's Agency Markets (Agency Markets) strategic business unit. Claim offices are maintained throughout the United States to service the Company's claimants.

Growth of Company

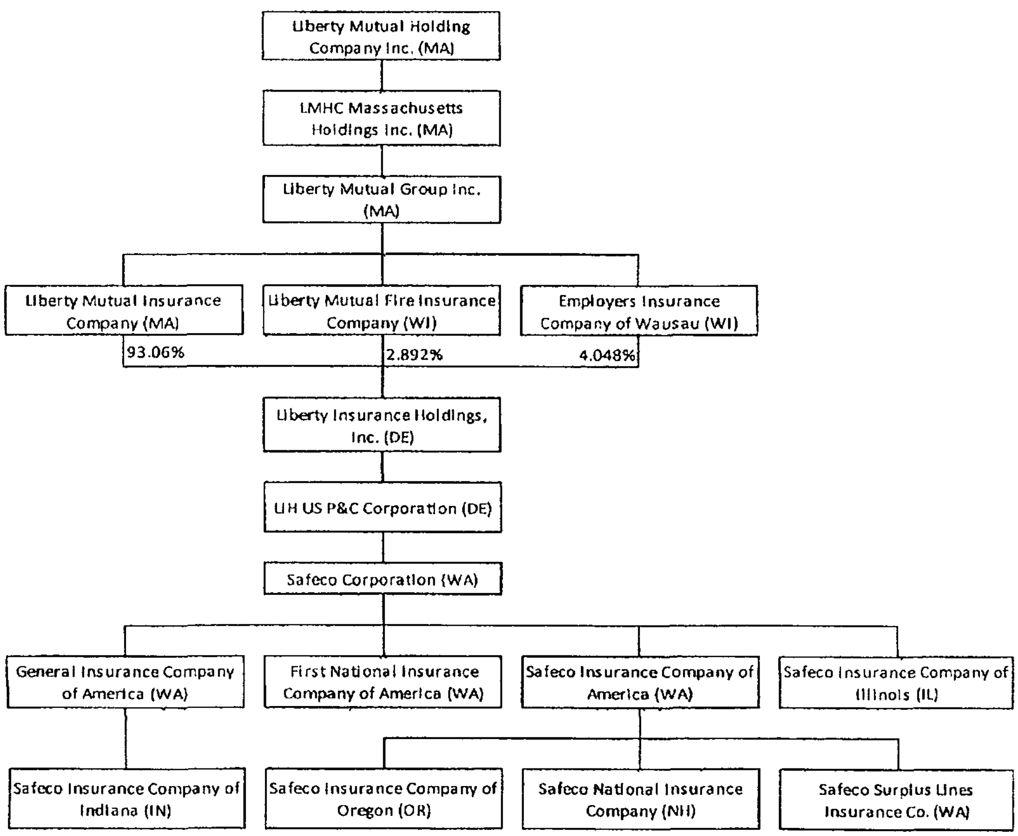
The following reflects the growth of the Company as reported in its filed NAIC Annual Statements for the four year period under examination:

Year	Admitted Assets	Liabilities	Capital & Surplus
2009	$262,916,942	$182,251,482	$80,665,460
2008	243,578,783	173,783,074	69,795,709
2007	254,088,224	179,272,616	74,815,608
2006	253,514,190	175,928,221	77,585,969

Year	Premium Earned	Net Underwriting Gain (Loss)	Net Investment Gain (Loss)	Net Income
2009	$ 83,812,239	$ 3,518,313	$ 8,158,938	$ 8,095,394
2008	110,594,324	2,945,937	4,823,508	5,193,653
2007	111,839,810	7,263,937	10,727,009	14,168,701
2006	112,500,149	13,003,789	9,133,840	16,331,743

Affiliated Companies

The following is an abbreviated organization chart as of December 31, 2009:



FNICA is a wholly-owned subsidiary of Safeco Corporation, a non-insurance holding company incorporated under the laws of the state of Washington. In turn, Safeco Corporation is controlled by its ultimate parent, LMHC, a non-publicly traded corporation incorporated under the laws of the state of Massachusetts.

Intercompany Agreements

As of December 31, 2009, the Company had the following intercompany agreements in force, with the effective date indicated:

Intercompany Short-Term Borrowing Agreement	November 1, 2007
Federal Tax Sharing Agreement (Amendment No. 4)	September 22, 2008
Investment Management Agreements	September 22, 2008
Cash Management Agreement	September 22, 2008
Management Services Agreement	January 1, 2009
Amended and Restated Reinsurance Pooling Agreement (Endorsement No. 2)	January 1, 2009
Services Agreement (Amendment No. 7)	January 1, 2009

MANAGEMENT AND CONTROL

Board of Directors (BOD)

Directors of the Company as of December 31, 2009:

Gary R. Gregg	Chairman of the Board
John D. Doyle	
Michael J. Fallon	
Joseph A. Gilles	
Scott R. Goodby	
Christopher C. Mansfield	

Officers

Officers of the Company as of December 31, 2009:

Gary R. Gregg	President and Chief Executive Officer
Michael J. Fallon	Chief Financial Officer and Treasurer
Anthony A. Fontanes	Chief Investment Officer and Executive Vice President
Joseph A. Gilles	Executive Vice President
Scott R. Goodby	Chief Operating Officer and Executive Vice President
Dexter R. Legg	Secretary

Conflict of Interest

All BOD and officers signed a conflict of interest statement as of December 31, 2009. The purpose of the statement is to detect any activities or participation on the part of the BOD and officers that could possibly be interpreted as a conflict of interest. No exceptions were noted during our review.

Fidelity Bond and Other Insurance

The Company is a named insured under a financial institution bond that provides $15 million of directors' and officers' liability insurance issued to LMHC and its subsidiaries. The fidelity coverage carried by the Company exceeds the NAIC minimum recommended amount.

The Company was also a named insured on various insurance policies issued to LMHC and its subsidiaries that provided property coverage for buildings and contents and comprehensive commercial general liability. These policies were in effect during the period covered by this examination and provided coverage for the Company.

Officers', Employees', and Agents' Welfare and Pension Plans

The Company does not have any direct employees, so it does not have any direct obligations for a defined benefit plan, deferred compensation arrangement, compensated absences or other post retirement benefit plans.

Liberty Mutual offers its eligible full-time and part-time employees medical, dental and vision coverage; disability insurance; employee and dependent life insurance and accidental death and dismemberment coverage; retirement benefit plan; and an opportunity to participate in the 401(k) savings plan. Long term care insurance is also offered.

CORPORATE RECORDS

The Company's Articles of Incorporation, Bylaws, and minutes of the BOD and committees were reviewed for the period under examination. All BOD meetings were conducted with a quorum present. Investment purchases, transfers, and disposals were ratified by the BOD and noted in the minutes.

UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Year	Losses	Loss Adjustment Expenses
2009	$75,202,385	$17,904,365
2008	77,545,504	18,076,766
2007	76,408,786	18,192,060
2006	75,472,212	19,269,637

As shown above, the reserves carried by the Company for unpaid losses and loss adjustment expenses were $75,202,385 and $17,904,365, respectively, as of December 31, 2009.

The actuarial consulting firm contracted by the Indiana Department of Insurance, Merlinos & Associates, Inc., reviewed the unpaid losses and loss adjustment expense reserves of the Peerless Insurance Company Pool (Peerless Pool), which includes FNICA, and concluded that the reserves for the insurance companies in the Peerless Pool were within a range of reasonable estimates. Therefore, the Company's loss and loss adjustment expense reserves were accepted as reasonable and no adjustments were proposed to the amounts reported in the Company's 2009 NAIC Annual Statement.

REINSURANCE

In accordance with the Peerless Pool's intercompany Amended and Restated Reinsurance Pooling Agreement led by PIC, FNICA cedes 100 percent of its business to PIC before PIC retrocedes to FNICA its 0.8 percent pool participation percentage. In its 2009 NAIC Annual Statement, FNICA reported

$80,958,674 net premiums written and $44,848,606 net paid losses. As of December 31, 2009, the Company had $13,478,492 in aggregate unsecured amounts recoverable from PIC.

STATUTORY DEPOSITS

The Company maintained the following statutory deposits as of December 31, 2009:

State	Type	Book Value	Fair Value
Arizona	Bond	$ 1,962,673	$ 1,921,023
California	Bond	4,945,974	5,190,800
Georgia	Bond	101,085	110,031
Idaho	Bond	128,724	135,321
Massachusetts	Bond	812,947	843,040
Montana	Bond	25,271	27,508
Nevada	Bond	103,335	116,984
New Mexico	Bond	413,176	401,784
North Carolina	Bond	359,788	361,004
Oregon	Bond	14,008,654	15,845,374
Washington	Bond	18,997,413	20,461,147
Total		**$41,859,040**	**$45,414,016**

ACCOUNTING RECORDS AND INFORMATION SYSTEM

The Company maintains its accounting records on a Statutory Accounting Practices (SAP) basis for NAIC Annual Statement reporting. The Company is audited annually by the certified public accounting firm of Ernst & Young LLP. The Company received an unqualified opinion for all years under review. The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination and no exceptions were noted.

The Company's Information Technology (IT) environment was reviewed during the planning and testing phase of the examination, focusing on the following Control Objectives for Information and related Technology (COBIT) Framework domains:

- Plan and Organize
- Acquire and Implement
- Deliver and Support
- Monitor and Evaluate

The IT systems and controls were evaluated to gain an understanding of general IT control risks and assess the effectiveness of these controls. Appropriate mitigating and internal controls have been implemented to reduce residual risk to appropriate levels.

First National Insurance Company of America
Assets, Liabilities, Surplus and Other Funds
December 31, 2009

	Balance Per Company	Examination Adjustments	Balance Per Examination
Assets			
Bonds	$177,709,820	$0	$177,709,820
Stocks			
Preferred stocks	8,583,700		8,583,700
Common stocks	21,244		21,244
Cash, cash equivalents, and short-term investments	22,407,907		22,407,907
Other invested assets	1		1
Receivables for securities	3,707		3,707
Subtotals, cash and invested assets	**208,726,379**	**0**	**208,726,379**
Investment income due and accrued	2,047,664		2,047,664
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	3,169,545		3,169,545
Deferred premiums, agents' balances and installments booked but deferred and not yet due	22,505,322		22,505,322
Accrued retrospective premiums	130,638		130,638
Amounts recoverable from reinsurers	13,478,492		13,478,492
Net deferred tax asset	4,480,450		4,480,450
Guaranty funds receivable or on deposit	148,110		148,110
Receivables from parent, subsidiaries and affiliates	7,557,123		7,557,123
Aggregate write-ins for other than invested assets	673,219		673,219
Total Assets	**$262,916,942**	**$0**	**$262,916,942**
Liabilities, Surplus and Other Funds			
Losses	$75,202,385	$0	$75,202,385
Reinsurance payable on paid losses and loss adjustment expenses	4,848,246		4,848,246
Loss adjustment expenses	17,904,365		17,904,365
Commissions payable, contingent commissions and other similar charges	2,131,004		2,131,004
Other expenses	2,529,800		2,529,800
Taxes, licenses and fees	766,884		766,884
Current federal and foreign income taxes	571,096		571,096
Unearned premiums	36,809,073		36,809,073
Advance premium	262,010		262,010
Dividends declared and unpaid: Policyholders	67,920		67,920
Ceded reinsurance premiums payable	18,208,516		18,208,516
Amounts withheld or retained by company for account of others	(29,510)		(29,510)
Drafts outstanding	2,628,741		2,628,741
Payable to parent, subsidiaries and affiliates	1,350,103		1,350,103
Aggregate write-ins for liabilities	19,000,849		19,000,849
Total Liabilities	**182,251,482**	**0**	**182,251,482**
Aggregate write-ins for special surplus funds	654,001		654,001
Common capital stock	5,000,000		5,000,000
Gross paid in and contributed surplus	581,836		581,836
Unassigned funds (surplus)	74,429,623		74,429,623
Surplus as regards policyholders	**80,665,460**	**0**	**80,665,460**
Total Liabilities, Surplus and Other Funds	**$262,916,942**	**$0**	**$262,916,942**

First National Insurance Company of America
Statement of Income and Capital and Surplus Account
For the Year Ended December 31, 2009

	Balance Per Company	Examination Adjustments	Balance Per Examination
Underwriting Income			
Premiums earned	$83,812,239	$0	$83,812,239
Deductions			
Losses incurred	42,505,492		42,505,492
Loss adjustment expenses incurred	9,951,031		9,951,031
Other underwriting expenses incurred	27,824,328		27,824,328
Aggregate write-ins for underwriting deductions	13,075		13,075
Total underwriting deductions	80,293,926	0	80,293,926
Net underwriting gain or (loss)	**3,518,313**	**0**	**3,518,313**
Investment Income			
Net investment income earned	8,401,781		8,401,781
Net realized capital gains or (losses)	(242,843)		(242,843)
Net investment gain or (loss)	**8,158,938**	**0**	**8,158,938**
Other Income			
Net gain or (loss) from agents' or premium balances charged off	(370,992)		(370,992)
Finance and service charges not included in premiums	714,561		714,561
Aggregate write-ins for miscellaneous income	(484,614)		(484,614)
Total other income	**(141,045)**	**0**	**(141,045)**
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	11,536,206		11,536,206
Dividends to policyholders	358,600		358,600
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	11,177,606		11,177,606
Federal and foreign income taxes incurred	3,082,212		3,082,212
Net income	**$8,095,394**	**$0**	**$8,095,394**
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year	**$69,795,709**	**$0**	**$69,795,709**
Gains and (losses) in surplus			
Net income	8,095,394		8,095,394
Change in net unrealized capital gains or (losses)	1,736,146		1,736,146
Change in net deferred income tax	(897,399)		(897,399)
Change in nonadmitted assets	1,384,398		1,384,398
Aggregate write-ins for gains and losses in surplus	551,212		551,212
Change in surplus as regards policyholders for the year	**10,869,751**	**0**	**10,869,751**
Surplus as regards policyholders, December 31 current year	**$80,665,460**	**$0**	**$80,665,460**

First National Insurance Company of America
Four Year Reconciliation of Surplus
For the Years Ended December 31,

	2009	2008	2007	2006
Capital and Surplus, December 31, previous year	$69,795,709	$74,815,608	$77,585,969	$74,529,926
Net income or (loss)	8,095,394	5,193,653	14,168,701	16,331,743
Change in net unrealized capital gains or (losses)	1,736,146	(8,193,377)	(606,496)	2,950,337
Change in net deferred income tax	(897,399)	1,139,453	(1,254,219)	(1,487,393)
Change in nonadmitted assets	1,384,398	(3,204,416)	(78,347)	1,031,228
Cumulative effect of changes in accounting principles		636,995		
Dividends to stockholders			(15,000,000)	(15,000,000)
Aggregate write-ins for gains and losses in surplus	551,212	(592,207)		(769,872)
Change in surplus as regards policyholders for the year	10,869,751	(5,019,899)	(2,770,361)	3,056,043
Capital and Surplus, December 31, current year	$80,665,460	$69,795,709	$74,815,608	$77,585,969

NOTES TO THE FINANCIAL STATEMENTS

The Company has no special consents or permitted practices from the state of Washington.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of First National Insurance Company of America and its affiliates during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; John Jacobson, AFE, CISA, AES, Automated Examination Specialist; Susan Campbell, CPA, FLMI, CFE, Reinsurance Specialist; Timothy F. Hays, CPA, JD, Investment Specialist; Randy E. Fong, AFE, Examiner-in-Charge; Edsel R. Dino, Financial Examiner; Katy Bardsley, CPA, Financial Examiner; and Zairina Othman, Financial Examiner; all from the Washington State Office of the Insurance Commissioner, and examiners representing the Indiana Department of Insurance and Illinois Department of Insurance, participated in the examination and in the preparation of this report.

Respectfully submitted,

Tarik Subbagh, CPA, CFE
Property and Casualty Field Supervising Examiner
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
} ss
COUNTY OF KING }

Tarik Subbagh, CPA, CFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of First National Insurance Company of America was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners.

Tarik Subbagh, CPA, CFE
Property and Casualty Field Supervising Examiner
State of Washington

Subscribed and sworn to before me this 21st day of June, 2011.

Notary Public in and for the
State of Washington

COLLEEN JANSEN
COMMISSION EXPIRES
NOTARY
PUBLIC
5-17-12
STATE OF WASHINGTON

SUBSEQUENT EVENTS

On March 31, 2010, Safeco Corporation transferred by capital contribution its 100 percent ownership of FNICA to an affiliated insurance company incorporated under the laws of the state of Illinois, Safeco Insurance Company of Illinois (SICIL). FNICA was contributed at statutory book value, at the date of transfer, in the amount of $43,847,671. Concurrently, Safeco Corporation's 100 percent ownership of SICIL was transferred by a capital contribution to an affiliated insurance company incorporated under the laws of the state of Washington, Safeco Insurance Company of America (SICA), which resulted in FNICA becoming an indirect subsidiary of SICA.

Effective April 14, 2010, LIH US P&C Corporation, the parent of Safeco Corporation, was renamed Liberty Mutual Agency Corporation.

On February 1, 2011, the BOD voted to accept Gary R. Gregg's resignation as the Chairman of the BOD, President and Chief Executive Officer, and Director of the Company. J. Paul Condrin, III, President of Liberty Mutual's Commercial Markets strategic business unit, was elected to take Mr. Gregg's place until the next annual meeting or until his successor is elected.

There were no additional material events impacting the Company between the examination date and the last day of our field work.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous report instructions and comments have been addressed and corrected.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of First National Insurance Company of America as of December 31, 2009:

Assets, Liabilities, Surplus and Other Funds
Statement of Income and Capital and Surplus Account
Four Year Reconciliation of Surplus

Applicant Name First National Insurance Company of America

_ NAIC No 24724
FEIN: 91-0742144

Uniform Certificate of Authority Application (UCAA)
Certificate of Compliance

State of Washington
(Domiciliary state of applicant)

Office of Insurance Commissioner
(Commissioner, Superintendent, Officer)

I, Gayle Pasero, hereby certify that I am the*
(name)

Acting Deputy Insurance Commissioner of the State of Washington
(position)

and have supervision of insurance business in said State and as such I hereby certify that

First National Insurance Company of America
(Name of Insurer)

of Seattle, Washington is duly organized under the laws of said State and is
(City/State)

authorized to transact the business of Property (RCW 48.11.040), Marine and Transportation (RCW 48.11.050), Vehicle (RCW 48.11.060), General Casualty (RCW 48.11.070), Surety (RCW 48.11.080) and Ocean Marine and Foreign Trade (RCW 48.11.105),
(Line of Insurance)**

____

________________________ insurance in this State.

IN TESTIMONY WHEREOF, I have hereunto set my hand at Tumwater, Washington
(location)

on this 22nd day of June A.D. 2011
(Month)

Gayle Pasero
(signature)

Gayle Pasero
(printed name)

* Insurance Commissioner, Officer or Superintendent of Insurance authorized to certify to the insurance business within the domiciliary state.

** Lines of Insurance as shown on Form 3 of UCAA