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

This e-mail, and any attachments thereto, is intended only for the use of the addressee(s) named herein and may contain legally privileged and/or confidential information. If you are not the intended recipient of this e-mail, you are hereby notified that any dissemination, distribution or copying of this e-mail, and any attachments thereto, is strictly prohibited. If you have received this e-mail in error, please notify me via return e-mail and via telephone at 617-574-5655 and permanently delete the original and any copy of this e-mail and any printout thereof.

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

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

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.

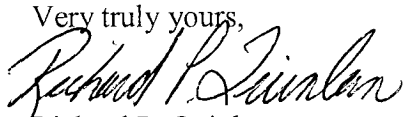
The Safeco Foundation remains a valued and active partner to numerous charitable and community organizations within the State. The Safeco Foundation has consistently made significant contributions to such organizations over the last three years. The Safeco Foundation's purpose has been fortified by its 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
Senior Vice President, Deputy General Counsel

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

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. 1529

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 ***SAFECO SURPLUS LINES INSURANCE COMPANY,*** *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 January 13, 1984 to issue policies and transact the business of Disability, Property, Marine and Transportation, Vehicle, General Casualty, Surety, Ocean Marine and Foreign Trade Insurance as defined in RCW 48.11.030, 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 _____
Deputy Insurance Commissioner

NH Secretary
of State filing

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737638	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$135.00*******	000015

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	NHS070801D	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.

ANTI-FRAUD PROTECTION PATENTS 5,127,657 5,340,159 6206429

DIS * 000015
MAILSTOP: 02C
P.O. BOX 1525
DOVER, NH 03821-1525

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737638
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

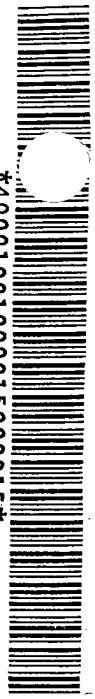
PAY **********ONE HUNDRED THIRTY-FIVE AND 00/100

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

⑈70737638⑈ ⑆011900445⑆ 00224001 56 23⑈

THE ORIGINAL DOCUMENT HAS A REFLECTIVE WATERMARK ON THE BACK. HOLD AT AN ANGLE TO VIEW WHEN CHECKING THE ENDORSEMENT.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Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

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)
   [X] 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)

   [X] 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)

   [X] An original Certificate of Deposit prepared by state of domicile (Form 7)

5. **Name Approval** (pursuant to Section II Filing Requirements Item 5)

   [X] Evidence of name approval request

6. **Plan of Operation** (pursuant to Section II Filing Requirements Item 6)

   [X] Completed Questionnaire (Form 8)
   [X] Pro Forma
   [X] Narrative

7. **Holding Company Form "B" Registration Statement** (pursuant to Section II Filing Requirements Item 7)

   [X] Included statement

8. **Statutory Membership(s)**

   [X] Submit documentation as listed in Section II Filing Requirements Item 8

9. **SEC Filings or Consolidated GAAP Financial Statement**

   [X] Submit documentation as listed in Section II Filing Requirements Item 9

10. **Debt-to-Equity Ratio Statement**

    [X] Submit documentation as listed in Section II Filing Requirements Item 10

Applicant Name: Safeco Surplus Lines Insurance Company NAIC No.11100
FEIN: 91-1231536

11. **Custody Agreements**

[X] 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
[X] Original certification by domiciliary state

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

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

[X] 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
[X]

on file -

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

[X] Officers (As listed on Jurat Page of most recent financial statement.)
[X] Directors (As listed on Jurat Page of most recent financial statement.)
[X] 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.
[X] Originally signed and notarized within one year of application date.
[N/A] Certified by Independent Third Party

14. **State-Specific Information**

[X] 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

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

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: Safeco Surplus Lines Insurance Company NAIC # 11100 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.

©2000-2008 National Association of Insurance Commissioners

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

Date Incorporated: August 26, 1983 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 August 26, 1983

Date of Last Amendment of Charter, Bylaws or Subscriber's Agreement Charter 4/30/1999; 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: $32,416,148

Certificate of Deposit (Home State) $ 3,045,000

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:

©2000-2008 National Association of Insurance Commissioners

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

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 First National Insurance Company of America, General Insurance Company of America and Safeco Insurance Company of America.

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

Safeco Surplus Lines Insurance Company
Applicant

Signature of Witness

Colleen Kerry Lynch
Full Legal Name of Witness

©2000-2008 National Association of Insurance Commissioners

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737638	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$135.00*******	000015

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	NHS070801D	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 * 000015
MAILSTOP: 02C
P.O. BOX 1525
DOVER, NH 03821-1525

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737638
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

⑈70737638⑈ ⑆011900445⑆ 00224001562 3⑈

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: Safeco Surplus Lines Insurance Company (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.

SAFECO SURPLUS LINES INSURANCE COMPANY

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: Safeco Surplus Lines Insurance Company, which was previously incorporated in the State Of Washington.

ARTICLE I

The name of the corporation is Safeco Surplus Lines Insurance Company (hereinafter called the "Company").

ARTICLE II

The date on which the Company was originally incorporated in the State of Washington was August 26, 1983.

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

Safeco Surplus Lines Insurance Company

WHEREAS Safeco Surplus Lines Insurance Company 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 Safeco Surplus Lines Insurance Company shall be as attached hereto.

IN WITNESS WHEREOF, the undersigned officer of Safeco Surplus Lines Insurance Company has executed these Bylaws on this 1st day of August, 2011.

Edmund C. Kenealy
Assistant Secretary

RESTATED
BY-LAWS
OF
SAFECO SURPLUS LINES INSURANCE COMPANY

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: Safeco Surplus Lines Insurance Company

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: Dexter R. Legg

Date signed: 7/27/2011

Name (print): _____ Signature: _____

Date signed: _____

Name (print): _____ Signature: _____

Date signed: _____

Board and
Shareholders
Resolutions

SAFECO SURPLUS LINES INSURANCE COMPANY

Secretary's Certificate

The undersigned, Dexter R. Legg, hereby certifies that he is the duly elected Secretary of Safeco Surplus Lines Insurance Company (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 Safeco Surplus Lines Insurance Company, 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.

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

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: Safeco Surplus Lines Insurance Company (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.

SAFECO SURPLUS LINES INSURANCE COMPANY

_____
[_____]

Approved By:

_____
New Hampshire Insurance Department

This _____ day of _____, 2011

RESTATED ARTICLES OF INCORPORATION

These Articles of Incorporation effect redomestication to New Hampshire of: Safeco Surplus Lines Insurance Company, which was previously incorporated in the State Of Washington.

ARTICLE I

The name of the corporation is Safeco Surplus Lines Insurance Company (hereinafter called the "Company").

ARTICLE II

The date on which the Company was originally incorporated in the State of Washington was August 26, 1983.

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
SAFECO SURPLUS LINES INSURANCE COMPANY

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.

#1

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No.11100
FEIN: 91-1231536

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 America	100%

* Primary Application Only

Applicant Name: Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

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: Safeco Surplus Lines Insurance Company NAIC # 11100 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.

©2000-2008 National Association of Insurance Commissioners

Applicant Name: Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

Date Incorporated: August 26, 1983 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 August 26, 1983

Date of Last Amendment of Charter, Bylaws or Subscriber's Agreement Charter 4/30/1999; 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: $32,416,148

Certificate of Deposit (Home State) $ 3,045,000

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:

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Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

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 First National Insurance Company of America, General Insurance Company of America and Safeco Insurance Company of America.

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

Safeco Surplus Lines Insurance Company
Applicant

Signature of Witness

Colleen Kerry Lynch
Full Legal Name of Witness

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Certificate of Authority

Uniform Certificate of Authority Application (UCAA)
Expansion Application
Lines of Insurance

Please complete the information below for each state in which you are currently licensed and seeking authority to do business. Each state has its own terminology for the lines of insurance. To assist in completing this form and in understanding the terms used, a matrix is available that correlates each state's terms to the common terms used in the NAIC annual statement blanks. The correlation matrix is an Excel spreadsheet and is located on the UCAA web site at **http://www.naic.org/documents/industry_ucaa_forms_state_lines_of_business_matrix.xls**

Alabama	Authorized to Transact	Currently Transacting	Applying for
Life (Sec. 27-5-2)			
Disability (Sec. 27-5-4)			
Property (Sec. 27-5-5)			
Miscellaneous Casualty (Sec. 27-5-6, 27-5-7, 27-5-8, 27-5-9)			
Title (Sec. 27-5-10)			

Alaska	Authorized to Transact	Currently Transacting	Applying for
Life (AS 21.12.040)			
Health (AS 21.12.050)			
Disability (21.12.052)			
Annuities (AS 21.12.05 5)			
Variable Life (AS 21.42.370)			
Variable Annuities (AS 21.42.370)			
operty (AS 21.12.060)			
sualty (AS 21.12.070) including clauses:			
(1) Vehicle			
(2) Liability			
(3) Workers Compensation and Employers Liability			
(4) Burglary and Theft			
(5) Personal Property Floater			
(6) Glass			
(7) Boiler and Machinery			
(8) Leakage and Fire Extinguishing Equipment			
(9) Credit (failure of debtors to pay obligations to insured)			
(10) Malpractice			
(11) Elevator			
(12) Livestock			
(13) Entertainments			
(14) Miscellaneous			
Surety (AS 21.12.080)			
Marine, Wet Marine & Transportation (AS 21.12.090)			
Mortgage Guaranty (AS 21.12.110)			
Title (AS 21.66)			
Fraternal Benefit Society (AS 21.84)			

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Arizona	Authorized to Transact	Currently Transacting	Applying for
Casualty with Workers' Compensation A.R.S. § 20-252			
Casualty without Workers' Compensation A.R.S. § 20-252			
Disability A.R.S. § 20-253			
Life (Includes Annuities) A.R.S. § 20-254			
Variable Annuity A.R.S. § 20-2631(2)			
Variable Life A.R.S. § 20-2601(15)			
Marine and Transportation A.R.S. § 20-255			
Mortgage Guaranty A.R.S. § 20-1541			
Prepaid Legal A.R.S. 20-1097			
Property A.R.S. § 20-256			
Surety A.R.S. § 20-257			
Title A.R.S. § 20-1562			
Vehicle A.R.S. § 20-259			
Life & Disability Reinsurer A.R.S. § 20-1082			
Health Care Services Organization A.R.S. § 20-1051			
Health, Medical, Dental, Optometric Service Corporations A.R.S. § 20-824			
Prepaid Dental Plan Organization A.R.S. § 20-1001			

Arkansas	Authorized to Transact	Currently Transacting	Applying for
Life (ACA 23-620-102)			
Accident & Health (ACA 23-62-103)			
Property (ACA 23-62-104)			
Casualty (ACA 23-62-105)			
Surety (ACA 23-62-106)			
Workers Compensation (ACA 23-62-105)			
Marine (ACA 23-62-107)			
Title (ACA 23-62-108)			
Mortgage Guaranty (ACA 23-62-110)			

California	Authorized to Transact	Currently Transacting	Applying for
Life (CIC 101)			
Fire (CIC 102)			
Marine (CIC 103)			
Title (CIC 104)			
Surety (CIC 105)			
Disability (CIC 106)			
Plate Glass (CIC 107)			
Liability (CIC 108)			
Workers' Compensation (CIC 109)			
Common Carrier Liability (CIC 110)			
Boiler and Machinery (CIC 111)			
Burglary (CIC 112)			
Credit (CIC 113)			
Sprinkler (CIC 114)			
Team and Vehicle (CIC 115)			
Automobile (CIC 116)			
Mortgage (CIC 117)			

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California (continued)	Authorized to Transact	Currently Transacting	Applying for
Aircraft (CIC 118)			
Mortgage Guaranty (CIC 119)			
Insolvency (119.5)			
Legal (CIC 119.6)			
Miscellaneous (CIC 120)			
Financial Guaranty (CIC 124)			

Colorado	Authorized to Transact	Currently Transacting	Applying for
Life (10-3-102(1)(b))			
General Life			
Accident and Health			
Annuities			
Credit			
Variable Contracts			
Fraternal Benefit Society (10-14-603)			
General Life			
Accident and Health			
Annuities			
Variable Contracts			
Title (Title 10, Article 11)			
Title			
Property and Casualty (Title 10, Article 3, Sections 102(1)(a), (c) and (d) or (Title 10, Articles 12 or 13)			
General Property			
Crop			
Motor Vehicle			
General Casualty			
Accident and Health			
Fidelity and Surety (excluding bail bond)			
Bail Bond			
Workers' Compensation			
Mortgage Guaranty			
Credit			
Professional Malpractice			

Connecticut (C.G.S Title 38a)	Authorized to Transact	Currently Transacting	Applying for
Fire, Extended Coverage and Other Allied Lines			
Homeowners multiple peril			
Commercial multiple peril			
Earthquake			
Growing crops			
Ocean marine			
Inland marine			
Accident and health			
Workers' Compensation			
Liability other than auto (B.I. and P.D.)			
Auto liability (B.I. and P.D.)			
Auto physical damage			
Aircraft (all perils)			
Fidelity and Surety			

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Connecticut (C.G.S Title 38a) (continued)	Authorized to Transact	Currently Transacting	Applying for
nancial Guaranty (mono-line)			
'ass			
urglary and Theft			
Boiler and Machinery			
Credit			
Reinsurance			
Life Non-Participating			
Life Participating			
Variable Life Non-Participating			
Variable Life Participating			
Variable Annuities			
Title			
Fraternal Benefit Societies			
Health Care Center			
Credit Life			
Credit Accident and Health			
Mortgage Guaranty (mono-line)			
Residual Value			

Delaware	Authorized to Transact	Currently Transacting	Applying for
Life [18 Del. C. Section 902]			
Variable Annuities [Del. Reg 1]			
Variable Life [Del. Reg 44]			
Credit Life [18 Del. C. Section 902]			
redit Health [18 Del. C. Section 903]			
alth [18 Del. C. Section 903]			
perty [18 Del. C. Section 904]			
urety [18 Del. C. Section 905]			
Casualty [18 Del. C. Section 906(a)], including subdivisions:			
(1) Vehicle			
(2) Liability			
(3) Workers' Compensation & Employer's Liability			
(4) Burglary & Theft			
(5) Personal Property Floater			
(6) Glass			
(7) Boiler & Machinery			
(8) Leakage & Fire Extinguisher Equipment			
(9) Credit			
(10) Malpractice			
(11) Elevator			
(12) Congenital Defects			
(13) Livestock			
(14) Entertainments			
(15) Miscellaneous			
Marine & Transportation [18 Del. C. Section 907]			
Title [18 Del. C. Section 908]			

Presently, lines listed above for casualty are checked off as individual lines on the certificate of authority application form.
18 Del. C. Section 906(b) – Provision of medical, hospital, surgical and funeral benefits, and of coverage against accidental death or injury, as incidental to and part of other insurance as stated under subdivisions (1) vehicle, (2) liability, (4) burglary theft, (7) boiler & machinery, (10) malpractice and (11) elevator of subsection (a) shall for all purposes be deemed to be same kind of insurance to which it is so incidental and shall not be subject to provisions of this title applicable to life and alth insurance.

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Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

istrict of Columbia	Authorized to Transact	Currently Transacting	Applying for
e and Health			
ndividual Life			
Group Life			
Variable Life (26 DCMR Chapter 27)			
Individual Accident and Health			
Group Accident and Health			
Individual Annuities (Fixed and Variable) (Sec. 31-4442)			
Group Annuities (Fixed and Variable) (Sec. 31-4442)			
Fire and Casualty			
(1) Fire (Sec. 31-2502.11)			
(2.1) Allied Lines (Sec. 31-2502.11)			
(2.2) Multiple Peril Crop			
(2.3) Federal Flood			
(3) Farmowners Multiple Peril (Sec. 31-2502.11)			
(4) Homeowners Multiple Peril (Sec. 31-2502.11)			
(5.1) Commercial Multiple Peril (non-liability) (Sec. 31-2502.11)			
(5.2) Commercial Multiple Peril (liability) (Sec. 31-2502.11)			
(6) Mortgage Guaranty			
(8) Ocean Marine (Sec. 31-2502.11)			
(9) Inland Marine (Sec. 31-2502.11)			
(10) Financial Guaranty			
(11) Medical Malpractice			
(12) Earthquake (Sec. 31-2502.11)			
(13) Group Accident & Health (Sec. 31-2502.11)			
14) Credit A&H (Group & Individual) (Sec. 31-2502.11)			
(15.1) Collectively Renewable A&H (Sec. 31-2502.11)			
(15.2) Non-cancellable A&H (Sec. 31-2502.11)			
(15.3) Guaranteed Renewable A&H (Sec. 31-2502.11)			
(15.4) Non-renewable for Stated Reasons Only (Sec. 31-2502.11)			
(15.5) Other Accident Only (Sec. 31-2502.11)			
(15.6) All Other A&H (Sec. 31-2502.11)			
(15.7) Federal Employees Health Benefits Program			
(16) Worker's Compensation (Sec. 31-2502.11)			
(17) Other Liability (Sec. 31-2502.11)			
(18) Products Liability (Sec. 31-2502.11)			
(19.1) Private Passenger Auto No-Fault (personal injury protection) (Sec. 31-2502.11)			
(19.2) Other Private Passenger Auto Liability (Sec. 31-2502.11)			
(19.2) Auto Liability (Sec. 31-2502.11)			
(19.3) Commercial Auto No-Fault (personal injury protection) (Sec. 31-2502.11)			
(19.4) Other Commercial Auto Liability (Sec. 31-2502.11)			
(21.1) Passenger Auto Physical Damage (Sec. 31-2502.11)			
(21.2) Commercial Auto Physical Damage (Sec. 31-2502.11)			
(22) Aircraft (all perils) (Sec. 31-2502.11)			
(23) Fidelity (Sec. 31-2502.11)			
24) Surety (Sec. 31-2502.11)			
26) Burglary and Theft (Sec. 31-2502.11)			

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District of Columbia (continued)	Authorized to Transact	Currently Transacting	Applying for
(27) Boiler and Machinery (Sec. 31-2502.11)			
(28) Credit (Sec. 31-2602.03, 31-2502.11)			
Title [Sec. 31-2602.03 (a)(7)]			

Florida	Authorized to Transact	Currently Transacting	Applying for
Property & Casualty Insurers			
0010 Fire			
0020 Allied Lines			
0030 Farmowners Multi Peril			
0040 Homeowners Multi Peril			
0050 Commercial Multi Peril			
0080 Ocean Marine			
0090 Inland Marine			
0100 Financial Guaranty			
* 0106 Auto Warranties			
0110 Medical Malpractice			
0120 Earthquake			
0160 Workers' Compensation			
0170 Other Liability			
* 0173 Prepaid Legal			
0192 Private Passenger Auto Liability			
0194 Commercial Auto Liability			
0211 Private Passenger Auto Physical Damage			
0212 Commercial Auto Physical Damage			
0220 Aircraft			
0230 Fidelity			
0240 Surety			
* 0245 Bail Bonds			
0250 Glass			
0260 Burglary and Theft			
0270 Boiler and Machinery			
0280 Credit			
* 0285 Title (Title Companies Only)			
* 0290 Livestock			
0300 Industrial Fire			
* 0310 Mortgage Guaranty			
0441 Credit Disability			
* 0450 Accident and Health			
* 0520 Industrial Extended Coverage			
* 0540 Mobile Home Multi Peril			
* 0550 Mobile Home Physical Damage			
* 0570 Crop Hail			
* 0607 Home Warranties			
* 0608 Service Warranties			
* 0610 Other Warranty			
* 0620 Miscellaneous Casualty			

For purposes of applicant's plan of operations, these lines should be listed as "all other lines". If any are combined with other lines on the pro forma's (i.e. mobile home combined with homeowners), the plan of operations should specify that this was done.

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Florida (continued)	Authorized to Transact	Currently Transacting	Applying for
Property & Casualty Insurers (Reinsurance Only)			
R010 Fire			
R020 Allied Lines			
R030 Farmowners Multi Peril			
R040 Homeowners Multi Peril			
R050 Commercial Multi Peril			
R080 Ocean Marine			
R090 Inland Marine			
R100 Financial Guaranty			
* R106 Auto Warranties			
R110 Medical Malpractice			
R120 Earthquake			
R160 Workers' Compensation			
R170 Other Liability			
* R173 Prepaid Legal			
R192 Private Passenger Auto Liability			
R194 Commercial Auto Liability			
R211 Private Passenger Auto Physical Damage			
R212 Commercial Auto Physical Damage			
R220 Aircraft			
R230 Fidelity			
R240 Surety			
* R245 Bail Bonds			
R250 Glass			
R260 Burglary and Theft			
R270 Boiler and Machinery			
R280 Credit			
R285 Title (Title Companies Only)			
* R290 Livestock			
R300 Industrial Fire			
* R310 Mortgage Guaranty			
R441 Credit Disability			
* R450 Accident and Health			
* R520 Industrial Extended Coverage			
* R540 Mobile Home Multi Peril			
* R550 Mobile Home Physical Damage			
* R570 Crop Hail			
* R607 Home Warranties			
* R608 Service Warranties			
* R610 Other Warranty			
* R620 Miscellaneous Casualty			

* For purposes of applicant's plan of operations, these lines should be listed as "all other lines". If any are combined with other lines on the pro forma (i.e. mobile home combined with homeowners), the plan of operations should specify that this was done.

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Florida (continued)	Authorized to Transact	Currently Transacting	Applying for
ife, Accident and Health Insurers			
00 Ordinary Life			
Endowment			
Term Life			
Industrial Life			
Individual Annuities			
Universal Life			
0405 Individual Variable Annuities			
Group Variable Annuities			
0410 Group Life and Annuities			
0420 Variable Life			
0425 Fraternal Life			
0430 Fraternal Health			
0440 Credit Life			
0441 Credit Disability			
0450 Accident and Health			
R400 Reinsurance - Ordinary Life and Annuity			
R405 Reinsurance - Individual/Group Variable Annuities			
R410 Reinsurance - Group Life and Annuity			
R420 Reinsurance - Variable Life			
R440 Reinsurance - Credit Life			
R441 Reinsurance - Credit Disability			
R450 Reinsurance - Accident and Health			

Georgia	Authorized to Transact	Currently Transacting	Applying for
3-3-5			
e, accident, and sickness, including subdivisions:			
Variable Annuities			
Variable Life			
Property, marine, and transportation			
Casualty, subdivisions:			
Workers' Compensation (including)			
Workers' Compensation (excluding)			
Surety			
Title			

Hawaii	Authorized to Transact	Currently Transacting	Applying for
Life Insurance (Section 431: 1-204, HRS)			
Disability Insurance (Section 431: 1-205, HRS)			
Property Insurance (Section 431: 1-206, HRS)			
Marine and Transportation Insurance (Section 431: 1-207, HRS)			
Vehicle Insurance (Section 431: 1-208, HRS)			
General Casualty Insurance (Section 431:1-209, HRS)			
Surety Insurance (Section 431: 1-210, HRS)			
Ocean Marine (Section 431: 1-211, HRS)			
Title Insurance (Section 431: 20, HRS)			

Idaho	Authorized to Transact	Currently Transacting	Applying for
e - 41-502			
ability (Including/Excluding Managed Care) - 41-503			

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Idaho (continued)	Authorized to Transact	Currently Transacting	Applying for
ariable Annuities/Contracts – (41-1936)			
operty - 41-504			
Marine and Transportation - 41-505			
Casualty - Including Workers' Compensation - 41-506			
Casualty - Excluding Workers' Compensation - 41-506			
Surety (Including Fidelity) - 41-507			
Monoline only:			
Title - 41-508			
Mortgage Guaranty - 41-2652			

Illinois	Authorized to Transact	Currently Transacting	Applying for
Class 1 Life, Accident and Health*			
(a) Life			
(b) Accident and Health			
(c) Legal Expense Insurance			
Class 2 Casualty, Fidelity and Surety*			
(a) Accident and Health			
(b) Vehicle			
(c) Liability			
(d) Workers' Compensation			
(e) Burglary and Forgery			
(f) Glass			
(g) Fidelity and Surety			
(h) Miscellaneous			
(i) Other Casualty Risks			
(j) Contingent Losses			
(k) Livestock and Domestic Animals			
(l) Legal Expense Insurance			
Class 3 Fire and Marine, etc.*			
(a) Fire			
(b) Elements			
(c) War, Riot and Explosion			
(d) Marine and Transportation			
(e) Vehicle			
(f) Property Damage, Sprinkler Leakage and Crop			
(g) Other Fire and Marine Risks			
(h) Contingent Losses			
(i) Legal Expense Insurance			

* See 215/IL5/4 for additional description

Indiana	Authorized to Transact	Currently Transacting	Applying for
Class I (Life)			
(a) Life and Annuities			
(b) Accident & Health			
(c) Variable Life and Annuities			
(Segregated Amounts)			
Class II (Casualty)			
(a) Accident and Health - Disability			
(b) Workers' Compensation			
(c) Burglary, Theft			
(d) Glass			

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Indiana (continued)	Authorized to Transact	Currently Transacting	Applying for
(e) Broiler and Machinery			
(f) Automobile (g) Sprinkler (h) Liability			
(i) Credit			
(j) Title			
(k) Fidelity & Surety w/Bailbonds			
(kt) Fidelity & Surety w/o Bailbonds			
(l) Miscellaneous			
(m) Legal Expenses			
Class III (Property)			
(a) Fire, Windstorm, Hail, Loot, Riot			
(b) Crops			
(c) Sprinkler			
(d) Marine			

Iowa	Authorized to Transact	Currently Transacting	Applying for
Property/Casualty Lines (515.48)			
Fire			
Extended Coverage			
Other Allied Lines			
Homeowners Multiple Peril			
Commercial Multiple Peril			
Earthquake			
Growing Crops			
Ocean Marine			
Inland Marine			
Accident and Health			
Workers' Compensation			
Other Liability			
Auto Liability			
Auto Physical Damage			
Aircraft			
Fidelity and Surety			
Glass			
Burglary and Theft			
Boiler and Machinery			
Reinsurance Only (monoline)			
Financial Guaranty (monoline)			
Life (508, 509, 511)*			
Life with accident and health (508, 509, 511 and 515)*			
Reciprocal (520)			
Mortgage Guaranty (515C)			
Fraternal (512B)			

*Life includes credit life, variable life, annuities, and variable annuities.

Kansas	Authorized to Transact	Currently Transacting	Applying for
Life			
Accident and Health			
Stand-alone Prescription Drug Provider			

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Kansas (continued)	Authorized to Transact	Currently Transacting	Applying for
re Insurance			
Fire			
Windstorm & Hail			
Extended Coverage			
Add'l. Perils on Growing Crops			
Hail on Growing Crops			
Optional Perils			
Sprinkler Leakage			
Business Interruption			
Earthquake			
Water Damage			
Aircraft Hull			
Ocean Marine			
Inland Marine			
Rain			
Automobile Physical Damage			
Flood			
Homeowners Policies			
Casualty Insurance			
Accident and Health			
Automobile Liability			
General Liability			
Workers' Compensation			
Fidelity, Surety & Forgery Bonds			
Glass			
Burglary, Theft & Robbery			
Boiler & Machinery			
Credit			
Title			
Malpractice Liability			
Livestock Mortality			
Aircraft Liability			
Cargo Liability			
Mortgage Guaranty Insurance			

Kentucky	Authorized to Transact	Currently Transacting	Applying for
Life And Health Companies			
Life (Includes variable & credit)KRS 304.5-020			
Annuity (Includes variable)KRS 304.5-030			
Health (Includes credit) KRS 304.5-040			
Property And Casualty Companies			
Health (Includes credit) KRS 304.5-040			
Property KRS 304.5-050			
Surety KRS 304.5-060			
Casualty KRS 304.5-070			
All Lines KRS 304.5-070 (1)(a) thru (1)(q)			
Or, Casualty Limited to:			
Vehicle Insurance KRS 304.5-070(1)(a)			
Liability Insurance KRS 304.5-070(1)(b)			
Workers' Compensation and Employers Liability KRS 304.5-070(1)(c)			

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Kentucky (continued)	Authorized to Transact	Currently Transacting	Applying for
Burglary and Theft KRS 304.5-070(1)(d)			
Personal Property Floater KRS 304.5-070(1)(e)			
Glass KRS 304.5-070(1)(f)			
Boiler and Machinery KRS 304.5-070(1)(g)			
Leakage and Fire Extinguishing Equipment KRS 304.5-070 (1)(h)			
Credit KRS 304.5-070(1)(i)			
Malpractice KRS 304.5-070(1)(j)			
Elevator KRS 304.5-070(1)(k)			
Congenital Defects KRS 304.5-070(1)(l)			
Livestock KRS 304.5-070(1)(m)			
Entertainments KRS 304.5-070(1)(n)			
Failure of Certain Institutions to Record Documents KRS 304.5-070(o)			
Automobile Guaranty KRS 304.5-070(1)(p)			
Miscellaneous KRS 304.5-070(1)(q)			
Marine and Transportation KRS 304.5-080			
Mortgage Guaranty KRS 304.5-100			
Title KRS 304.5-090			
All Others Companies:			
Fraternal Benefit Society KRS 304.29-011			
Life			
Health			
Lloyd's KRS 304.28-010			
Non-profit Health Service Corporation KRS 304.32-030			
Reciprocal KRS 304.27-010			

Louisiana	Authorized to Transact	Currently Transacting	Applying for
Life			
Annuities			
Health and Accident			
Vehicle			
Liability			
Workers' Compensation			
Fire and Allied Lines			
Fidelity			
Surety			
Credit Life, Health and Accident			
Credit Property and Casualty			
Marine and Transportation			
Miscellaneous			
Steam Boiler and Sprinkler Leakage			
Title			
Vehicle			
Burglary and Forgery			
Crop			
Home Owners			

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Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

Maine	Authorized to Transact	Currently Transacting	Applying for
Life and Health			
Life, including credit life			
Health, including credit health			
Variable Life			
Variable Annuity			
Property & Casualty			
Fire			
Allied Lines			
Farmowners Multiple Peril			
Homeowners Multiple Peril			
Commercial Multiple Peril			
Mortgage Guaranty			
Ocean Marine			
Inland Marine			
Financial Guaranty			
Worker's Compensation			
Medical Professional Liability			
Earthquake			
Other Liability			
Product Liability			
Auto Liability			
Auto Physical Damage			
Aircraft (all perils)			
Fidelity			
Surety			
Glass			
Burglary and Theft			
Boiler and Machinery			
Credit			
Federal Flood Insurance			
Title			

Maryland	Authorized to Transact	Currently Transacting	Applying for
Insurance Article of the Annotated Code of Maryland			
Variable Annuities – Section 1-101(d)(e),			
Casualty (not including Vehicle Liability, Mortgage Guaranty & Worker's Compensation) – Section 1-101(i)			
Dental Plan Organization – Section 14-401			
Fraternal – 8-424			
Mortgage Guaranty – Sections 1-101(oo)			
Health – Sections 1-101(p)			
Life, including Annuities and Health (except Variable Life & Variable Annuities) Sections 1-101(d), 1-101(p), 1-101(x)			
Marine, Wet Marine & Transportation – Sections 1-101(z), 1-101(ss)			
Non-Profit Health Service Plan – Section 14-110			
Property and Marine (excluding Wet Marine and Transportation) – Section 1-101(gg), (1-101(z)			
Variable Life – Sections 16-601, 16-602			
Surety – Section 1-101(oo)			
Title – Section 1-101(qq)			
Vehicle Liability – Section 1-101(i)			

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Maryland (continued)	Authorized to Transact	Currently Transacting	Applying for
Workers' Compensation – Section 1-101(i)			
Health-General Article of the Annotated Code of Maryland			
Health Maintenance Organizations – Sections 19-708, 19-709, 19-710			
Provider-Sponsored Organizations – Section 19-7A			

Massachusetts	Authorized to Transact	Currently Transacting	Applying for
(M.G.L. 175 § 47)			
(1) Fire			
(2A) Ocean Marine			
(2B) Inland Marine Only			
(4) Fidelity and Surety			
(5A) Boiler, Fly Wheel, Machinery, Explosion			
(5B) Boiler (no inspector), Fly Wheel, Machinery, Explosion			
(6A) Accident - All Kinds			
(6B) Health - All Kinds			
(6C) Group Accident and Health Only			
(6D) Non-Cancelable Accident and Health Only			
(6E) Workers' Compensation			
(6F) Liability Other than Auto			
(6G) Auto Liability			
(7) Glass			
(8) Water Damage and Sprinkler Leakage			
(9) Elevator Property Damage and Collision			
(10) Credit			
(11) Title (Title Companies Only)			
(12) Burglary, Robbery, Theft, Forgery, Larceny			
(13) Livestock			
(15) Reinsurance			
(16A) Life - All Kinds			
(16B) Group Life Only			
(16C) Variable Annuity Authorization			
(16D) Annuities Only			
(16E) Variable Life Authorization			
(17) Repair - Replacement			
(19) Legal Services			
(20) Credit Involuntary Unemployment			
(51) Stock Companies Extension of Coverage- M.G.L. 175 § 51(g)			
(54) Mutual Companies (specified in Section 47) - M.G.L. 175 § 54(g)			
(54BX) Reinsurance except Life - M.G.L. 175 § 54B			
(54BY) Nuclear Energy - M.G.L. 175 § 54B			
(54BZ) Special Hazards - Radioactive Contamination - M.G.L. 175 § 54B			
(54C) Comprehensive Motor Vehicle and Aircraft - M.G.L. 175 § 54C			
(54D) Personal Property Floater - M.G.L. 175 § 54D			

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Massachusetts (continued)	Authorized to Transact	Currently Transacting	Applying for
(54E) Dwellings - M.G.L. 175 § 54E			
(54F) Commercial Property (Multiple Peril) - M.G.L. 175 § 54F			
(54G) Reinsurance - Life Companies Only - M.G.L. 175 § 54G			

Michigan	Authorized to Transact	Currently Transacting	Applying for
Life and Annuity - Other than Variable Contracts (MCL 500.602)			
Separate Account - Variable Annuities (MCL 500.925)			
Separate Account - Variable Life (MCL 500.925)			
Separate Accounts - Modified Guaranteed Annuities (MCL 500.4101)			
Disability (MCL 500.606)			
Property (MCL 500.610)			
Ocean Marine (MCL 500.614)			
Inland Marine (MCL 500.616)			
Automobile Insurance - Limited (MCL 500.620)			
Legal Expense (MCL 500.618)			
Steam Boiler, Flywheel and Machinery (MCL 500.624a)			
Liability (MCL 500.624b)			
Automobile, including Section 625, disability coverage supplemental to automobile insurance (MCL 500.624b)			
Workers Compensation (MCL 500.624b)			
ate Glass (MCL 500.624c)			
inkler and Water Damage (MCL 500.624d)			
edit (MCL 500.624e)			
Burglary and Theft (MCL 500.624f)			
Livestock (MCL 500.624g)			
Malpractice (MCL 500.624h)			
Miscellaneous (MCL 500.624i)			
Surety and Fidelity (MCL 500.628)			
Limited Liability (MCL 500 Chapter 65)			
Title (MCL 500 Chapter 73)			
Fraternal (MCL 500 Chapter 81a)			

Minnesota (MS 60A.06, Subd.1)	Authorized to Transact	Currently Transacting	Applying for
Fire (1)			
Inland Marine (2a)			
Ocean Marine (2a)			
Personal Property Floater (2b)			
Boiler and Machinery (3)			
Life (4)			
Variable Contract Authority (4)			
Accident and Health (5a)			
Worker's Compensation (5b)			
Fidelity (6)			
Surety (6)			
Title (7)			
lass (8)			

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Minnesota (MS 60A.06, Subd.1) (continued)	Authorized to Transact	Currently Transacting	Applying for
rglary & Theft (9a)			
ecurity and Drafts (9b)			
Personal Property Floater - Casualty (9c)			
Water (9d)			
Livestock (10)			
Credit (11)			
Automobile (12)			
General Liability (13)			
Elevator (14)			
Legal Expense (15)			

Mississippi	Authorized to Transact	Currently Transacting	Applying for
(MCA 83-19-1 Classifications of Insurance Companies)			
Class 1. Fire and Casualty			
(a) Fire and Allied Lines			
(b) Industrial Fire			
(c) Casualty/Liability			
(d) Fidelity			
(e) Surety			
(f) Workers' Compensation			
(g) Boiler and Machinery			
(h) Plate Glass			
(i) Aircraft			
(j) Inland Marine			
(k) Ocean Marine			
(l) Automobile Physical Damage/Automobile Liability			
(m) Homeowners/Farmowners			
(n) Guaranty			
(o) Mortgage Guaranty			
(p) Title			
(q) Trip Accident and Baggage			
(r) Legal			
(s) Credit Property			
Class 2. Life			
(a) Life			
(b) Accident and Health			
(c) Credit Life, Credit Accident and Health			
(d) Industrial Life, Industrial Accident and Health			
(e) Variable Contracts			
(f) Life (Burial)			
Class 3. Fraternal			
(a) Fraternal			
(b) Larger Fraternal			
Class 4. Burial			
MCA 83-41-303 Health Maintenance Organization			
Class 5. Home Warranty			

Missouri	Authorized to Transact	Currently Transacting	Applying for
Life and Health (RSMo 376)			
- Life, Annuities and Endowments (376.010)			

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A2 - Accident and Health (376.010)			
A3 - Variable Contracts (376.309)			
C - Title (RSMo 381)			

Missouri (continued)	Authorized to Transact	Currently Transacting	Applying for
B - Property and Casualty (RSMo 379)			
B1 - Property (379.010.1(1))			
B2 - Liability (379.010.1(2))			
Workers' Compensation			
B3 - Fidelity and Surety (379.010.1(3))			
B4 - Accident and Health (379.010.1(4))			
B5 - Miscellaneous (379.010.1(5))			

Montana	Authorized to Transact	Currently Transacting	Applying for
Life (including variable contract authority) §33-1-208; 33-20-Part 6, MCA			
Life (excluding variable contract authority) §33-1-208, MCA			
Disability §33-1-207, MCA			
Property §33-1-210, MCA			
Casualty (including Workers' Comp) §33-1-206, MCA			
Casualty (excluding Workers' Comp) §33-1-206, MCA			
Surety §33-1-211, MCA			
Marine §33-1-209, MCA			
Title §33-1-212, MCA			

Nebraska	Authorized to Transact	Currently Transacting	Applying for
Life (1)			
Variable Life (2)			
Variable Annuities (3)			
Sickness & Accident (4)			
Property (5)			
Credit Property (6)			
Glass (7)			
Burglary & Theft (8)			
Boiler & Machinery (9)			
Liability (10)			
Workers Compensation &Employers Liability (11)			
Vehicle (12)			
Fidelity (13)			
Surety (14)			
Title (15)			
Credit (16)			
Mortgage Guaranty (17)			
Marine (18)			
Financial Guaranty (19)			
Miscellaneous (20)			

Nevada	Authorized to Transact	Currently Transacting	Applying for
Life (681A.040)			
Health (681A.030)			
Property (681A.060)			
Casualty (681A.020) (Including Worker's Comp)			

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Nevada (continued)	Authorized to Transact	Currently Transacting	Applying for
Casualty (681A.020) (Excluding Worker's Comp)			
Surety (681A.070)			
Marine and Transportation (681A.050)			
Title (681A.080)			
Surplus Lines (685A)			
Risk Retention Group (695E)			
Funeral/Cemetary Sellers (689)			
Premium Finance Company (686A)			
Motor Clubs (696A)			
Health Maintenance Organization (695C)			
Prepaid Ltd. Health Service Organization (695F)			
Variable (688A)			
Home Warranty (680B.100)			

New Hampshire	Authorized to Transact	Currently Transacting	Applying for
Fire and Allied Lines(RSA 401.1, I)			X
Marine Coverages(RSA 401.1, II)			X
Life and Annuities(RSA 401.1, III)			
Variable Annuities require a separate License (RSA 401.1, III)			
Accident and/or Health Coverages (401.1, IV)			X
Liability Coverages, including workers' compensation (RSA 401.1, V)			X
Casualty Coverages (RSA 401.1, VI)			X
Fidelity, Surety, Credit Insurance, Mortgage Guaranty, Bonds, and Financial Guaranty (RSA 401.1, VII)			X
Other casualty risks. Refer to the NAIC Uniform P&C Product Coding Matrix filing code 17. Select each Sub-Type to which this license is being requested. (RSA 401.1, VIII)			
Title (RSA 416-A)			
Fraternal (RSA 418:16)			

New Jersey	Authorized to Transact	Currently Transacting	Applying for
(1) Fire (N.J.S.A. 17:17-1a)			
(2) Earthquake (N.J.S.A. 17:17-1a)			
(3) Growing Crops (N.J.S.A. 17:17-1a)			
(4) Ocean Marine (N.J.S.A. 17:17-1b)			
(5) Inland Marine (N.J.S.A. 17:17-1b)			
(6) Workers' Compensation and Employers Liability (N.J.S.A. 17:17-1e)			
(7) Automobile Liability (BI) (N.J.S.A. 17:17-1e)			
(8) Automobile Liability (PD) (N.J.S.A. 17:17-1e)			
(9) Automobile Physical Damage (N.J.S.A. 17:17-1e)			
(10) Aircraft Physical Damage (N.J.S.A. 17:17-1b)			
(11) Other Liability (N.J.S.A. 17:17-1e)			
(12) Boiler & Machinery (N.J.S.A. 17:17-1f)			
(13) Fidelity & Surety (N.J.S.A. 17:17-1g)			
(14) Credit (N.J.S.A. 17:17-1i)			
(15) Burglary & Theft (N.J.S.A. 17:17-1j)			

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New Jersey (continued)	Authorized to Transact	Currently Transacting	Applying for
(16) Glass (N.J.S.A. 17:17-1k)			
(17) Sprinkler Leakage (N.J.S.A. 17:17-1l)			
(18) Livestock (N.J.S.A. 17:17-1m)			
(19) Smoke & Smudge (N.J.S.A. 17:17-1n)			
(20) Physical Loss to Buildings (N.J.S.A. 17:17-1o)			
(21) Radioactive Contamination (N.J.S.A. 17:17-1o)			
(22) Mechanical Breakdown/Power Failure (N.J.S.A. 17:17-1o)			
(23) Other (must be pre-approved by the Commissioner) (N.J.S.A. 17:17-1o)			
(26) Accident and Health (Property/Casualty Companies) (N.J.S.A. 17B:17-4)			
(27) Municipal Bond (N.J.A.C. 11:7)			
(28) Life (N.J.S.A. 17B:17-3)			
(29) Accident and Health (Life/Health Companies) (N.J.S.A. 17B:17-4)			
(30) Annuities (N.J.S.A. 17B:17-5)			
(31) Variable Contracts (N.J.S.A. 17B:28-1 et seq.)			
(33) Title (N.J.S.A. 17:46B-7)			
(34) Fraternal Benefit Society (N.J.S.A. 17:44B)			
(35) Residential Mortgage Guaranty (N.J.S.A. 46A-3)			
(36) Commercial Mortgage Guaranty (N.J.S.A. 46A-3)			

New Mexico	Authorized to Transact	Currently Transacting	Applying for
ife (NMSA Section 59A-7-2)			
alth (NMSA Section 59A-7-3)			
perty (NMSA Section 59A-7-4)			
Marine and Transportation (NMSA Section 59A-7-5)			
Casualty (NMSA Section 59A-7-6)			
Vehicle (NMSA Section 59A-7-7)			
Surety (NMSA Section 59A-7-8)			
Title (NMSA Section 59A-7-9)			

New York (Notes 1 and 2)	Authorized to Transact	Currently Transacting	Applying for
Property (Section 1113(a) of the N.Y. Ins. Law)			
(3) (i) &(ii) - A&H			
(4) Fire			
(5) Miscellaneous Property			
(6) Water Damage			
(7) Burglary & Theft			
(8) Glass			
(9) Boiler and Machinery			
(10) Elevator			
(11) Animal			
(12) Collision			
(13 Personal Injury Liability			
(14) Property damage liability			
(15) Workers' Compensation and employers' liability			
(16) Fidelity and surety			
17 Credit			
) Motor Vehicle and aircraft physical damage			

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New York (continued) (Notes 1 and 2)	Authorized to Transact	Currently Transacting	Applying for
0) Marine and Inland marine			
1) Marine Protection and indemnity			
22) Residual value			
(24) Credit Unemployment			
(26) Gap			
(27) Prize Indemnification			
(28) Service Contract reimbursement			
(29) Legal Services			
Monoline only:			
Mortgage Guaranty			
Financial Guaranty			
Title			
Life Insurance - Section 1113(a)(1) of the N.Y. Ins. Law			
Annuities - Section 1113(a)(2) of the N.Y. Ins. Law			

Note 1: A company may only apply for the lines of insurance for which it is authorized in its state of domicile.
Note 2: The company must have transacted business for a minimum of three (3) years prior to seeking admission. If the company was recently acquired, at least three (3) years of operating experience under the new management is required. An affiliated insurer admitted in New York and operating under the same ownership/management team for at least three (3) years may satisfy this requirement. If the aforementioned situation applies, a written request for approval of a waiver must be submitted with the application. An original application must be submitted to the New York City office. An additional original application must also be submitted to the Office of General Counsel of the New York State Insurance Department in Albany.

North Carolina	Authorized to Transact	Currently Transacting	Applying for
fe (NCGS 58-7-15)			
e, including industrial & credit life			
nuities			
Variable annuities			
Variable life			
Accident and health - Cancelable			
Accident and health - Non-cancelable			
Accident and health – Credit			
Fire (NCGS 58-7-15)			
Fire			
Miscellaneous property - Extended coverage			
Miscellaneous property - Growing crops			
Water damage – Commercial			
Water damage - Residence			
Burglary and theft			
Glass			
Animal			
Collision – Automobile			
Collision – Other			
Motor vehicle and aircraft - Property damage			
Motor vehicle and aircraft - Fire			
Motor vehicle and aircraft - Theft			
Motor vehicle and aircraft - Comprehensive			
Motor vehicle and aircraft - Collision			
Marine – Inland			
Marine – Ocean			
rine protection and indemnity			
er			

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North Carolina (continued)	Authorized to Transact	Currently Transacting	Applying for
isualty (NCGS 58-7-15)			
cident and health – Cancelable			
ccident and health – Non Cancelable			
Accident and health – Credit			
Water damage – Commercial			
Water damage – Residence			
Burglary and theft			
Glass			
Boiler and machinery			
Elevator			
Animal			
Collision – Automobile			
Collision – Other			
Personal injury liability – Automobile			
Personal injury liability – Other			
Property damage liability – Automobile			
Property damage liability - Other			
Workers' compensation and Employer's liability			
Fidelity and surety			
Credit			
Title			
Motor vehicle and aircraft – Property damage			
Motor vehicle and aircraft – Fire			
Motor vehicle and aircraft – Theft			
Motor vehicle and aircraft – Comprehensive			
otor vehicle and aircraft – Collision			
rine protection and indemnity			
rcraft Voluntary Settlement			
Hole-in-One			
Other			
Mortgage Guaranty			

North Dakota	Authorized to Transact	Currently Transacting	Applying for
Life & Annuity			
Accident & Health			
Property			
Casualty			
Variable Life and Annuity			

Ohio	Authorized to Transact	Currently Transacting	Applying for
Life Companies: Life, Accident, Health, Disability, and/or annuities (O.R.C. 3911.01)			
Property & Casualty (O.R.C. 3929.01(A)			
(1) Fire			
(2) Allied Lines			
(3) Farmowners Multiple Peril			
(4) Homeowners Multiple Peril			
(5) Commercial Multiple Peril			
(6) Ocean Marine			
7) Inland Marine			
) Guaranty			
) Medical Malpractice			

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Ohio (continued)	Authorized to Transact	Currently Transacting	Applying for
10) Earthquake			
11) Group A&H			
(12) Credit A&H (Group and Individual)			
(13a) Collectively Renewable A&H			
(13b) Noncancellable A&H			
(13c) Guaranteed Renewable A&H			
(13d) Nonrenewable for Stated Reasons Only			
(13e) Other Accident Only			
(13f) All Other A&H			
(14) Workers' Compensation (to the extent permitted by law)			
(15) Other Liability			
(16a) Private Passenger Auto No-Fault (personal injury protection to the extent permitted by law)			
(16b) Other Private Passenger Auto Liability			
(16c) Commercial Auto No-Fault (personal injury protection to the extent permitted by law)			
(16d) Other Commercial Auto Liability			
(17a) Private Passenger Auto Physical Damage			
(17b) Commercial Auto Physical Damage			
(18) Aircraft (all perils)			
(19) Fidelity			
(20) Surety			
(21) Glass			
(22) Burglary and Theft			
(23) Boiler and Machinery			
(24) Credit			
(25) Reinsurance Only			
(26) Other (list)			
Title Insurance (O.R.C. 3953)			

Oklahoma	Authorized to Transact	Currently Transacting	Applying for
Life (O.S. 36 §702)			
Surety (including bail) (OAC 365:25-5-41)			
Surety (excluding bail) (O.S 36 §708)			
Title (O.S. 36 §709)			
Marine (O.S. 36 §705)			
Accident & Health (O.S. 36 §703)			
Property (O.S. 36 §704)			
Vehicle (O.S. 36 §706)			
Casualty (vehicle only) (O.S. 36 §706)			
Casualty (including vehicle)(O.S. 36 §707)			
Workers' Compensation (O.S. 36 §608, §612.2)			
Variable Life (O.S. 36 §6061, §6062)			
Variable Annuity (O.S. 36 §6061, §6062, OAC 365:10.9.10)			
Reinsurance (O.S. 36 §2132)			
Health Maintenance Organizations (O.S.36 §6901)			

Oregon	Authorized to Transact	Currently Transacting	Applying for
Life (ORS 731.170)			
Health (ORS 731.162)			
Oregon (continued)	Authorized to	Currently	Applying

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Applicant Name: Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

	Transact	Transacting	for
Health Care Service Contractor (ORS 750-005)			
:alth Care Service Contractor (Complementary Health vices) (ORS 750.005)			
.operty (ORS 731.182)			
Casualty, excluding Worker's Comp (ORS 731.158)			
Casualty, including Worker's Comp (ORS 731.158)			
Marine & Transportation (ORS 731.174)			
Surety (ORS 731.186)			
Home Protection (only) (ORS 731.164)			
Mortgage (only) (ORS 731.178)			
Title (only) (ORS 731.190)			

Pennsylvania (Notes 1 and 2)	Authorized to Transact	Currently Transacting	Applying for
Life and Annuities (40 P.S. § 382(a)(1))			
Separate Account – Variable Life (40 P.S. § 382 (a)(1))			
Separate Account – Variable Annuities (40 P.S. § 382 (a)(1))			
Accident and Health (40 P.S. § 382(a)(2))			
Fire and Allied Lines (40 P.S. § 382(b)(1))			
Inland Marine & Auto Physical (40 P.S. § 382(b)(2))			
Ocean Marine (40 P.S. § 382(b)(3))			
Fidelity and Surety (40 P.S. § 382(c)(1))			
Accident and Health (40 P.S. § 382(c)(2))			
Glass (40 P.S. § 382 (c)(3))			
Other Liability (40 P.S. § 382 (c)(4))			
Steam Boiler & Machinery (40 P.S. § 382 (c)(5))			
urglary-Theft (40 P.S. § 382 (c)(6))			
:dit (40 P.S. § 382 (c)(7))			
ıter (40 P.S. § 382 (c)(8))			
Elevator (40 P.S. § 382 (c)(9))			
Livestock (40 P.S. § 382 (c)(10))			
Auto Liability 40 P.S. § 382 (c)(11))			
Mine & Machinery (40 P.S. § 382 (c)(12))			
Personal Property Floater (40 P.S. § 382 (c)(13))			
Workers' Compensation (40 P.S. § 382 (c)(14)) (Note 3)			
Other (40 P.S. § 382 (e))			
Title (40 P.S. § 910-1)			

Note 1: A company may only apply for the lines of insurance for which it is authorized in its state of domicile.

Note 2: The company must have transacted business for a minimum of one (1) year prior to seeking admission. If the company was recently acquired, at least one (1) year of operating experience under the new management is required. An affiliated insurer admitted in Pennsylvania and operating under the same ownership/management team for at least one year may satisfy this requirement. If the aforementioned situation applies, a written request for approval of a waiver must be submitted with the application.

Note 3: The Department of Labor and Industry requires all insurers that are applying to write workers' compensation to complete and file an Initial Report of Accident and Illness Prevention Services. The Insurance Department will not issue a Certificate of Authority to a foreign insurer to write workers' compensation insurance until the Department of Labor and Industry has indicated the company has made the necessary filing as required by the Workers' Compensation Act. The necessary form with instructions can be obtained at: http://www.ins.state.pa.us/ins/cwp/view.asp?a=1280&q=527257

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Rhode Island	Authorized to Transact	Currently Transacting	Applying for
Life and Health Companies:			
Life (Note 1)			
Accident and Health **(Note 1)**			
Annuities **(Note 1)**			
Variable Life **(Note 1)**			
Variable Annuity **(Note 1)**			
Variable Contracts **(Notes 1 and 2)**			
Property and Casualty Companies: **(Note 3)**			
Fire			
Allied Lines			
Multi-Peril Crop			
Federal Flood			
Farmowners Multi-Peril			
Homeowners Multi-Peril			
Commercial Multi-Peril			
Ocean Marine			
Inland Marine			
Medical Malpractice/Medical Liability			
Earthquake			
Accident & Health			
Worker's Compensation			
Other Liability			
Products Liability			
Automobile (Full Coverage)			
Aircraft (All Perils)			
Fidelity			
Surety			
Glass			
Burglary and Theft			
Boiler and Machinery			
Credit			
Warranty			
Financial Guaranty or Mortgage Guaranty			

A company will be granted authority for a line of business in Rhode Island only on the condition that the company already has authority to sell that line in its state of domicile.

Note 1: Includes individual and group, and credit and non-credit.
Note 2: Variable Contracts includes Variable Life and Variable Annuity.
Note 3: Or alternatively: all lines except Life, Annuities, Title, Mortgage Guaranty and Financial Guaranty.

South Carolina	Authorized to Transact	Currently Transacting	Applying for
Life and Annuities (SC 38-5-30)			
Accident and Health (SC 38-5-30)			
Property (SC 38-5-30)			
Casualty (SC 38-5-30)			
Surety (SC 38-5-30)			
Marine (SC 38-5-30)			
Title (SC 38-5-30)			

South Dakota	Authorized to Transact	Currently Transacting	Applying for
(1) Life			

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(2) Health			
South Dakota (continued)	**Authorized to Transact**	**Currently Transacting**	**Applying for**
3) Fire & Allied Lines			
(4) Inland & Ocean Marine			
(5) Workmen's Compensation			
(6) Bodily Injury Liability (No Auto)			
(7) Property Damage (No Auto)			
(8) Auto Bodily Injury			
(9) Auto Property Damage			
(10) Auto Physical Damage			
(11) Fidelity & Surety			
(12) Glass			
(13) Burglary			
(14) Boiler & Machinery			
(15) Aircraft			
(16) Credit			
(17) Crop - Hail			
(18) Livestock			
(19) Title			
(20) Variable Annuities			
(21) Variable Life			
(22) Reinsurance Only (Not for Companies w/direct authority)			
(23-A) Travel, Accident & Baggage			
(23-B) Prepaid Legal			
(23-C) Bail Bonds			

nnessee	**Authorized to Transact**	**Currently Transacting**	**Applying for**
Life (TCA 56-2-201), (a)			
Accident and Health (TCA 56-2-201), (a)			
Credit (TCA 56-2-201), (a)			
Variable Contracts (TCA 56-2-201), (a)			
Property (TCA 56-2-201), (a), (b)			
Vehicle (TCA 56-2-201), (a), (c)			
Casualty (TCA 56-2-201) (a), (d)			
Surety (TCA 56-2-201) (a), (e)			
Title (TCA 56-35-112) (a)			

(a) Company may only write lines in Tennessee that they are authorized to write in their domiciliary state.
(b) Includes Fire and Extended Coverage, Other Allied Lines, Homeowners Multiple Peril, Commercial Multiple Peril, Earthquake, Growing Crops,
Water Damage - Sprinkler Leakage, Ocean Marine and Inland Marine.
(c) Automobile Bodily Injury, Automobile Property Damage and Automobile Physical Damage. (The Vehicle class is to be used when the company requests Vehicle only and no other Casualty line
(d) All lines listed under (c) above in addition to Disability, General Liability, Workers' Compensation, Burglary and Theft, Personal Property Floater, Glass, Boiler, Water Damage, Credit, Elevator, Livestock, Collision, Malpractice, Miscellaneous.
(e) Credit, Accident and Health, Fidelity, Performance Contracts and Bonds, Indemnification Insurance and Mortgage Guaranty.

Texas	**Authorized to Transact**	**Currently Transacting**	**Applying for**
e			
ed Coverages (a)			

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Hail, growing crops only			
Texas (continued)	**Authorized to Transact**	**Currently Transacting**	**Applying for**
n			
...land Marine (b)			
Ocean Marine			
Aircraft Liability			
Auto Physical Damage			
Accident			
Health			
Workers' Comp & Emp. Liability			
Employer's Liability			
Automobile Liability (c)			
Automobile Physical Damage (d)			
Liability other than Automobile (e)			
Fidelity and Surety			
Glass			
Burglary and Theft			
Forgery			
Boiler and Machinery			
Credit (f)			
Livestock (g)			
Prepaid Legal Services (h)			
Title (i)			
Mortgage Guaranty Type I			
Mortgage Guaranty Type II			
Life			
Variable Life			
riable Annuity			

When one of the above coverages includes more than one kind or sub-line of insurance, the selection of that coverage authorizes the company to write one or more of the specified kinds of insurance included in that coverage.

(a) Includes, but not limited to, Extended Coverage, Windstorm, Lightning, Hurricane, Hail (except growing crops), Explosion, Riot, Civil Commotion, Smoke, Aircraft, Land Vehicles, Physical Loss Form, Additional Extended Coverage, Vandalism, Malicious Misc

(b) Includes Personal Property Floater.

(c) Includes Bodily Injury, Medical Payments, Property Damage, and other Automobile Liability. If applicant is planning to write commercial automobile liability, a loss control plan must be submitted.

(d) Includes Fire, Theft, Collision, Comprehensive and other Automobile Physical Damage.

(e) Includes Bodily Injury, Medical Payments and Property Damage with regards to Comprehensive Personal Liability, Owners, Landlords and Tenants, Manufacturers and Contractors, Product, Contractual, Elevator (including Elevator Collision), Employers' Liability, Professional Liability for Physicians, Podiatrists, Certified Anesthetists, and Hospitals, and other Liability other than Automobile. If applicant is planning to write professional liability insurance for hospitals, professional liability for insureds other than hospitals, general liability and / or medical liability for insureds other than hospitals, a loss control plan must be submitted.

(f) Includes Credit Involuntary Unemployment; excludes Mortgage Guaranty.

(g) Mortality.

(h) Prepaid Legal Services business also has separate policy forms filing requirements.

(i) May be written only by Title insurance companies except those companies transacting title insurance prior to October 1, 1967.Includes Attorney's Title insurance companies as authorized by Texas Insurance Code, Article 9.56.

1. Life, Health, and accident and annuities – Chapter 3 of the Texas Administrative Code
   a. Life, Health, and accident and annuities – Chapter 3 of the Texas Administrative Code
   b. Mutual Life – Chapter 11 of the Texas Insurance Code
2. Property and Casualty Insurance Companies – Chapter 5 of the Texas Administrative Code
   a. Fire and Marine Companies- Chapter 6 of the Texas Insurance Code
   b. Surety and Trust Companies – Chapter 7 of the Texas Insurance Code
   c. General Casualty Companies – Chapter 8 of the Texas Insurance Code

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Utah	Authorized to Transact	Currently Transacting	Applying for
'e Insurance, including variable products, ıah Code Ann. § 31A-1-301 (98) (a))			
Accident & Health (Utah Code Ann. § 31A-1-301(1))			
Property Insurance (Utah Code Ann. § 31A-1-301 (134))			
Surety Insurance (Utah Code Ann. § 31A-1-301 (155))			
Bail Bond Surety (Utah Code Ann. § 31A-1-301(12))			
Vehicle Liability Insurance (Utah Code Ann. § 31A-1-301(163))			
Liability Insurance (Utah Code Ann. § 31A-1-301(96))			
Marine and Transport (Utah Code Ann. § 31A-1-301(80) & (116))			
Workers Compensation Insurance (Utah Code Ann. § 31A-1-301(166))			
Title Insurance (Utah Code Ann. § 31A-1-301(158))			
Professional Liability, excluding medical malpractice (Utah Code Ann. § 31A-1-301(133)			
Professional Liability, including medical malpractice (Utah Code Ann. § 31A-1-301(106))			
Motor Club (Utah Code Ann. § 31A-1-301(112)			
Limited Health Plan (Utah Code Ann. § 31A-8-101 (6))			
Nonprofit Health Service Corporation (Utah Code Ann. § 31A-7-102)			
Credit Guarantee (Utah Code Ann. § 31A-1-301(35))			
Legal Expense (Utah Code Ann. § 31A-1-301(95))			
Health Maintenance Organization (Utah Code Ann. § 31A-8-101(5))			

rmont	Authorized to Transact	Currently Transacting	Applying for
Life (Section 3301(a)(1))			
Variable Annuity (Section 3857)			
Variable Life (Section 3857)			
Health (Section 3301(a)(2))			
Casualty (Section 3301(a)(3))			
Marine and Transportation (Section 3301(a)(4))			
Marine Protection and Indemnity (Section 3301(a)(5))			
Wet Marine and Transportation (Section 3301(a)(6))			
Property (Section 3301(a)(7))			
Surety (Section 3301(a)(8))			
Title (Section 3301(a)(9))			
Multiple Line (Section 3301(a)(10))			

Virginia	Authorized to Transact	Currently Transacting	Applying for
(§ 38.2 101 through 134)			
Life and Health and Fraternal Benefit Society			
01 Life			
02 Industrial Life			
03 Credit Life			
04 Variable Life			
05 Annuities			
06 Variable Annuities			
07 Accident and Sickness			
8 Credit Accident and Sickness			
/1 Modified Guaranteed Life			

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Virginia (continued)	Authorized to Transact	Currently Transacting	Applying for
12 Modified Guaranteed Annuities			
19 Managed Care Health Insurance Plan *			
Title			
33 Title			
Property and Casualty			
07 Accident and Sickness			
08 Credit Accident and Sickness			
09 Fire			
10 Miscellaneous Property and Casualty			
11 Farmowners Multi Peril			
12 Homeowners Multi Peril			
13 Commercial Multi Peril			
14 Ocean Marine			
15 Inland Marine			
16 Workers Comp-Emp Liability			
17 Liability Other than Auto			
18 Auto Liability			
19 Auto Physical Damage			
20 Aircraft Liability			
21 Aircraft Physical Damage			
23 Fidelity			
24 Surety			
25 Glass			
26 Burglary and Theft			
27 Boiler and Machinery			
28 Credit			
29 Animal			
30 Water Damage			
32 Legal Services			
55 Home Protection			
56 Mortgage Guaranty			
74 Credit Involuntary Unemployment			
75 Credit Property			
99 Managed Care Health Insurance Plan *			

* Companies applying to operate a Managed Care Health Insurance Plan (MCHIP) will be required to obtain a Certificate of Quality Assurance (Certificate) from the Virginia Department of Health pursuant to § 38.2-5800 et seq. of the Code of Virginia. Upon receipt of an application to operate an MCHIP, the Bureau of Insurance will send a letter to the applicant describing the requirements for operating an MCHIP that includes the requirement to obtain a Certificate of Quality Assurance from the Virginia Department of Health.

Washington	Authorized to Transact	Currently Transacting	Applying for
Life (RCW 48.11.020)			
Disability (RCW 48.11.030)	X		
Property (RCW 48.11.040)	X		
Marine and Transportation (RCW 48.11.050)	X		
Vehicle (RCW 48.11.060)	X		
General Casualty (RCW 48.11.070)	X		
Surety (RCW 48.11.080)	X		
Title (RCW 48.11.100)			
Ocean Marine (RCW 48.11.105)	X		

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West Virginia	Authorized to Transact	Currently Transacting	Applying for
e (WVC 33-1-10(a))			
cident & Sickness (WVC 33-1-10(b)			
Fire (WVC 33-1-10(c)			
Marine (WVC 33-1-10(d)			
Casualty (WVC 33-1-10(e)			
Surety (WVC 33-1-10(f)(1), (2) & (3))			
Title (WVC 33-1-10(f)(4)			
Reinsurance*			
Variable Annuity (WV Code §33-13A-1)			
Variable Life (WV Code §33-13A-1)			
Physicians Mutual (WV §33-20F-1)			
** Reciprocal (WV Code §33-21-1)			
Farmers Mutual Fire (WV Code §33-22-1)			
Fraternal (WV Code §33-23-1)			
Hospital Service (WV §33-24-1)			
Medical Service (WV §33-24-1)			
Health Service (WV §33-24-1)			
Dental Service (WV §33-24-1)			

* Indicate above the kinds of insurance to be reinsured, if application is for authority to transact reinsurance only.

** Indicate above the kinds of insurance to be written by the reciprocal insurer

Wisconsin	Authorized to Transact	Currently Transacting	Applying for
(s. Ins 6.75, Wis. Adm. Code)			
(1) (a) Life and Insurance Annuities			
nparticipating			
ticipating			
) (b) Variable Life and variable annuities			
(1) (c) Disability (includes health)			
(2) (a) Fire, inland marine and other property			
(2) (b) Ocean marine			
(2) (c) Disability (includes health)			
(2) (d) Liability and incidental medical expense			
(2) (e) Automobile			
(2) (f) Fidelity insurance			
(2) (g) Surety insurance			
(2) (h) Title			
(2) (i) Mortgage guaranty			
(2) (j) Credit insurance			
(2) (k) Workers' compensation insurance			
(2) (l) Legal expense insurance			
(2) (m) Credit unemployment insurance			
(2) (n) Miscellaneous			
(2) (o) Aircraft			

Wyoming	Authorized to Transact	Currently Transacting	Applying for
Life, including annuities(WS 26-5-102)			
Variable Contracts			
Disability (WS 26-5-103)			
Property (WS 26-5-104)			
rety (WS 26-5-105)			
ualty (WS 26-5-106)			

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Wyoming (continued)	Authorized to Transact	Currently Transacting	Applying for
arine and Transportation (WS 26-5-107)			
ltiple Lines (WS 26-5-108)			
itle (WS 26-5-109)			

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#2

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737645	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$100.00*******	000022

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	NHT070801D	070811	100.00				100.00

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 * 000022
MAILSTOP 02C
P.O. BOX 1525
DOVER, NH 03821-1525

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737645
51-44/119
002240015623

CHECK DATE
07/11/11

$ 100.00*******

VOID IF NOT PRESENTED WITHIN
6 MONTHS OF DATE OF CHECK

B.CODE	OFFICE NUMBER	PAYMENT IDENTIFICATION
121	096	2200280001

PAY **********ONE 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

⑈70737645⑈ ⑆011900445⑆ 00224001 56 23⑈

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

40001001000022000022

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737645	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$100.00*******	000022

NON-NEGOTIABLE

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DOVER, NH 03821-1525
(603) 749-2600 EXT. 31199

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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	NHT070801D	070811	100.00				100.00

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.

ANTI-FRAUD PROTECTION PATENTS 5,197,759; 5,340,155; 6,206,129

DIS * 000022
MAILSTOP: 02C
P.O. BOX 1525
DOVER, NH 03821-1525

LIBERTY MUTUAL
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BANK OF AMERICA
HARTFORD, CT

70737645
51-44/119
002240015623

CHECK DATE
07/11/11

$ 100.00*******

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IF AMOUNT EXCEEDS $150,000

⑈70737645⑈ ⑆011900445⑆ 00224001 5623⑈

LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737653	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$300.00*******	000030

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:
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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	NHT070801L	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.

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P.O. BOX 1525
DOVER, NH 03821-1525

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737653
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

⑈70737653⑈ ⑆011900445⑆ 002240015623⑈

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LIBERTY MUTUAL
GROUP INC.

CHECK REFERENCE	CHECK DATE
70737653	07/11/11
CHECK AMOUNT	BLOCK NUMBER
$300.00*******	000030

NON-NEGOTIABLE

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PAYEE NAME AND ADDRESS:
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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	NHT070801L	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.

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

LIBERTY MUTUAL
GROUP INC.

BANK OF AMERICA
HARTFORD, CT

70737653
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

⑈70737653⑈ ⑆011900445⑆ 00224001 5623⑈

#3

Applicant Name: Safeco Surplus Lines Insurance Company NAIC No.11100
FEIN: 91-1231536

Primary UCAA Application

Item 3. Minimum Capital and Surplus Requirements: A review of Safeco Surplus Lines Insurance Company's 2010 Annual Statement reflects that Safeco Surplus Lines Insurance Company is in compliance with the minimum capital and surplus requirements under New Hampshire law. On December 31, 2010:

Common capital stock	$ 5,000,000
Gross paid in and contributed surplus	$ 5,650,000
Unassigned funds (surplus)	$21,766,148

#4

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

No. 1285

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 ***SAFECO SURPLUS LINES INSURANCE COMPANY,*** *Seattle, Washington has $3,045,000.00 par value, fixed income instruments on deposit in the State of Washington. This deposit is held in trust and safekeeping in the depository bank, US Bank, under a tripartite agreement by and between the Insurance Commissioner, the Bank, and the Company for the benefit of all policyholders and obligees of the Company.*

IN WITNESS WHEREOF, *I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this 15th day of July, 2011.*

MIKE KREIDLER
Insurance Commissioner

By: _____
Deputy Insurance Commissioner

#5

THE STATE OF NEW HAMPSHIRE
INSURANCE DEPARTMENT

RECEIVED
JUN 27 2011
H.O. LEGAL DEPT.

ger A. Sevigny
Commissioner

Thomas S. Burke
Director of Examinations

June 23, 2011

Karen Wright
Liberty Mutual Agency Markets
175 Berkeley Street, Mail Stop 06E
Boston, MA 02116

RE: Name Reservation – Safeco Surplus Lines Insurance Company
Ohio Security Insurance Company
American Fire and Casualty Company

Dear Ms. Wright:

This will acknowledge receipt of your checks in the amount of $25.00 to cover the name reservations for the above-mentioned companies for a 120-day period per RSA 401:16. The reservations will be effective June 22, 2011 through October 20, 2011.

If you wish to re-reserve the names at the end of the 120-day period, you may do so in the same manner as above. If you have any questions regarding this, please do not hesitate to call me.

Sincerely,

Diane Cygan

Diane T. Cygan
Financial Records Auditor

#6

Uniform Certificate of Authority Application
QUESTIONNAIRE

Directions: Each "Yes" or "No" question is to be answered by marking an "X" in the appropriate space. All questions should be answered. If an applicant denotes a question as "Not Applicable" (N/A) an explanation must be provided. Other answers and additional explanations or details may be provided in writing attached to the affidavit. Please complete this form and file it with the company's application for a Certificate of Authority.

1. I hold the position(s) of Secretary with the applicant.

2. A. Has the applicant transferred or encumbered any portion of its assets or business, or has its outstanding capital stock been directly or indirectly pledged?
   Yes ____ No __X__

   B. Has the applicant merged or consolidated with any other company within the last five Years?
   Yes ____ No __X__

   If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

3. Is applicant presently negotiating for or inviting negotiations for any transaction described above?
   Yes ____ No __X__

   If yes, provide the details in writing and attach to the Questionnaire.

4. Has the applicant ever changed its name?
   Yes ___ No __X__

   If Yes, attach copies of the instruments effecting such transaction certified by the Secretary over corporate seal as a true copy of the originals, including any official state regulatory approvals and filing data.

5. A. Has the applicant undergone a change of management or control since the date of its latest annual statement filed in support of this application?
   Yes ____ No __X__

   B. Does the applicant contemplate a change in management or any transaction that would normally result in a change of management within the reasonably foreseeable future?
   Yes ____ No __X__

   If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

6. Is applicant owned or controlled by a holding corporation?
   Yes __X__ No ____ **See Attachment 1**

   A. If yes, attach and make a part hereof an affidavit by an executive officer of the applicant who knows the facts listing the principal owners (10% or more of the outstanding shares) of such holding corporation by name and residence address, business occupation and business affiliations.

   B. If no, the applicant must provide an organizational depiction including charts showing the various executive management and directors offices of the applicant, with the name and official title of those responsible for those offices and the portions of the organization they oversee. Any other management offices that exercise control over insurance operations in any state in which you are applying for admission must also be included. Additional charts should be provided to depict any operation that is delegated to a third party. In addition, applicants should include a map or narrative explaining where offices are geographically located and the approximate number of employees at each location.

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7. Is applicant owned, operated or controlled, directly or indirectly, by any other state, or province, district, territory or nation or any governmental subdivision or agency?
   Yes ____ No__X__

   If yes, provide the details in writing and attach to the Questionnaire

8. A. Has the applicant's certificate of authority to do business in any state been suspended or revoked within the last ten years?
   Yes ____ No __X__

   B. Has its application for admission to any state been denied within the last ten years?
   Yes ____ No __X__

   If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

9. Has any person who is presently an officer or director of applicant been convicted on, or pleaded guilty or nolo contendere to, an indictment or information in any jurisdiction charging a felony for theft, larceny or mail fraud or, of violating any corporate securities statute or any insurance statute?
   Yes ____ No __X__

   If yes, provide the details in writing and attach to the Questionnaire.

10. Is applicant presently engaged in a dispute with any state of federal regulatory agency?
    Yes _____ No _X__

    If yes, provide the details in writing and attach to the Questionnaire.

11. Is applicant a plaintiff or defendant in any legal action other than one arising out of policy claims?
    Yes ____ No __X__

    If yes, provide a summary of each case and an estimate of company's probable liability, if any, and attach to the Questionnaire.

12. Does the applicant purchase investment securities through any investment banking or brokerage house or firm from whom any of applicant's officers, directors, trustees, investment committee members or controlling stockholders receive a commission on such purchases?
    Yes____ No __X__

    If yes, provide the details in writing and attach to the Questionnaire.

13. Is applicant a

    A. Bank,
    Yes ____ No __X__

    B. Bank holding company, subsidiary or affiliate
    Yes ____ No __X__

    C. Financial holding company
    Yes ____ No __X__

    D. Other financial institution
    Yes ____ No __X__

    If yes, identify the bank(s), bank holding company(ies) or financial institution and the affiliation of the applicant. Provide the details in writing and attach to the Questionnaire.

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14. Has the applicant, within 18 months last preceeding the date of this affidavit, done any of the following:?

A. Made a loan to an entity owned or controlled directly or through a holding corporation by one or more of applicant's officers, directors, trustees or investment committee members, or to any such person?
Yes ____ No __X__

B. Sold or transferred any of its assets or property, real or personal, to any such entity or person?
Yes ____ No __X__

C. Had its outstanding capital stock directly or indirectly pledged for the debt of an affiliate?
Yes ____ No __X__

D. Purchased securities, assets or property of any kind from an entity owned or controlled by one or more of applicant's officers, directors, trustees, or any persons who have authority in the management of applicant's funds (including a controlling stockholder)?
Yes ____ No __X__

If the answer to any of the last four questions is affirmative, did any officer, director, trustee or any person who had authority in the management of applicant's funds (including a controlling stockholder) receive any money or valuable thing for negotiating, procuring, recommending or aiding in such transaction?
Yes ____ No ____

If yes, provide the details in writing and attach to the Questionnaire.

15. Provide a detailed description of the applicant's sales techniques. The description should include:

A. Information regarding recruitment and training of sales representatives.

B. Identification as to whether the applicant will be a direct writer or will use agents, brokers or a combination thereof.

C. Explanation of the compensation and control to be provided by the applicant to its agents, brokers or sales personnel.

D. Sample copies of any agreements entered into between the applicant and its agents or brokers.

E. If the applicant will use a specific agency or managing general agent, identification of the agency or managing general agent and a copy of the agreement for this arrangement.

F. Sample contract forms of all types used and remuneration schedule, including those for general agents, if any.
See Attachment 2

Safeco Surplus Lines Insurance Company ("SSLIC" or the "Company") markets products exclusively through independent insurance agents for all lines of property and casualty insurance. Sales are made by licensed independent insurance agents who represent the Company. Agents are recruited and appointed by our marketing department. The agencies are selected based on, but not limited to, the following criteria:

- Properly licensed and appointed in the state(s) to conduct business
- Number of years in the business
- Agency ownership/organization
- Staff experience
- Training and education of the staff
- Premium and loss experience
- Agency fit within the territory and overall strategic direction of the Company
- Agency marketing territory and target markets
- Proper/adequate E & O Coverage
- Agency perpetuation plan
- Automation capabilities

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- Respect among insurance peers and within the community
- Insurance industry association membership(s)

The licensed agents are compensated according to a commission schedule, which is based on the type of individual risk they submit to the Company, and according to their binding authority. Agency sales representatives are trained individually and collectively by the underwriting, marketing, and business departments at Company facilities or in their agency offices. Agency principals are trained individually and collectively by the underwriting, marketing, and business departments in their offices, at Company offices, and in group and round table meetings at selected local facilities. Training includes power point presentations, agent guides, brochures, pamphlets, and other materials.

The Company will enter into an Agency Agreement with each agency. Among other things, the Agreement specifically includes controls to assure the agencies operate in accordance with state insurance laws and regulations, federal law, and Company procedures. The agreement also defines the specific duties and responsibilities of the agency and the Company.

16. For each state in which the applicant is filing explain:

A. The product lines currently sold or planned by the applicant,

B. Specialty line or lines currently sold and planned,

C. Captive business,

D. The applicant's marketing plan, including a description of the financial, corporate or other connections productive of insurance,

E. The applicant's current and expected competition (both regionally and nationally) and

F. How each state in which admission has been requested fits into the marketing plan.

A general description of the classes to be transacted is not an adequate response. For example, if the applicant plans to market credit life and disability products tailored for use by credit unions, simply stating that it will transact credit life and disability is inadequate.

The Company provides these products: Homeowners, Personal Automobile, Package (Commercial Multi-Peril) and Small Package (Business Owners Policy), General Liability, Commercial Auto, Umbrella-Excess, Farmowners, Surety, Inland Marine, Personal Lines, Workers' Compensation.

Our major competitors include Travelers, Hartford and Hanover. The Company and its affiliates will advertise in insurance industry trade magazines and journals to develop name recognition, and to promote their products and independent agents. All advertising is developed, purchased, controlled and supervised by the Home Office marketing and legal departments, in conjunction with the local marketing department, when necessary.

17. If a parent, subsidiary and/or affiliated insurer is admitted for the classes of insurance requested in the pending application, please differentiate the products and/or markets of the applicant from those of the admitted insurer(s).

The Company will market in conjunction with its affiliated underwriting companies Excelsior Insurance Company, The Netherlands Insurance Company, Peerless Indemnity Insurance Company and Peerless Insurance Company. The company is already licensed in New Hampshire and the purpose of this filing is to redomesticate to New Hampshire.

18. Provide a detailed description of the advertising that will be used by the applicant to market its products in each state. Include a detailed explanation as to how the applicant will develop, purchase, control and supervise its advertising.

Safeco Surplus Lines Insurance Company and its affiliates will advertise in insurance industry trade magazines and journals to develop name recognition, and to promote their products and independent agents. All advertising is developed, purchased, controlled and supervised by the Home Office marketing and legal departments, in conjunction with the local marketing department, when necessary.

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19. Explain in detail how (a) the applicant's policies will be underwritten, including the issuance of policies and endorsements (b) policies will be cancelled and (c) premiums and other funds will be handled, including:

A. Identify the entity that will perform each of these functions.

B. Describe how the personnel will be trained, supervised, and compensated.

C. If personnel performing these functions will be shared with another entity or, if another entity will be performing these functions, please provide an explanation of this arrangement and a copy of the agreement for this service.

Agents representing the Company submit applications for new business or change requests for endorsements to our underwriting department for acceptance/rejection and processing. Each risk is evaluated on its own merits according to the Company's established underwriting guidelines. The current market conditions along with the applicant's loss record, area of operations, type of equipment, vehicles, number and type of employees, etc., will determine acceptability and premium/rating level. The Company's underwriters are salaried employees of the Liberty Mutual Group. The training process begins with tutorials on our products, underwriting guidelines, and premium rating systems. They continue with administrative handling of accounts. This includes policy file documentation, quote handling, declination procedures and accounting queries. Through these processes the underwriters learn the overall account handling process. They are involved in the implementation and monitoring of underwriting reports and agency experience. Underwriters are also encouraged to enroll in accredited Insurance and Risk Management courses.

The Company conducts regular audits of its underwriting practices and procedures. In addition, as a member of Liberty Mutual Agency Corporation (LMAC), routine audits are conducted by the management staff of all LMAC companies on at least an annual basis. Premiums are calculated with the assistance of manual rates provided by the Company and in some instances software applications. Through the use of actuaries, current market conditions, exposure, etc., state filed and approved rates/premiums are predetermined for utilization and are located in the Company manuals and rating system. The Company will cancel policies only in accordance with company guidelines and state law and guidance offered by the Insurance Department.

Premiums will be collected from insured in two ways:

- The agent collects the premium from the insured and remits the monies, excluding the commissions, to the Company within the time frame set forth in the agency contract.
- The insured will be billed directly by the Company and can elect to pay the entire amount or pay in installments. The agent is paid the full commission up front according to a monthly commission statement provided by the Business Support Center.

Reinsurance, as detailed elsewhere in the application, as previously alluded to, is purchased at a corporate treaty level for the book of business. Facultative reinsurance will also be utilized for specific risks.

20. Explain in detail how the applicant will adjust and pay claims.

A. Identify the entity what will perform the applicant's claims adjusting and claims payment functions.

B. Describe how you will train, supervise and compensate the personnel handling claims adjusting and claims payment will be trained, supervised and compensated.

C. If personnel for claims adjusting or claims payment will be shared with another entity or another entity will be performing the applicant's claims adjusting and claims payment, please explain this arrangement, including any affiliation with the applicant, and provide a copy of the agreement for this service.

D. Provide detailed information as to how and by whom claim reserves will be set and modified.

E. Does applicant pay any representative given discretion as to the settlement or adjustment of claims under life or disability policies, whether in direct negotiation with the claimant or in supervision of the person negotiating, a compensation which is in any way contingent upon the amount of settlement of such claims?
Yes ____ No __X__ See Below.

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Claims are adjusted and paid under the supervision of the Company's claim department by:

- Independent agents representing the Company, with limited claims settlement authority for those claims not involving coverage or liability issues. Independent agents do not set reserves and are not compensated for their claim handling activity.
- Independent adjusting firms are used only to assist in claim investigations and do not participate in reserve and payment activities. Independent adjuster firms are generally billed on a time and expense basis.
- Our own Company (employed) adjusters handle the vast majority of claims for the Company. All are properly licensed adjusters. All adjusters are salaried employees and are trained and supervised by the Company's claim manager.

Oversight is provided and large claim losses are handled with the assistance of LMAC's corporate claims unit in Keene, New Hampshire. Claim reserves will be set by our staff adjusters at the time a claim file is created. Reserves are regularly reviewed and modified, as needed, depending on the facts of each claim. The Company does not pay any claim representative a fee which is in any way contingent upon the amount of settlement of such claims.

None of the claims adjusters utilized by the Company will be paid on the basis of the amount of settlement of such claims.

21. Is applicant a member of a group of companies that shares any of the following:

A. Common facilities with another company or companies
Yes __X__ No____

B. Services (e.g. accounting personnel for financial statement preparation)
Yes __X__ No____

C. Or, is a party to a tax allocation agreement in common with another company
Yes __X__ No____

If the answer to any of the above is Yes, explain the division of costs between participants. If costs are pro-rated, what is the basis for division? Attach a copy of relevant contracts and include a summary of any attached contract.

See Attachment 3.

22. Does applicant have any reinsurance contracts which contracts that in effect provide that applicant will reimburse or indemnify the Reinsurer for losses payable there under?
Yes ____ No __X__

If yes, provide the details in writing and attach to the Questionnaire.

See Attachment 4.

23. A. Does the applicant use a third party (affiliated or unaffiliated) to manage the applicant's investments?
Yes __X__ No____

If so, provide detailed information as to the compensation that will be paid for management of the applicant's investments.

Compensation for investment management services is detailed in Appendix C to the Investment Management Agreement.

B. Provide copies of the applicant's investment management agreements and any investment guidelines.

See Attachment 5

24. Does any salaried employee or officer, exclusive of a director, presently have in force a license as an insurance broker issued by the New Hampshire Department of Insurance?
(Name of Application State)
Yes ____ No __X__

If yes, please identify his/her license and position held with applicant.

25. Does applicant have outstanding unexercised stock options?
Yes ____ No __X__

A. If so, to whom and in what number of shares?

B. If options are outstanding for a number of shares greater than 10% of the number of shares presently issued and outstanding, a copy of the option form and of the plan pursuant to which they were granted are attached.

26. Are any of the applicant's policies being sold in connection with a mutual fund or investment in securities?
Yes ____No __X__ Not Applicable ____

If Yes, supply details including all sales literature which refers to the insurance and mutual fund or other investment literature that refers to the insurance and mutual fund or other investment plan connection.

27. If applicant is applying for authority to write Variable Annuities, provide the following: **Not Applicable**

a) Copy(ies) of any third party management or service contracts
b) Commission schedules
c) Five-year sales and expense projections
d) A statement from the insurer's actuary describing reserving procedures including the mortality and expense risks which the insurer will bear under the contract
e) Statement of the investment policy of the separate account
f) Copy of the variable annuity prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
g) Copies of the variable annuity laws and regulations of the state of domicile
h) Copy(ies) of the variable annuity contract(s) and application(s)
i) A description of any investment advisory services contemplated relating to Separate Accounts
j) Board of Directors resolution authorizing the creation of the separate account

28. If applicant is applying for authority to write Variable Life Insurance, provide the following: **Not Applicable**

a) Copy(ies) of variable life policy(ies) the company intends to issue
b) Name and experience of person(s) or firm(s) proposed to supply consulting, investments, administrative, custodial or distribution services to the company
c) Disclose whether each investment advisor i) is registered under the Investment Advisers Act of 1940, or ii) is an investment manager under the Employee Retirement Income Security Act of 1974, or iii) whether the insurer will annually file required information and statements concerning each investment advisor as required by its domiciliary state
d) Copy of the variable life prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
e) Statement of the investment policy of any separate account, and the procedures for changing such policy
f) Copies of the variable life insurance laws and regulations of the state of domicile
g) A statement from the insurer's actuary describing reserving procedures including the mortality and expense risks which the insurer will bear under the contract
h) Standards of suitability or conduct regarding sales to policyholders
i) Statement specifying the standards of conduct with respect to the purchase or sale of investments of separate accounts (i.e. Board resolution)
j) Board of Directors resolution authorizing the creation of the separate account

29. If applicant is applying for authority to write Life Insurance, has applicant at any time in any jurisdiction while operating under its present management, or at any time within the last five years irrespective of changes in management, taught or permitted its agents to sell insurance by using any of the following devices, or representations resembling any of the following: **Not Applicable**

A "Centers of influence" and "advisory board,"

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Yes____ No____

B. A charter or founder's policy,
Yes____ No____

C. A profit sharing plan,
Yes____ No____

D. Only a limited number of a certain policies will be sold in any given geographical area;
Yes____ No____

E. "Profits" will accrue or be derived from mortality savings, lapses and surrenders, investment earnings, savings in administration;
Yes____ No____

F. A printed list of several large American or Canadian insurers showing the dollar amounts of "savings", "profits" or "earnings" they have made in such categories.
Yes____ No____

If the answer to any of the above is yes, supply a complete set of all sales material including the sales manual, all company instructional material, brochures, illustrations, diagrams, literature, "canned" sales talks, copies of the policies which are no longer in use, list of states where such methods were used and the date (by year) when they were used, the approximate amount of insurance originally written in each state on each policy form thusly sold, the amount currently in force, and the lapse ratio on each form year by year and cumulatively in gross to the present date.

30. Does the company pay, directly or indirectly, any commission to any officer, director, actuary, medical director or any other physician charged with the duty of examining risks or applications?
Yes_____ No _____ Not Applicable__X__

If yes, provide the details in writing and attach to the Questionnaire.

The following questions are to be completed only if the company is redomesticating to another state.

31. Does the company have any permitted practices allowed by its current state of domicile?
Yes_____ No __X__ Not Applicable____

If yes, provide the details in writing and attach a copy of the state of domicile's approval to the Questionnaire.

32. Does the company's current state of domicile prescribe any practices of the company that are not in accordance with?
a. Laws, regulations or bulletins of proposed state of domicile;
Yes_____ No __X__ Not Applicable____
To the best of my knowledge.

If yes, provide the details in writing and attach to the Questionnaire.

b. Reserving requirements of proposed state of domicile; or
Yes_____ No __X__ Not Applicable____

If yes, provide the details in writing and attach to the Questionnaire.

c. NAIC guidelines
Yes_____ No __X__ Not Applicable____
To the best of my knowledge.

If yes, provide the details in writing and attach to the Questionnaire.

33. Will the company's investments comply with the investment laws, regulations or bulletins of the proposed state of domicile?

Yes __X__ No ____ Not Applicable____

If no, provide the details in writing and attach to the Questionnaire.

34. Does the company have any outstanding surplus notes?
Yes_____ No __X__ Not Applicable____

If yes, provide the details in writing and attach to the Questionnaire and attach copy(ies) of the surplus notes reflecting the state of domicile's approval.

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Form 8

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

QUESTIONNAIRE (FORM 8)

ATTACHMENT 1

Question #6 – Affidavit

AFFIDAVIT

I, Dexter R. Legg, being duly sworn, state the following:

1. I am the Secretary of Safeco Surplus Lines Insurance Company (the "Insurer").

The facts stated herein come directly from my personal knowledge.

2. The Insurer is indirectly owned and controlled by a holding corporation, Liberty Mutual Holding Company Inc. Because Liberty Mutual Holding Company Inc. is a mutual holding company, its members are entitled to vote at meetings of the company. No such member is entitled to cast 10% or more of the votes. Liberty Mutual Holding Company Inc. has issued no voting securities.

July 26, 2011

Dexter R. Legg

COMMONWEALTH OF MASSACHUSETTS)
ss:
COUNTY OF SUFFOLK)

On this 26th day of July, 2011, personally appeared before me the above-named affiant, who is personally known to me, and who, being duly sworn, deposes and says that he executed this affidavit and the statements contained therein are true and correct to the best of his knowledge and belief.

Notary Public
My commission expires: 2/13/2015.

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

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No. 11100
FEIN: 91-1231536

QUESTIONNAIRE (FORM 8)

ATTACHMENT 2

Question #15. F. Sample contract form

Liberty Mutual.

Liberty Mutual Agency Markets

LIBERTY MUTUAL AGENCY MARKETS
AGENCY AGREEMENT

The undersigned Agency and Liberty Mutual Insurance Company for the benefit of its affiliates marketing under, and itself when marketing under, the Liberty Mutual Agency Markets divisions identified in separate addenda attached hereto (each referred to herein as a "Company"), agree as follows:

---

1. Authority of Agency

A. Agency is an independent contractor without exclusive territorial rights and has exclusive control of its time, the conduct of its agency, employees, sub producers, and the selection of companies it will represent.

B. Agency is authorized to solicit and submit applications for the lines of business agreed to between Company and Agency, subject to the terms of this Agreement.

C. Agency is only authorized to act as agent for Company and bind Company pursuant to written authority and guidelines furnished to Agency by Company.

D. Agency will not publish or distribute any Company advertisements, circulars, domain names, icons, logos, passwords, service marks, trademarks, trade names, trade secrets, or other materials referring to Company or containing Company's name without first securing advance written approval from an officer of Company.

E. Agency is not authorized to use a subproducer to produce business unless written authorization is obtained from Company. "Subproducer" means a person or entity that submits business through Agency to Company.

F. Agency has no authority to adjust or settle claims unless such authority is provided by Company in writing.

2. Responsibilities of Agency

A. Agency will transact all business for Company in accordance with all applicable legal and/or regulatory requirements, including, without limitation, those requiring disclosure of the existence or terms of this Agreement or any form of compensation paid or payable hereunder, and in accordance with all Company underwriting rules and instructions now in force or hereafter issued by the Company from time to time.

B. Agency represents that if any affiliates of Agency are intended to be bound by this Agreement, Agency has all requisite authority to execute this Agreement for and on behalf of such affiliates, that such affiliates agree to be bound by the terms of this Agreement, and that Agency accepts responsibility for the acts, errors and omissions of such affiliates in their performance of their obligations pursuant to this Agreement.

C. Agency represents that it, its employees, subproducers, and others acting on Agency's behalf have all necessary and requisite authority to perform the functions delegated pursuant to this Agreement. "Authority" means any requisite written consents, authorizations, licenses, certificates of authority and/or permits. Transactions specified by this Agreement must fall within the scope of activities permitted by the parties' licenses and authority.

D. Agency will immediately notify Company of any suits, claims, or formal complaints received by Agency in which Company is named as a defendant or respondent.

E. Agency will immediately notify Company in the event that any officer, employee, subproducer or representative of Agency has been convicted of any felony involving dishonesty or breach of trust or had their licenses or other

requisite authority suspended or revoked.

F. Agency will comply with any Company requests for assistance in completing background checks or investigations of Agency personnel, including obtaining necessary written authorizations if requested by Company.

G. If using electronic commerce, Agency will read, accept and abide by the terms and conditions and privacy statement set forth in Company's websites and will execute any additional agreements or documents required by Company to facilitate electronic commerce.

H. Agency is responsible for its own acts, errors and omissions and those of its directors, officers, employees, subcontractors, subproducers, and others acting on Agency's behalf.

I. Agency will maintain, at all times during the term of this Agreement and during any applicable post-termination period, errors and omissions insurance with reasonable policy limits, but in no event shall such limits be less than $1,000,000 (both per occurrence and in the aggregate), for insurance agencies of the size and type of Agency, with an insurer rated "A minus" or better by A.M. Best Company. Upon Company's request, Agency will provide a copy of the current certificate of insurance evidencing the maintenance of such errors and omissions coverage to Company.

3. Ownership of Expirations

A. Except as provided in Section 3.B below, the use and control of expirations, the records thereof, and Agency's work product, will remain in the undisputed possession and exclusive ownership, use and control of Agency. Company will not use its records of those expirations or Agency's work product in any marketing method for the sale, service or renewal of any form of insurance coverage or other product or service which abridges Agency's rights of ownership, use and control, nor will Company refer or communicate this expiration information or work product to any other agency or producer.

B. Other than as provided herein, in the event of termination of this Agreement, the records of Agency and the use and control of all renewals and/or expirations of all policies remain the exclusive property of Agency. For the purposes of this Agreement, "policies" shall mean any insurance policy, as well as any surety bond, guarantee, undertaking, recognizance, or other surety obligation that Agency may arrange for Company to issue or procure. However, if (1) Agency has not paid all money due Company; or (2) Agency has not paid all money due to any policyholder or premium finance company to whom Company may be liable as the result of such nonpayment; or (3) if Company terminates this Agreement pursuant to Section 10.A.4 hereof; or (4) if Agency has not moved an account after expiration of any mandatory renewal cycle, all of Agency's rights with respect to that account with Company, including policy expirations and renewals, terminate immediately, at the option of Company. Notwithstanding that renewal of some of said policies may be legally mandated, in the event of termination of Agency's rights to the expirations under (1), (2), (3), or (4), above, Agency's records with respect to all policies written and the use and control of all renewals and/or expirations of such policies and all electronically stored data with respect to same, become the undisputed property of Company and Agency will, immediately upon receipt of written request therefore, deliver all such records, renewals and/or expirations and data to Company and will not in any way interfere with, compete with or otherwise hinder Company in the exercise of any of its rights in the use and control of such records, renewals and/or expirations and data.

C. In the exercise of its right to collect any indebtedness due from Agency through use and control of such expirations, Company will use reasonable business judgment in selling such expirations and is accountable to Agency for any sums received which, net of expenses, exceed the amount of indebtedness. Agency remains liable for the excess of the indebtedness over the sums received by Company from any such sale. Any indebtedness due from Agency does not prevent application of the ownership of expirations clause in favor of Agency if Agency furnishes collateral security acceptable to Company in the amount of such indebtedness to be held by Company until the indebtedness is satisfied.

D. Nothing in this Agreement interferes with Company's obligation to renew policies containing contractual renewal guarantees or which must be renewed pursuant to law, regulation or by order of government authority.

4. Commissions

A. Company will pay commissions to Agency in accordance with the rates and conditions set forth in Company's then-applicable Commission Schedule(s) when Agency is agent-of-record in accordance with the Company's guidelines.

B. Commission rates may be revised by Company at any time upon 90 days advance written notice to Agency.

C. Uncollectible premiums and any premiums paid as a result of collection efforts instituted by the Company are not subject to commission.

D. Agency will refund the unearned commission on canceled insurance and on reductions in premiums, including audit premiums, at the same rate at which commissions were originally allowed to Agency.

E. Company may at any time apply any compensation it may owe Agency as an offset against any amounts due and owing to Company from Agency.

F. Assignment of commission is not binding upon Company without its prior written consent.

G. For business placed by Agency under this Agreement, commissions are Agency's sole and full compensation and Agency will not charge insureds any additional amounts for Company's policies or coverages. Agency may charge insureds fees otherwise permitted by law for additional services requested by insureds, provided these fees and services are disclosed as required by applicable law.

5. Direct-Billed Business

On business placed by Agency with Company as direct-billed, the following provisions apply:

A. Except where otherwise agreed by Company, if Agency collects initial premium, Agency will remit such premium, without reduction for commissions, within the time period set forth in the established Company procedure furnished to Agency by Company. All funds collected by Agency on behalf of Company will be held by Agency in a fiduciary capacity until remitted to Company.

B. Agency is not responsible to Company for bad checks written by insureds for the initial premium obligation when accepted in good faith by Agency.

C. Company may, at its sole discretion, assume responsibility for billing and collecting the initial premium when existing business of Agency is transferred to a direct-bill program of Company.

D. Company will bill all renewal or adjustment premiums direct to the insured, or to a designated lending institution or service agency holding premiums in escrow or reserve. These premiums are payable to Company in gross.

E. Commissions on direct-billed premiums will be paid to Agency within 15 days after the end of the month in which the premiums are booked and recorded by Company, provided that any required deposit premium on new and renewal business has been actually received by Company, with the exception of audit premiums. Commissions on audit premiums will be paid upon Company's collection of the audit premium. No commissions will be paid on direct-billed premiums which remain unpaid 45 days after due date. Any business billed direct to the insured by Company and for which Agency, its directors, officers, employees, subcontractors, subproducers, or others acting on Agency's behalf receive the premium payment will be promptly paid in gross to Company and properly identified as to policy without deduction for commissions.

F. Company will identify Agency by name when transmitting policies, endorsements, premium notices and other communications to policyholders. Where practical, Company will promptly provide Agency with advance or

contemporaneous notification of all communications with a policyholder, except where Company has exercised its rights under Section 3.B. of this Agreement.

Agency-Billed Business

A. Agency will promptly collect premium on all business not billed to insureds directly by Company and will remit balances net of commission to Company in accordance with the applicable Commission Schedule(s). It is expressly understood that all premiums received by Agency will be held in trust by Agency as fiduciary for the benefit of Company, that these premiums are the property of Company, that Agency has no interest in premiums received, and that Agency will make no deductions or expenditures from these monies before paying Company (except for agreed upon commissions, which may be deducted and retained by Agency). Such funds will be maintained in a specially segregated premium account, which shall be designated a "trust fund" account where required by applicable law. Upon request of Company, Agency will promptly furnish to Company the account number and the name of the financial institution where such funds are held.

B. Agency assumes full responsibility for payment to Company of all earned premiums, less agreed upon commissions, on all business placed with Company through Agency, whether or not such premiums are collected from the policyholder. Failure of Company to bill Agency for any item will not relieve Agency of responsibility to pay the amount due.

C. Agency will exercise due diligence to collect earned premiums that have been determined by audits, adjustments for retrospectively rated policies, and interim audit reports. Agency will be relieved of responsibility for these premiums provided Agency has exercised due diligence and has notified Company in writing within 45 days from audit declaration or date of billing, whichever is later, that the premiums could not be collected. Such written notification shall set forth the efforts Agency has taken to collect the subject premium. "Due diligence" may be demonstrated by Agency's communicating in writing at least twice to the policyholder demanding payment. Agency must provide copies of such correspondence together with the written notification. If Agency fails to notify Company, Agency will be responsible to pay the premium. No commissions will be allowed on premiums collected directly by Company under this provision.

D. Agency and Company will comply with the following accounting procedures on business, other than direct-billed business, placed by Agency with Company:

1. Itemized statements of money due will be prepared monthly by Company.

2. The balance shown on the statement due Company will be payable no later than 45 days after the end of the account month for which the statement was prepared.

E. In addition to any other action permitted under this Agreement or by applicable law, Company reserves the right, at its option, to direct-bill all unpaid policies and renewals if Agency fails to pay Company as required herein.

7. Indemnification

A. Company shall indemnify, protect, and hold Agency harmless from and against any and all civil, administrative and all other non-criminal liability, claims, losses, damages, costs, and expenses, including court costs and reasonable attorneys' fees, arising out of or incurred by reason of any error or omission on the part of Company, its directors, officers, agents (other than Agency), or employees in placing business pursuant to or carrying out the terms and conditions of this Agreement, except to the extent such error or omission was caused or contributed to by Agency.

B. Agency shall indemnify, protect, and hold Company harmless from and against any and all civil, administrative and all other non-criminal liability, claims, losses, damages, costs, and expenses, including court costs and reasonable attorneys' fees, arising out of or incurred by reason of any error or omission on the part of Agency, its directors,

officers, agents, employees, affiliates or subproducers in placing business pursuant to or carrying out the terms and conditions of this Agreement, except to the extent such error or omission was caused or contributed to by Company.

Suspension of Authority

In the event of premium or accounting delinquency, or any other material violation by Agency of the provisions of this Agreement, or for Company-determined underwriting reasons, Company may notify Agency that, effective immediately, all authority of Agency to bind or write any new business is suspended. Notice will be in writing if at all practicable and will state the reasons. However, in all other respects, Agency's and Company's rights and obligations under this Agreement will remain in full force and effect.

9. Agency Change of Ownership

Agency will give notice to Company of any sale, transfer, merger, consolidation or change of control or majority ownership of Agency's business, stock or assets as soon as practicable in advance of the effective date of the transaction.

10. Termination of Agreement

A. Except as may otherwise be required by law or regulation, this Agreement will terminate:

1. Automatically if any public authority suspends, cancels or declines to renew Agency's license or certificate of authority.

2. Automatically as of the effective date of the sale, transfer, merger, consolidation or change of control or majority ownership of Agency's business, stock or assets, unless Agency and Company execute a Change of Ownership Amendment or enter into a new Agency Agreement.

3. Upon either party giving at least 90 days advance written notice to the other; provided, however, that such termination, at Company's option, may be limited to one or more underwriting companies or lines of business.

4. Immediately upon either party giving written notice to the other in the event of material breach of this Agreement, abandonment, fraud, insolvency, nonpayment of accounts, or gross and willful misconduct on the part of such other party.

5. At Company's option, immediately upon written notice in the event of three late payments of account in any consecutive six-month period.

B. Company may, in its sole discretion, rehabilitate Agency in an effort to assist Agency in avoiding termination.

C. Upon notice of termination, Agency will not, without the prior written approval of Company, bind any new risk or increase or extend Company's liability, or alter the terms of any such policy.

D. Upon notice of termination, Company reserves the right to direct-bill all accounts.

11. After Termination

Except as may otherwise be required by law or regulation, after termination:

A. Agency will continue to be the duly authorized representative of Company with respect only to the limited purpose of servicing policies continued in force or renewed after the termination of this Agreement, subject to all of the applicable provisions of this Agreement.

B. Company will continue unexpired policies in force until expiration, subject to earlier termination in accordance with the policies' terms and conditions.

C. Agency will not be entitled to commissions on policies that must be renewed after termination, except as may be required by law and then only for as long as required by law.

D. Paragraphs 1.D., 1.F., 2.B-2.D., 2.H., 2.I., 3, 7, 10.C., 10.D., 11-15, and 16.A.–16.F shall survive termination of this Agreement.

12. Arbitration

A. If any dispute or disagreement arises in connection with the interpretation of this Agreement, its performance or nonperformance, its termination, the figures and calculations used or any nonpayment of accounts, the parties will make efforts to meet and settle their dispute in good faith informally. If the parties cannot agree on a written settlement to the dispute within 30 days after it arises, or within a longer period agreed upon by the parties in writing, then the matter in controversy, upon request of either party, will be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA) and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction; provided, however, that this provision will not apply to claims for equitable relief or, at Company's election, Company claims for unpaid premiums. The body of law that AAA employs will include insurance law and arbitrators will have particular knowledge and experience with independent insurance agency/company issues. Depositions can be taken at the request of either party prior to the arbitration hearing.

B. The parties will agree to submit the dispute to one arbitrator chosen impartially by the AAA. If the amount in controversy exceeds $50,000.00, then either party has the right to have the matter decided by a panel of three arbitrators. One arbitrator shall be named in writing by each party within twenty (20) days after a demand for arbitration is made by one of the parties. The parties' chosen arbitrators will then choose a third arbitrator within forty-five (45) days after the date the last arbitrator is named. If the arbitrators are unable to agree upon a third arbitrator, then the third arbitrator will be chosen impartially by the AAA.

C. The determination of the arbitrator(s) is final and binding on all parties, provided such determination is made in writing and signed by the arbitrator(s). Where arbitration results in an award, such award will include interest in the amount of 10% per annum running from the date when the amount that is the subject of the award first became due.

D. The costs of the arbitration will be borne equally by the parties. Each party is responsible for its own attorney's fees and all other of its costs of arbitration.

13. Amendments

A. This Agreement may be amended in writing:

1. Any time upon mutual written agreement of Agency and Company; or

2. By Company providing Agency 90 days written notice; or

3. As required by law.

Any modifications or interlineations to the form of this Agreement by Agency will be void and of no effect, regardless of when Company executes this Agreement.

B. Notwithstanding the above, Company retains the right, upon written notice to Agency, to modify unilaterally in any manner any of Company's underwriting rules, rates or guidelines, to change Agency's binding authority, to change

Company's billing manual, to change Company's Websites' terms and conditions, to change privacy policies, or to revise any of its administrative procedures governing Company's business relationship with Agency.

Confidentiality & Privacy

A. Each party is providing to the other, in furtherance of this Agreement, information that is confidential and proprietary to the disclosing party. "Confidential and Proprietary Information" as used herein shall include, but not be limited to, description of services, methods and procedures, rates, forms and fees, information relating to productivity and performance quality, financial information, and other information designated as "Confidential and Proprietary Information" by the disclosing party, provided that Confidential and Proprietary Information shall not include information that: (a) is already in the possession of the receiving party, (b) becomes generally available to the public other than as a result of any disclosure by the receiving party, (c) becomes available to the receiving party on a non-confidential basis from a source not known to the receiving party to be bound by a confidentiality agreement or other obligation of secrecy, or (d) developed by the receiving party independently and without benefit of information disclosed hereunder by the disclosing party.

B. Each party will use such Confidential and Proprietary Information of the other which it comes to possess only for purposes in furtherance of the Agreement, and neither party will disclose such Confidential or Proprietary Information of the other to any party for any other purpose, whether during the term of this Agreement or after its expiration or termination.

C. After expiration or termination of this Agreement, each party shall return to the other or destroy, at the other party's written request, all Confidential and Proprietary Information of the other.

D. Except for the purposes of carrying out this Agreement, Agency shall not disclose or use any non-public personally identifiable customer or claimant information provided by Company to Agency ("Customer/Claimant Information"). "Non-public personally identifiable information" is personal financial or medical information of or concerning a private person which either has been obtained from sources that are not available to the general public or that is obtained from the person who is the subject of the information and whose information is included in data files exchanged by the parties hereto. Agency shall promptly adopt and implement necessary security procedures to protect from improper disclosure or use of Customer/Claimant Information, such procedures to be in compliance with all applicable federal and state regulatory requirements.

E. If Agency discloses any Customer/Claimant Information to Company, (i) Company shall not redisclose such Customer/Claimant Information except as authorized, required, or permitted by law, and (ii) Company shall use the Customer/Claimant Information only for the purpose of this Agreement and to determine eligibility for insurance, administer or service policies, and/or evaluating and processing claims related to the Customer/Claimant's case.

F. Agency and Company will promptly adopt and implement security procedures to protect from improper disclosure or use all Customer/Claimant Information and each other's Confidential and Proprietary Information and these procedures will also be in accordance with applicable law. Agency shall notify Company without unreasonable delay, unless an applicable law enforcement agency has directed Agency to delay notification as provided by applicable law, of any breach of security, intrusion, or any unauthorized access, acquisition, disclosure, or use of Customer/Claimant Information (collectively "Breach"). Agency shall take prompt corrective action to cure or mitigate any such Breach and shall take all actions pertaining to any such Breach required by applicable federal and state laws and regulations.

15. Records

A. Agency agrees to maintain in a safe and secure manner a complete and accurate record of all transactions pertaining to each policy processed pursuant to this Agreement, through electronic commerce or otherwise, for a minimum of 5 years, or as may be otherwise required by law, from the date of expiration or other effective termination date of any individual policy. Such records will include all relevant applicant information as specified by the applicable Company underwriting guidelines, manuals, or state regulatory requirements, including but not limited to those forms or

documents requiring the policyholder's signature. Such records, including originals, will be forwarded to Company upon its request. During the term of this Agreement and for two years thereafter, any authorized representative of Company may, upon reasonable advance notice to Agency, during normal business hours, examine the facilities, equipment, data, books, accounts, records (including computerized records), or any other memoranda or data in Agency's possession which pertain to this Agreement.

B. In lieu of retaining and transmitting hard copies of Agency's records, Agency may retain computerized records of all such information as set forth in Company's manuals. If Agency chooses to retain such information electronically rather than in hard copies, Agency will ensure that it backs up all such electronic files on a regular basis, or as may be otherwise required by state law or by Company. In addition, Agency will ensure that it designates an individual within its office(s) to be the custodian of all such electronically retained records and will further ensure that such custodian is in a position to verify the chain of custody with respect to all such records.

C. Notwithstanding the above and where required by state law or regulation, Agency will retain or forward, as Company directs, the original of any application or required coverage selection forms, including, but not limited to, uninsured coverage and driver exclusion forms.

D. Agency agrees to provide to Company, upon Company's request, copies of any records in Agency's possession pertaining to business related to Company. Additionally, in order to comply with various statutory and regulatory obligations, as well as its own audit purposes, Company will have access to all Agency's retained computerized records pertaining to Company's book of business during Agency's regular business hours or at such other reasonable times as may be determined between the parties.

E. Agency will provide to Company information necessary to process any transaction binding upon Company within 10 working days after the transaction occurs, including mail time, as well as such other information at such times as may be required by Company in its written guidelines. For purposes of this Agreement, the transaction occurs on the date Agency acted or should have acted on behalf of Company.

F. Records or property belonging to Company (including, but not limited to, marketing materials, product brochures, powers of attorney and corporate seals), including reproductions, will be returned to Company by Agency upon request.

G. Upon request, Company agrees to furnish Agency a list of existing policies placed by Agency with Company.

16. Miscellaneous Provisions

A. This Agreement and any addenda hereto constitute the entire agreement between Company and Agency relating to the subject matter hereof and replaces, from and after the effective date, all previous agreements, including any amendments thereto, whether written or oral, and will remain in force and effect until suspended or terminated as provided herein.

B. Company's obligations under this Agreement extend only to the Agency named in this Agreement and not to its employees, sub producers, or anyone else. Agency may not incur any debt or liability, bind or execute contracts, except policies in accordance with the terms of this Agreement, waive defaults of policyholders, extend the time or method of payment of premium or service fees by policyholders, alter, modify, waive, or change any of the provisions or conditions of our policies, rates, rating rules or rating plan, withhold money or property of our (other than in accordance with the terms of this Agreement), or assign this Agreement or its rights and obligations herein without prior written approval from a duly authorized representative of Company.

C. No past practice, custom or usage, or failure of Agency or Company to declare promptly a default for breach of any of the terms and conditions of this Agreement will constitute or be construed as a waiver of said terms and conditions or estop Agency or Company from thereafter demanding full and complete compliance with the Agreement.

D. If any provision of this Agreement is held to be invalid or unenforceable under the laws or regulations of any jurisdiction that may govern this Agreement, such provision shall be deemed amended to the minimum extent necessary to effect compliance with such law or regulation and to reflect the intent of the parties.

E. Section headings are for reference only and will not be used to construe the terms of this Agreement.

F. Any commercially reasonable means of transmission to Agency to an address below will be sufficient proof of service of a notice required under this Agreement. Agency consents to communication via the media referenced below. Notice to Company may be provided in accordance with the provisions of the Company-specific addendum attached hereto.

The persons signing below warrant that they are authorized to execute this Agreement.

This Agreement is effective: _____.

LIBERTY MUTUAL INSURANCE COMPANY
for the benefit of its affiliates marketing under, and itself when marketing under, the Liberty Mutual Agency Markets divisions identified in the separate addenda attached hereto

Joseph A. Gilles

_____

Joseph A. Gilles
Executive Vice President

Dated:

AGENCY NUMBER

_____

Agency Name

By _____

Its _____

Title

Dated: _____
Address:
Telephone:
Fax:
E-mail:
Agency Code:

Applicant Name: Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

QUESTIONNAIRE (FORM 8)

ATTACHMENT 3

Question #21

The following Services Agreements are currently in effect between Safeco Surplus Lines Insurance Company ("SSLIC") and its affiliates:

Management Services Agreement between SSLIC and Peerless Insurance Company ("PIC") went into effect on January 1, 2011. The agreement was filed with the Department on May 10, 2010 and approved by the Department on June 22, 2010.

Cash Management Agreement SSLIC became a party to a cash management agreement under which Liberty Mutual Investment Advisors LLC makes, holds and administers certain short-term investments maturing in 365 days or less of purchase on behalf of SSLIC, effective January 1, 2010.

Federal Tax Sharing Agreement SSLIC's Federal income tax return is consolidated with other companies within the insurance holding company's control. A list of companies is disclosed in Note 9.F of the Annual Statement.

Investment Management Agreement SSLIC entered into an investment management agreement with Liberty Mutual Group Asset Management Inc. effective July 1, 2011.

The above agreements and amendments are hereby attached.

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is made and entered into this 1st day of January 2011, by and between Peerless Insurance Company ("PIC"), a New Hampshire stock insurance company and Safeco Surplus Lines Insurance Company ("SSLIC"), a Washington company.

I. Performance of Services. PIC agrees, to the extent requested by SSLIC, to perform such services (collectively, "services") for SSLIC as SSLIC determines to be reasonably necessary or desirable in the conduct of its operations; provided, however, that PIC may, in its sole discretion, decline to provide any of the services contemplated in this Agreement if providing the requested services would interfere with PIC's ability to meet its obligations to its policyholders or would otherwise adversely affect PIC. All services provided under this Agreement shall comply with all applicable state laws and regulations governing SSLIC, including all laws and regulations relating to review of SSLIC's books and records. As may be necessary for the performance of PIC's services under this Agreement, PIC shall have the authority to negotiate or conclude contracts on behalf of SSLIC or bind SSLIC to any such contracts.

The listing of the following services to be performed under this Agreement is not intended to limit the performance of other services that may be provided by PIC to or on behalf of SSLIC, as may be agreed to by the parties from time to time:

A. Insurance. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration.

B. Accounting, actuarial, risk management, financial, tax and auditing. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide SSLIC with such financial and accounting services as may be desirable, including but not limited to:

1. Preparation and maintenance of annual and quarterly financial statements and other reports providing information required by the state of domicile and other states in which SSLIC is transacting business, the maintenance of necessary and proper records and books of account with respect to the business of SSLIC, and the maintenance and compilation of all data required for the preparation of tax returns.

2. Assistance to SSLIC in connection with the examination or audit of the books, records, affairs and activities of SSLIC by governmental, insurance or taxing authorities having regulatory or taxing authority with respect to the operations of SSLIC, or by any firm of certified public accounts appointed by SSLIC to audit its books, records and accounts.

3. Assistance to SSLIC with treasury and accounts payable functions as may be determined between the parties, including but not limited to payment of taxes on premiums, fees for licensing, advertising, losses, claims and any other expenses incurred in the conduct of the insurance business. SSLIC shall certify to PIC the names and specimen signatures of

all officers or employees of SSLIC who are authorized to sign instructions on its behalf. PIC shall have the right to require that all instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.

Nothing in this Agreement shall be construed to alter the fact that SSLIC's books records and accounts are owned by SSLIC; and SSLIC shall have the right to inspect, or authorize others to inspect, its books, records and accounts.

C. Purchasing, payroll, human resources and employee benefits. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide SSLIC with such services involving purchasing (including but not limited to access to group purchasing contracts and fleet management services), payroll processing, human resources, and employee relations and/or benefits as may be permissible and desirable.

D. Marketing and Strategic Support. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide marketing and advertising services, communications services, coordinate the development of corporate plans and provide consulting and other services as may permissible and desirable.

E. Information Technology and Support. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide the technology infrastructure, information technology systems, software, data center management, business continuity planning, network management services, monitoring, management/oversight, and software support services to SSLIC and shall provide trouble-shooting functions on behalf of SSLIC.

F. Policy Administration and Production. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC may perform all policy production, print and mail activities on SSLIC's behalf for all the states in which SSLIC currently operates and in which it may operate in the future.

G. Real Estate Management. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC may handle all matters and issues relating to SSLIC's real estate purchases, sales, licenses, leases and lease-backs.

H. Legal and Compliance. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC may provide legal and compliance services, including but not limited to corporate secretarial, litigation management services, complex and emerging risks services, to or on behalf of SSLIC.

I. General Administration. Providing all personnel, facilities, equipment (including fleet vehicles and furniture), data processing programs, materials and supplies necessary or desirable for the performance of the services contemplated in this Agreement.

J. Miscellaneous. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC may perform such other services on behalf of SSLIC as are reasonable and consistent with the efficient operation of companies within an insurance

holding company system and offered by PIC or its affiliates to other members within its system.

K. Reinsurance. Reinsurance services, including but not limited to (i) agreement to reinsurance policy and/or contract wordings and endorsements to existing policies; (ii) processing of reinsurance policy cancellations, nonrenewals and endorsements and other amendatory addenda; (iii) collection of premiums due under reinsurance policies or contracts, audits and remittances; (iv) negotiation and purchase of reinsurance coverage; (v) administration of letters of credit and other arrangements for the provision of security; and (vi) administration of reinsurance contracts.

L. Maintenance and Property Rights of Records. PIC shall maintain accurate and complete records as related to this Agreement. Each of the Parties shall retain the rights to access such records upon request.

II. Charges. SSLIC shall reimburse PIC for the reasonable cost of performing any of the services provided pursuant to this Agreement. Charges for such services shall include direct expenses and directly allocable expenses allocated to SSLIC by PIC in conformity with customary insurance accounting practices consistently applied. The method of expense allocations under this Agreement shall be consistent with the principles stated in the Statement of Statutory Accounting Principles No. 70, "Allocation of Expenses."

III. Accounts and Disbursements. Amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

IV. Confidentiality. PIC and SSLIC are prohibited from disclosing or communicating to any other person, not a party to this Agreement, any confidential or proprietary information or trade secrets relating to the parties' respective business or relating to any affiliate or agency of any party to this agreement, including business methods and techniques, research data, marketing and sales information, customer lists, know-how and any other information concerning the business operations of any party of this Agreement, or any such party's affiliates and subsidiaries, unless the disclosure of communication of such information has been consented to in writing by the party whose confidential and propriety information or trade secrets is to be released. Confidential and proprietary information shall not include (a) information generally known to the public, (b) information known to PIC or SSLIC to be non-confidential from other, third party, sources prior to the execution of this Agreement, and (c) information required to be disclosed by law or a state or federal governmental agency having authority over the business of PIC or SSLIC, but only for the limited purpose of such disclosure.

V. Standards for Performance of Delegated Administrative and Management Functions.

A. At all times during the term of this Agreement, PIC shall perform all delegated administrative and management functions at a level that is at least equal to its standards for performing such functions on behalf of its own insurance operations. In addition, all delegated administrative and management functions shall be performed in accordance with,

and subject to, at all times, the relevant and applicable state (or federal) insurance laws and regulations to which SSLIC's insurance operations are, or may be, subject.

B. In the event that PIC receives a notice from any governmental agency, board, bureau, commission or public authority of any type, of any alleged violation of any state or federal insurance law, such notice shall immediately be forwarded to SSLIC. PIC shall cooperate in responding to any such governmental notice as such notice relates to its rendering of services under this Agreement.

VI. Term and Termination.

A. Term. This Agreement shall be effective as of the 1st day of January 2011 and shall continue in full force and effect until terminated by mutual agreement of the parties or otherwise in accordance with subsection B, below. In the event that this Agreement is required to be approved by any state Department of Insurance, any request for such approval shall seek an effective date that mirrors the date expressed above.

B. Termination.

1. Termination without Cause. This Agreement may be terminated, in whole or in relevant parts, as appropriate, by SSLIC or PIC, without case, upon ninety (90) days prior written notice. The terminating party shall provide the applicable state Department(s) of Insurance with written notification of any whole or partial termination of this Agreement, as may be appropriate, in accordance with state law requirements.

2. Termination with Cause. This Agreement may be terminated immediately, in relevant parts, as appropriate, by SSLIC or PIC, for the following reasons:

(a) Material failure by PIC to perform the services delegated in accordance with the standards set forth in this Agreement; provided, however, that upon notification by SSLIC that the services so delegated are not being performed in an appropriate or satisfactory manner, PIC shall have thirty (30) days in which to cure the deficiency. In the event the deficiency is not cured to the satisfaction of SSLIC, SSLIC may immediately terminate this Agreement.

(b) nonpayment of costs by a delegating party to the party performing the services so delegated.

(c) The suspension, revocation or other restriction on the insurance license of either SSLIC or PIC.

(d) The insolvency, voluntary or involuntary bankruptcy, reorganization or liquidation of either SSLIC or PIC.

(e) In the event of (i) the acquisition of SSLIC by a third party from PIC; or (ii) any other change in control with causes PIC to no longer maintain a majority on the Board of Directors of SSLIC, then this

Agreement shall terminate with respect to SSLIC as of the effective date of the change of control.

C. Effect of Termination. In the event that this Agreement is terminated, with, or without, cause, in whole or in part, as appropriate, the relevant services shall continue to be provided by PIC until alternate arrangements reasonably can be made by SSLIC (the "Transition Services"); provided, however, that the Transition Services shall not be required to be provided for a period of time extending beyond ninety (90) days from the effective date of termination, unless otherwise agreed to by parties. In the event that this Agreement is terminated, in whole or in part, as appropriate, for any reason other than those relating to change of control as described in Section VI.B.2(e), above, all such Transition Services shall continue to be compensated for on a cost basis. In the event that this Agreement is terminated for reasons specified in Section VI.B.2(e), above, all such Transition Services shall be compensated for at the then-prevailing market rate for the provision of such services.

VII. Indemnification.

A. PIC Indemnification of SSLIC. PIC shall indemnify, defend and hold harmless SSLIC from and against any expenses, damages, liability, actions, costs or other claims, including but not limited to reasonable attorney's fees and associated costs, incurred by SSLIC either (i) as a result of the failure of PIC or any subcontractor appointed by PIC to comply with any law or administrative regulation, only if such failure is the result of willful neglect or negligence, or (ii) as a result of, or in connection with, PIC's breach of any duty or obligation hereunder or the breach of any duty or obligation of any subcontractor appointed by PIC if such breach is the result of willful neglect or negligence. SSLIC may set off against any amount due PIC any amount due to SSLIC, pursuant to this or any other agreement to which the parties to this indemnification are also parties.

B. SSLIC's Indemnification of PIC. SSLIC shall indemnify PIC and hold PIC harmless from all actions, liabilities, costs and expenses arising out of or in any way related to PIC's services under this Agreement, unless directly related to PIC's willful neglect or negligence.

VIII. No Waiver. The parties hereto agree that no indulgence or acceptance of any delinquent or partial payment or ratification after the fact of any violation or breach of any provision of this Agreement by any party hereto shall be construed as a waiver of any party's rights hereunder.

IX. Notices. Any notice required to be given pursuant to any provision of this Agreement shall be in writing and shall be sent to the parties at their respective last known address by first class mail, postage prepaid, by overnight delivery service, or by confirmed facsimile transmission.

X. Severability. If any provision of this Agreement is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if that provision had not been included.

XI. Amendment. This Agreement may only be amended upon the written agreement of both parties hereto.

XII. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

XIII. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire (without application of the conflict of laws principles thereof).

XIV. Successors and Assigns. No assignment of this Agreement, including by operation of Law, may be made by any party to this Agreement without the prior written consent of the other party hereto. Notwithstanding the foregoing, the PIC has full discretion to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize any of its affiliates to provide services under this Agreement, provided that PIC will be fully accountable for any acts or omissions of an affiliate pursuant to such arrangement, as if such acts or omissions were its own.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement under seal as of the day and year first above written.

Peerless Insurance Company

By: Michael J. Fallon
Its: Chief Financial Officer and Treasurer

Safeco Surplus Lines Insurance Company

By: Michael J. Fallon
Its: Chief Financial Officer and Treasurer

CASH MANAGEMENT AGREEMENT

Dated as of January 1, 2010

This Amended and Restated Cash Management Agreement, is effective as of the date first written above, by and between Safeco Surplus Lines Insurance Company (the "Principal"), and Liberty Mutual Investment Advisors LLC (the "Manager") and supersedes the prior agreement between the parties dated September 22nd, 2008.

Background

The Manager, a Massachusetts limited liability company, is an indirect subsidiary of Liberty Mutual Holding Company Inc. (the "Ultimate Parent Company") and was formed for the purpose of making, holding and administering short-term investments maturing in 365 days or less of purchase ("Short-Term Obligations").

The purpose of this Agreement is to provide for the terms and conditions under which the Manager will make, hold and administer certain investments in Short-Term Obligations for and on behalf of the Principal for and on behalf of the Principal and other Participants (as hereinafter defined) in accordance with applicable investment restrictions and the Washington Insurance Code.

Statement of Agreement

i consideration of their mutual promises, the Principal and the Manager hereby agree as llows.

1. Investment Account. The Manager shall maintain an investment account or accounts in the Manager's name (the "Account") on behalf of the Principal, any other participating insurer affiliated with the Principal and/or the Ultimate Parent Company, an insurance subsidiary or affiliate of the Principal and/or the Ultimate Parent Company or a pension plan or profit-sharing plan of the Principal, its insurance subsidiaries or affiliates, (collectively, the "Participants"), and shall hold therein all debt obligations, accounts or deposits permitted by the Washington Insurance Code as more fully described on Exhibit A, as may be amended from time to time, and attached hereto and incorporated herein (collectively, "Investments"), deposited in or purchased or otherwise acquired for and on behalf of the Principal and the Participants from time to time pursuant to the terms and conditions of this Agreement. All Investments in the Account shall be Short-Term Obligations.

2. Ownership of Investments. All Investments held or acquired for the Account whether or not commingled, intermingled or jointly acquired for the Principal and one or more Participants, shall for all purposes continue to be the property of the Principal and the Participants. The Principal shall have an undivided interest in such Investments with the Participants. Proportionate Share shall mean the Principal's share of the Investments in the Account determined on any day by dividing the value of Principal's contribution to the Account by the current value on such day of the Investments in the Account ("Proportionate Share"). The Principal's ownership interest in the Investments and the Account shall be evidenced by book-entries maintained by the Manager. The underlying assets of the Account are held solely for the benefit of each Principal.

Authority of Manager. The Principal hereby authorizes the Manager, upon the terms and subject to the conditions of this Agreement, to engage in any of the following activities:

a) To sell, purchase, transfer or otherwise acquire or dispose of, whether through brokerage transactions or otherwise, investments for the Account;

b) To collect and credit to the Account all dividends, interest and other income on the Investments;

c) To collect and credit to the Account all proceeds from the sale, redemption or other disposition of the Investments;

d) To reinvest any dividends or interest earned by the Principal in additional shares of the Investments on behalf of the Principal;

e) To hold in the Account all funds deposited with the Manager and Investments purchased with such funds on behalf of Principal and the Participants. The Account shall be established with a "qualified bank" as defined below:

(i) A national bank, state bank or trust company that at all times is no less than adequately capitalized as determined by standards adopted by United States banking regulators and that either is regulated by state banking laws or is a member of the Federal Reserve System; or

(ii) A bank or trust company incorporated or organized under the laws of a country other than the United States that is regulated as a bank or trust company by that country's government or an agency thereof and that at all times is no less than adequately capitalized as determined by the standards adopted by international banking authorities; and

f) To arrange for the automatic investment of any and all cash in the Account in Short-Term Obligations.

4. Duties of the Manager. Upon the terms and subject to the conditions of this Agreement, the Manager shall perform the following duties:

a) Notify the Principal in writing, promptly upon the opening of the Account, of the name and address of the qualified bank at which the Account is established, and the manner in which the funds are maintained;

b) At all times hold all funds and other Investments in the Account;

c) Furnish or ensure that the qualified bank furnishes to the Principal statements of investment income earned of and for the Account during each fiscal quarter, the amount of the Principal's Proportionate Share at the end of such period, the

amount of each Investment at the end of such period, and each transaction effected for the Account during such period; and

d) Keep, compile, maintain and provide for inspection detailed accounting records of cash receipts and disbursements that reflects the Proportionate Share of the Principal and the Participants in the Investments, a complete and accurate description of each Investment of the Principal in the Account including the amount, interest rate, and maturity date, if any, of each of the Investments and other records that on a daily basis allow third parties to verify each participant's Investments in the Account.

5. Standard of Care. In performing its duties under this Agreement, the Manager will act in the interests of the Principal and the Participants except as otherwise provided herein. The Manager will not deal with the assets in the Account in its own interest or for its own account and, in particular, will not, without prior written consent of the Principal, as principal, sell assets to, purchase assets from, or borrow money or other property from the Account. In addition, the Manager, without prior written consent from the Principal, will not, acting as broker for another person, effect any sale or purchase of any security for the Account. The Manager shall not be liable to the Principal for any acts or omissions by the Manager, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting negligence, willful misconduct or fraud on the part of the Manager, including its employees. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 5 shall not be construed to provide for the exculpation of the Manager or any affiliate from any liability to the extent that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 5 to the fullest extent permitted by law.

6. Withdrawals.

a) Principal may withdraw all or any portion of its Proportionate Share from the Account on demand, without penalty or other assessment on any business day and settlement of funds must occur within a reasonable and customary period after a withdrawal, not to exceed ten (10) business days.

b) Upon termination of this Agreement as provided in Section 16 hereof, the Manager shall withdraw from the Account, Principal's Proportionate Share of all Investments held in the Account minus the Principal's Proportionate Share of all management fees and Account Expenses (as defined in Section 14) and deliver and pay over the same to the Principal without penalty or assessment on any business day.

c) At the Discretion of the Manager, Principal's Proportionate Share shall be distributed as follows:

(i) In cash, earnings on the Principal's Proportionate Share will be credited daily and paid on the second business day of the following month;

(ii) In kind, the Principal's Proportionate Share of the Investments in the

Account;

(iii) In a combination of cash and in-kind distributions of the Principal's Proportionate Share of the Investments in the Account.

7. Authority to Commingle Investments. The Principal understands and agrees that the Manager may from time to time act as agent: for the Parent Company, as a Participant, and other Participants under the terms and subject to the conditions of Cash Management Agreements which are substantially identical to this Agreement. The Principal expressly authorizes the Manager to intermingle or commingle the Investments held in the Account with the Investments held on behalf of one or more Participants and to jointly hold or jointly purchase, sell, transfer or otherwise acquire or dispose of Investments on behalf of Principal and one or more Participants.

8. Limited Authority. The Manager shall have only such authority to purchase, sell, transfer or otherwise acquire or dispose of Investments for the Account of the Principal and the Participants as is specifically provided for in this Agreement. Specifically, and without limitation of the foregoing sentence, the Manager shall not have (a) except as set forth in Section 7 above, the authority to commingle any investments in the Account with the general assets of the Manager or any other person, (b) the duty to advise the Principal or its representatives as to the value of any Investment (except to the extent expressly provided herein) or the advisability of acquiring or disposing of any Investment or to provide analysis of any Investment to the Principal or its representatives, (c) the authority to acquire Investments issued, assumed, guaranteed or insured by the Principal or any affiliate of the Principal, (d) the authority to borrow or incur indebtedness for borrowed money, except for securities lending and reverse repurchase transactions, as defined in Washington law that meet the requirements of the Washington Insurance Code, (e) the authority to permit the aggregate value of Investments then loaned or sold to, purchased from or invested in any one business entity to exceed ten (10%) percent of the total assets in the Account, nor (f) the authority to exceed the aggregate limitations for authorized investments by Principal set forth in the Washington Insurance Code. For purposes of this Agreement, "business entity" means a corporation, limited liability company, association, partnership, joint stock company, joint venture, mutual fund trust, or other similar form of business organization whether organized as for-profit or not-for-profit.

9. Acknowledgements and Consents. The Principal acknowledges that:

a) the Manager may place orders for the execution of transactions with or through such brokers, dealers or banks as the Manager may select in its sole discretion. In selecting such broker, Manager will give primary consideration to obtaining the most favorable price and efficient execution. The Manager may consider, in addition, the financial stability and reputation of brokers and dealers and the brokerage and research services (as those terms are defined in Section 28(e) of the Securities and Exchange Act of 1934, as amended) provided by brokers and dealers that may benefit the Principal. The Manager may, and is authorized to, consistent with its duty of best execution and in compliance with all applicable securities laws, pay a commission for executing a transaction which may be greater than the amount of the commission another broker or dealer might have charged for effecting that transaction, provided that the Manager determines in

good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided. Subject to the foregoing, the Principal acknowledges that such research services rendered may be useful in providing services to clients other than the Principal, and that not all such information will necessarily be used by the Manager in connection with rendering services to the Principal. The Principal understands and agrees that it will not direct brokerage, and that the choice of brokers is in the Manager's sole discretion;

(b) the Manager acts as adviser to other clients and consequently:

(i) may give advice, and take action, with respect to any of those clients which may differ from the advice given, or the time or nature of action taken, with respect to the Account;

(ii) where there is a limited supply of a security, the Manager will use its best efforts to allocate or rotate investment opportunities in a fair and equitable manner, and the Principal acknowledges that the Manager cannot assure, and assumes no responsibility for, equality among all accounts and customers;

(iii) affiliates of the Manager and officers, directors and employees of the Manager and such affiliates of the Manager may engage in transactions, or cause or advise other customers to engage in transactions, which may differ from or be identical to transactions engaged in by the Manager for the Account and the Principal acknowledges that the Manager and affiliates of the Manager and officers, directors and employees of the Manager and such affiliates of the Manager may at any time acquire, increase, decrease or dispose of positions in securities or other assets which are, at the same time being acquired, held or disposed of for the Account; and

(iv) the Manager shall not have any obligation to recommend any transaction or initiate the purchase or sale of any Investment for the Account which any of such affiliates or any of the officers, directors or employees of Manager or such affiliates may engage in for their own accounts or the account of any other customer, except as otherwise required by applicable law;

(c) the Manager may aggregate sales and purchase orders for the Account with similar orders being made concurrently for other accounts managed by the Manager, if in the Manager's reasonable judgment such aggregation shall result in an overall economic benefit to the Account, taking into consideration the selling or purchase price, brokerage commission and other expenses; in such case the actual prices applicable to the transaction will be averaged among the accounts for which the transaction is effected, including the Account; and

(d) in order that the negotiability or transferability of the Investments shall not be limited and notwithstanding the provisions of Section 8 of this Agreement, the Principal acknowledges that every person or entity dealing with the Manager shall

be justified and protected in relying upon the authority of the Manager to act for and on behalf of the Principal and the Participants in the purchase, sale, transfer or other acquisition or disposition of Investments and shall not be required to ascertain whether the approval or direction of the Principal or its representatives has been obtained.

10. Manager Representations. The Manager represents to and agrees with the Principal that the terms of this Agreement do not violate any obligation by which the Manager is bound, whether arising by contract, operation of law or regulation, or otherwise, and that this Agreement has been duly authorized, executed and delivered by the Manager and constitutes a legal, valid and binding agreement of the Manager enforceable in accordance with its terms, and the Manager has full power and authority to enter into this Agreement and to perform its duties hereunder.

11. Principal Representations. The Principal represents to and agrees with the Manager that:

(a) the terms of this Agreement do not violate any obligation by which the Principal is bound, whether arising by contract, operation of law or regulation, or otherwise;

(b) the Principal is the sole owner of the assets covered hereby and such assets are free and clear of any and all liens and restrictions on their transfer or sale, except for applicable transfer restrictions under various securities laws;

(c) this Agreement has been duly authorized, executed and delivered by the Principal and constitutes a legal, valid and binding agreement of the Principal enforceable in accordance with its terms, and the Principal has full power and authority to enter into this Agreement and to perform its duties hereunder;

(d) the Principal is not subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(e) it is not a "Benefit Plan Investor," as defined under ERISA;

(f) it is a "qualified purchaser" within the meaning given to such term in the Investment Company Act of 1940, as amended,

(g) the representations and warranties contained herein shall continue and remain in effect during the term of this Agreement, and, if at any time during the term of this Agreement any event occurred which would make any of these foregoing representations untrue, incomplete or inaccurate in any respect, the Principal will promptly notify the Manager of such event.

12. Insurance Department Examination. The Principal and the Manager understand and agree that the Washington Department of Insurance, or such other insurance departments of those states in which the Principal is licensed to transact business, shall be entitled to inspect the records of the Manager relating to the Principal's Investments in the Account.

3. Insolvency. In the event of the insolvency, bankruptcy or receivership of the Principal, all or any portion of the Principal's Proportionate Share of the Account may be withdrawn

by the trustee, receiver, conservator or other successor in interest of the Principal under the terms of this Agreement.

14. Compensation and Reimbursement of Manager. The Manager shall receive a quarterly management fee (the "Management Fee") calculated as follows:

> {(the market value under US GAAP of all cash and securities in the Account on the first day of each calendar quarter plus the market value under US GAAP of all cash and securities in the Account on the last day of that same calendar quarter) divided by two} times .00045.

The Principal shall pay its Proportionate Share of the Management Fee and its Proportionate Share of all reasonable costs and expenses incurred by the Manager in performing its obligations under this Agreement, including but not limited to commissions, transaction fees and custodial fees for the Account (the "Account Expenses"). The Principal's Proportionate Share of the Management Fee, along with its Proportionate Share of any related Account Expenses, shall be billed to the Principal on a quarterly basis, or in such other manner as mutually agreed to by the Manager and Principal in writing. Compensation amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

15. Indemnification of Manager. The Principal shall indemnify the Manager and hold the Manager harmless from and against all actions, claims, demands, liabilities, losses, damages or expenses of whatever kind, including without limitation, attorneys' fees, sustained or incurred by the Manager or any of its nominees in carrying out its authority or duties under this Agreement, unless resulting from its negligence or willful misconduct, provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Principal may have under applicable securities or other laws.

16. Termination of Agreement. This Agreement may be terminated: (i) at the end of any business day by the Principal upon prior written notice to the Manager; or (ii) at any time by the Manager upon one hundred and eighty (180) days' written notice to the Principal. In either event, Principal's Proportionate Share shall be disbursed as set forth in Section 6 above.

17. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach of the same, shall be settled by arbitration in accordance with the rules of the American Arbitration Association, or another nationally recognized arbitration association mutually agreed upon by the parties hereto. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction. All arbitration expenses shall be borne equally by the Manager and the Principal. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 17 do not constitute a waiver of any right provided by any applicable law, including the right to choose the forum, whether arbitration or adjudication, in which to seek resolution of disputes.

18. No Partnership Created. Nothing herein contained shall constitute the Principal as a

partner of the Manager or as a partner of the Participants.

19. Governing Law. This Agreement will be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of Washington.

20. Assignment of Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their successors and assigns; provided, however, that this Agreement shall not be assignable by the Principal to any entity or person without the consent of the Manager; except, however, that this Agreement shall not be assignable by the Principal to any other entity or person or enure to any successor of the Principal that is not an insurance entity. Should any successor of the Principal be a non-insurance entity, this Agreement shall terminate and the Principal's Proportionate Share shall be disbursed to such valid successor as set forth in Section 6 herein.

21. Complete Agreement, Waivers, Amendments, Etc. This Agreement supersedes all prior agreements relating to the subject matter hereof and constitutes the complete agreement of the Principal and Manager with respect to the subject matter hereof. No waiver of any rights under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from any breach or failure to perform will be deemed to be a waiver of any future such right or of any other right arising under this Agreement. No amendment to the terms and conditions of this Agreement shall be deemed effective unless it shall be in writing and signed by each of the parties hereto.

22. Enforceability. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

23. Headings. Section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.

24. Notice. Notices required or permitted hereunder will be in writing and shall be mailed, hand-delivered or telefaxed to the addresses given below or to such other addresses as the parties may hereafter specify, and will be deemed given:

    a) When delivered to an authorized officer of either party;

    b) Three days after mailing by prepaid first class to an authorized officer of either party; or

    c) When a telefax is confirmed in writing as being received by the party receiving notification.

25. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

This Agreement was executed in duplicate originals by the Principal and Manager as of the date first written above.

"Principal")
AFECO SURPLUS LINES INSURANCE COMPANY

By: Michael J. Fallon
Its: Vice President, Chief Financial Officer and Treasurer

("Manager")
LIBERTY MUTUAL INVESTMENT ADVISORS LLC

By: A. Alexander Fontanes
Its: Vice President

Exhibit A
PERMITTED INVESTMENTS

Investments will be made in short-term obligations maturing within 365 days or less of purchase. Investments shall be limited to those eligible under the general laws concerning the investment of insurance company assets in Washington, including:

- Obligations issued or guaranteed by the United States Government or by any of its agencies or instrumentalities.

- Commercial Bank Obligations, such as Certificates of Deposit, Banker's Acceptances of U.S. Banks which have total assets in excess of $500 million, and the obligations of the 50 largest foreign banks in terms in assets with branches or agencies in the United States that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.

- Certificates of Deposit issued by Savings Associations which have assets in excess of $500 million and which are members of the Federal Deposit Insurance Corporation that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized an recognized by the Securities Valuation Office and have:

    i) A remaining maturity of 365 days or less or a put that entitles the holder to receive the principal amount of the obligation which put may be exercised through maturity at specified intervals not exceeding 365 days; or

    ii) A remaining maturity of 365 days or less and a floating interest rate that resets no less frequently than quarterly on the basis of a current short-term index (federal funds, prime rate, treasury bills, London InterBank Offered Rate (LIBOR) or (commercial paper) and is subject to no maximum limit, if the obligations do not have an interest rate that varies inversely to market interest rate changes;

- Commercial Paper (including asset-backed commercial paper) rated one or two by the Securities Valuation Office or that have a rating, equivalent to a Securities Valuation Office rating of one or two made by a nationally recognized statistical rating organization recognized by the Securities Valuation Office.

- Corporate or Taxable Obligations, maturing in 365 days or less at the time of purchase, with the three highest, investment grades assigned by Standard & Poor's Corporation (AAA, AA, or A) or Moody's Investors Service, Inc. (Aaa, Aa, or A).

- Repurchase Agreements may be made by the Manager in respect to any of the securities described above.

- All Investments shall be restricted to United States dollar denomination.

- Excluded from Investments shall be initial offerings and public offerings.

  Obligations issued or guaranteed by the Govt. of Canada or securities which are of substantially the same kind, class and investment grades as U.S. securities outlined in this policy that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.

- Government money market mutual funds or Class 1 Exempt funds which (a) invest only in obligations issued, guaranteed or insured by the United States or collateralized repurchased agreements composed of these obligations and (b) are qualified for investment without a reserve under the Purposes and Procedures Manual of the Securities Valuation Office or any successor publication.

FEDERAL TAX SHARING AGREEMENT

This FEDERAL TAX SHARING AGREEMENT ("Agreement"), effective for tax years beginning on or after the first day of January 2002, is entered into by and among Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts mutual insurance holding company, and the parties to this Agreement (collectively, "Liberty Mutual Group").

WHEREAS, the parties to this Agreement file a consolidated U.S. federal income tax return;

WHEREAS, the parties to this Agreement desire to set forth their rights and obligations with respect to the determination and settlement of federal income tax liabilities; to allocate Liberty Mutual Group's consolidated U.S. federal income tax liability equitably to each party in accordance with a rational, systematic formula that will take into account each party's relative contribution to such liability; to ensure that an allocation for a particular tax year to each party reflects the parties' best estimate of its final liability after adjustments for tax audits or otherwise; to compensate any party for the use of tax losses and credits by other parties; to promptly settle all such tax liability allocations; and to allow LMHC to administer and interpret this Agreement for the collective benefit of Liberty Mutual Group; and

WHEREAS, Statement of Statutory Accounting Principles No. 10 ("SSAP 10") requires tax allocations to be economic transactions, pursuant to a written income tax allocation agreement, and accounted for consistent with Financial Accounting Standards No. 109, as modified by SSAP 10, in order to be recognized by reporting entities that file a consolidated income tax return.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and consistently applied in accordance with the intentions outlined above, the parties agree as follows:

1. DEFINITIONS

For purposes of this Agreement, the terms set forth below shall be defined as follows:

a) Tax Reporting Segment ("TRS"): Any legal entity that is part of Liberty Mutual Group; or any group of legal entities and/or reporting segments within a legal entity that operate as a single business unit or division thereof as determined from time to time. Any legal entity subject to regulation as an insurance company by its state of domicile shall not be included in a TRS with any other legal entity other than its wholly-owned subsidiaries.

b) Group Tax Liability: All taxes properly reflected on the U.S. consolidated federal income tax return of Liberty Mutual Group for tax years beginning on or after the effective date of this Agreement, or as revised or expected to be revised by amended return, tax audit, administrative or judicial determination or re-determination or otherwise, together with any interest, penalties, or other assessments. For purposes of this definition "taxes" means any income taxes or other taxes, charges or assessments imposed on corporations by the Internal Revenue Code ("Code").

c) Member: A corporation that joins or is required to join Liberty Mutual Group's U.S. consolidated federal income tax return pursuant to Code section 1504(a) and the regulations promulgated thereunder.

d) Separate Tax Return Liability: The expected separate federal income tax liability calculated for each TRS under the applicable provisions of the Code and regulations promulgated thereunder as though such TRS had always filed a separate federal income tax return. Any current year, carryovers or carrybacks of net operating losses, net capital losses, excess tax credits, or other tax attributes shall be taken into account to the extent such carryover, carryback, credit, or other attribute has reduced the Group Tax Liability in the current or in a prior tax year. To the extent a TRS' items of separate taxable income would be accorded a different tax treatment by operation of the consolidated return regulations, such TRS' Separate Tax Return Liability shall be computed consistent with the consolidated return provisions to the extent such item resulted in an increase or decrease to the Group Tax Liability in the current or in a prior tax year.

2. TAX SHARING

a) The taxes payable to LMHC (or its authorized designee) by each TRS under this Agreement shall be based on the Separate Tax Return Liability of each TRS for the applicable tax year.

b) To the extent the sum of the Separate Tax Return Liabilities of all TRS exceeds or is less than the Group Tax Liability, such difference shall be allocated to each TRS to the extent such TRS' items or attributes are reflected in the Group Tax Liability.

c) The surtax exemption and bracket benefits to which Liberty Mutual Group as a whole is entitled shall be allocated exclusively to Liberty Mutual Insurance Company.

d) Computation of each TRS Separate Tax Return Liability shall be made periodically during the year by Corporate Taxation in Liberty Mutual Group's Corporate Financial Department, at times consistent with and in accordance with the usual procedures followed in determining the Group Tax Liability.

3. ALTERNATIVE MINIMUM TAX (AMT)

a) If the Group Tax Liability includes a liability for AMT, such AMT shall be proportionally allocated to all TRS whose Separate Tax Return Liability includes a liability for AMT, but not to exceed the liability for AMT included in the TRS' Separate Tax Return Liability. Any AMT liability in excess of the sum of each TRS' Separate Tax Return Liability for AMT shall be allocated to Liberty Mutual Insurance Company.

b) To the extent a TRS is allocated a liability for AMT, such TRS shall be allocated an equivalent minimum tax credit carryforward which shall be taken into account in such TRS' Separate Tax Return Liability in subsequent tax years.

4. SETTLEMENT OF TAXES PAYABLE/RECEIVABLE

Estimated federal tax payments shall be settled between each TRS and LMHC (or its authorized designee) on the 12th day of April, June, September, December and March. Payments reflecting the final tax return liability for a given tax year will be settled after the filing of Liberty Mutual Group's federal income tax return. Final settlements will be due within 30 days of receipt of the statement of balances due or receivable.

5. MATTERS CONCERNING THE RETURN

a) Filing the Return: LMHC shall file, or cause to be filed, the U.S. consolidated federal income tax return and any amended returns for each taxable year.

b) Payment of Group Tax Liability: LMHC (or its authorized designee) shall pay, or cause to be paid, the Group Tax Liability for each taxable year on behalf of Liberty Mutual Group.

6. AUDITS AND OTHER ADJUSTMENTS

Payment of the tax sharing amount is intended to reflect each TRS' best estimate of its final tax liability with respect to a given tax year. To the extent the Group Tax Liability is adjusted for any tax year as a result of an amended return, tax audit, administrative or judicial determination or re-determination or otherwise, the Separate Tax Return Liability for each TRS shall be recomputed to give effect to such adjustments. Any resulting additional TRS tax benefit or tax liability shall be settled with LMHC (or its authorized designee) within 30 days of receipt of a refund or notice of deficiency with respect to the Group Tax Liability by LMHC. Copies of all tax returns, related schedules, work papers, all material records, and other documents shall be maintained until the expiration of the statute of limitations, including extensions.

7. EARNINGS AND PROFITS

Pursuant to Code section 1552 and the regulations promulgated thereunder, and to regulation section 1.1502-33, for the purpose of determining earnings and profits of each Member of the affiliated group, LMHC (or Liberty Mutual Insurance Company) has filed elections with the Internal Revenue Service for and on behalf of Liberty Mutual Group to allocate the Group Tax Liability. Nothing in this Agreement shall be construed to affect the determination or allocation of tax required pursuant to these elections, or any amendments or modifications thereto, for the purpose of determining the earnings and profits of the members of Liberty Mutual Group; and LMHC, in its sole discretion, is authorized to seek any change in the method of calculating earnings and profits as it deems desirable.

8. CONDUCT OF DISPUTES

LMHC, as common parent of Liberty Mutual Group, shall be the sole agent for each Member and any successor of any Member pursuant to regulation section 1.1502-77(a). LMHC shall control the conduct of any audit and the defense of any suit, action or proceeding resulting therefrom. Each Member will cooperate with LMHC in these proceedings and provide such assistance and documents, without charge, as may be requested by LMHC for such purpose. LMHC will provide Members with access to such records and tax returns as appropriate to facilitate

such cooperation. Notwithstanding any other provisions in this Agreement, if an increase to the Group Tax Liability is the result of the failure of a Member to maintain proper records to support items reflected in Liberty Mutual Group's consolidated income tax return, such Member shall be fully liable for such increase as well as any related penalties and interest.

9. MEMBER ENTERING OR DEPARTING GROUP

It is the intent of the parties that LMHC and all corporations that have consented or are required to join with LMHC in the filing of a consolidated federal income tax return shall become a party to this Agreement effective as of the first date such party becomes a Member. Members that are no longer eligible to join in the filing of a consolidated return with LMHC shall remain a party to this Agreement for all tax years for which they were included in the consolidated return.

10. SUCCESSORS AND ASSIGNS

This Agreement and all of its provisions hereof shall be binding upon and shall inure to the benefit of the parties and their respective successors.

11. INDEMNIFICATION

Each party shall pay and be responsible for, and shall indemnify, defend and hold harmless all other parties to this Agreement from and against all liabilities allocated to it under this Agreement. If any party pays or has paid any Group Tax Liability for which another party to this Agreement is or becomes liable pursuant to the terms of this Agreement, appropriate reimbursement shall be made no later than 30 days after demand together with interest calculated on such reimbursement at the interest rate specified in Code section 6621(a)(2) from the date such payment is due pursuant to this Agreement to the date of reimbursement. The portion of any refund, rebate or reimbursement received by any party to which another party is entitled pursuant to this Agreement shall be paid over within 30 days to the party which is entitled thereto. Any other payments required to be made between the parties pursuant to this Agreement which are not made in a timely fashion shall bear interest at the interest rate specified in Code section 6621(a)(2) from the date the payment is due until the date the payment is made.

12. COMPLETE AGREEMENT

This Agreement shall constitute the entire agreement among the parties with respect to the subject matter hereof and shall supersede any previous agreements, negotiations, commitments and writings with respect to such subject matter effective for tax years beginning after January 1, 2002.

13. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to its principles of conflicts of law.

14. AMENDMENTS

This Agreement may not be modified or amended except by an agreement in writing signed by the parties hereto.

15. ADMINISTRATION

This Agreement shall be administered by the Vice President and Director of Corporate Taxation of LMHC, or in his absence, by an individual designated by the Chief Financial Officer of LMHC.

IN WITNESS WHEREOF, the parties have caused their signatures to be affixed to this Agreement effective as of the date first above written, by their respective duly authorized officers.

LIBERTY MUTUAL HOLDING COMPANY INC.

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY

By: Gulf States AIF, Inc
Title: It's attorney in Fact
by Gary J. Ostrow, Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD EMPLOYERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President and Director of Corporate Taxation

CONSOLIDATED INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU

By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President, Corporate Taxation

HAWKEYE-SECURITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

INDIANA INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE UNDERWRITERS INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY

By: Berkeley management Corporation
It's attorney-in-fact
Gary J. Ostrow, Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY

By:
Title:

LIBERTY MUTUAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE & CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

NATIONAL INSURANCE ASSOCIATION

By: Gary J. Ostrow
Title: Vice President

NORTH PACIFIC INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

OREGON AUTO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President, Corporate Taxation

THE FIRST LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

THE MIDWESTERN INDEMNITY COMPANY

By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMENDMENT NO. 1
(the "Amendment")
to
FEDERAL TAX SHARING AGREEMENT
(the "Agreement")
by and among

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, and the parties to the Agreement listed on the signature pages of the Agreement and the signature pages of this Amendment.

The Agreement is hereby amended as follows:

1. Section 14 of the Agreement is amended and restated as follows:

> This Agreement may not be modified, amended or assigned except by an agreement in writing signed by the parties hereto.

2. Following any and all necessary regulatory approvals, this Amendment shall be effective retroactively to the effective date of the Agreement.

IN WITNESS WHEREOF, the parties have caused their signatures to be affixed to this Amendment this 15th day of February, 2006, by their respective duly authorized officers.

LIBERTY MUTUAL HOLDING COMPANY INC.

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY

By: Gulf States AIF, Inc.
Its attorney in fact by
Gary J. Ostrow, Vice President

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Title: Vice President, Corporate Taxation

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LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE UNDERWRITERS INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY

By: Berkeley management Corporation
It's attorney-in-fact
Gary J. Ostrow, Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LM GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LM PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM PROPERTY AND CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE & CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

NATIONAL INSURANCE ASSOCIATION

By: The National Corporation
Its attorney in fact by
Gary J. Ostrow, Vice President

NORTH PACIFIC INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

OREGON AUTOMOBILE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE FIRST LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

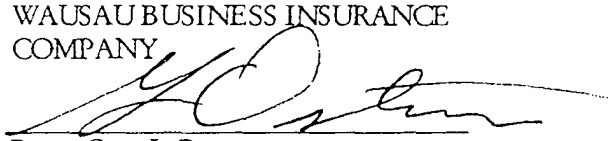
THE MIDWESTERN INDEMNITY COMPANY

By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

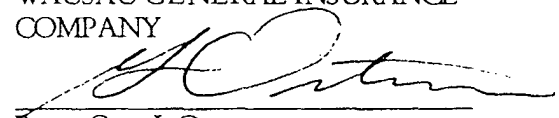
By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY

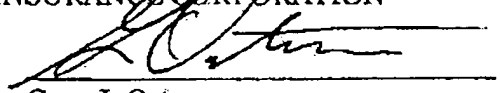
By: Gary J. Ostrow
Title: Vice President

Supplemental Signature Page
To
FEDERAL TAX SHARING AGREEMENT DATED JANUARY 1, 2002

This supplemental signature page is effective the 1st day of January, 2002, supplementing the Liberty Mutual Holding Company Inc. Tax Sharing Agreement dated January 1, 2002.

In witness whereof, the following parties have caused this agreement to be executed, intending to be legally bound. Executed this 17th day of December, 2007.

LM INSURANCE CORPORATION

By: 

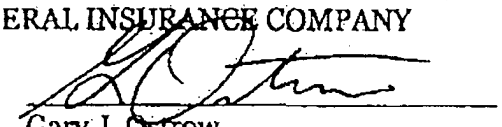
Gary J. Ostrow
Vice President

Supplemental Signature Page
To
FEDERAL TAX SHARING AGREEMENT DATED JANUARY 1, 2002

This supplemental signature page is effective the 31st day of October, 2003, supplementing the Liberty Mutual Holding Company Inc. Tax Sharing Agreement dated January 1, 2002.

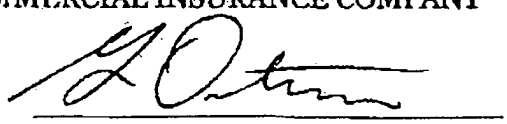
In witness whereof, the following parties have caused this agreement to be executed, intending to be legally bound. Executed this 17th day of December, 2007.

LM GENERAL INSURANCE COMPANY formerly known as PRUDENTIAL GENERAL INSURANCE COMPANY

By: 

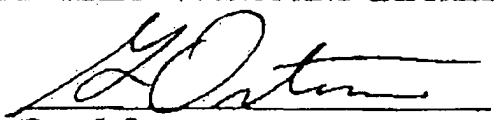
Gary J. Ostrow
Vice President

LM PERSONAL INSURANCE COMPANY formerly known as PRUDENTIAL COMMERCIAL INSURANCE COMPANY

By: 

Gary J. Ostrow
Vice President

LM PROPERTY AND CASUALTY INSURANCE COMPANY formerly known as PRUDENTIAL PROPERTY AND CASUALTY INSURANCE COMPANY

By: 

Gary J. Ostrow
Vice President

AMENDMENT NO. 2
(the "Amendment")
to
FEDERAL TAX SHARING AGREEMENT
(the "Agreement")
by and among

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, and the parties to the Agreement listed on the signature pages of the Agreement and the signature pages of this Amendment.

WHEREAS, The Ohio Casualty Insurance Company, an Ohio corporation ("OCIC"), American Fire and Casualty Company, an Ohio corporation ("AFCC"), Ohio Security Insurance Company, an Ohio corporation ("OSIC"), Ohio Casualty of New Jersey, Inc., an Ohio corporation ("OCNJ"), West American Insurance Company, an Indiana corporation ("WAIC") and Avomark Insurance Company, an Indiana corporation ("AIC") are member companies of the Liberty Mutual Agency Markets strategic business unit, of the Liberty Mutual Group under which certain insurance companies within Liberty Mutual Group market their insurance products to the public using independent agents; and

WHEREAS the parties deem it in their best interests to add OCIC, AFCC, OSIC, OCNJ, WAIC and AIC as parties to the Agreement;

NOW, THEREFORE, the parties hereto agree to amend the Agreement effective as of August 24, 2007.

1. OCIC, AFCC, OSIC, OCNJ, WAIC and AIC are hereby added to the Agreement and are hereby deemed to be included in the definition of "Member" as outlined in section 1(C) of the Agreement.

2. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

IN WITNESS WHEREOF, The parties hereto have caused this Amendment No. 2 to the Federal Tax Sharing Agreement, effective as of the date first written above, to be executed by their respective authorized officers.

IN WITNESS WHEREOF, the parties have caused their signatures to be affixed to this Amendment this 1st day of November, 2007, by their respective duly authorized officers.

LIBERTY MUTUAL HOLDING COMPANY INC.

By: Gary J. Ostrow
Title: Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICAN FIRE AND CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

AVOMARK INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY (by Gulf States AIF, Inc., its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

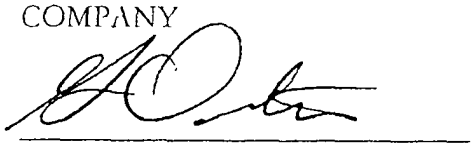
BRIDGEFIELD EMPLOYERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

HAWKEYE-SECURITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY

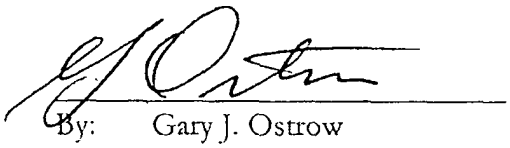


By: Gary J. Ostrow
Title: Vice President

INDIANA INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

CONSOLIDATED INSURANCE COMPANY

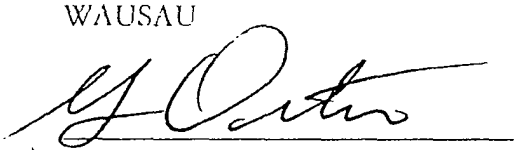


By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU



By: Gary J. Ostrow
Title: Vice President

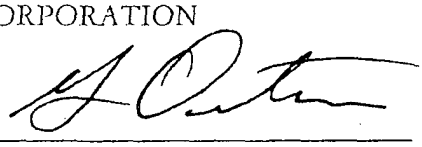
LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE UNDERWRITERS INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION



By: Gary J. Ostrow
Title: Vice President

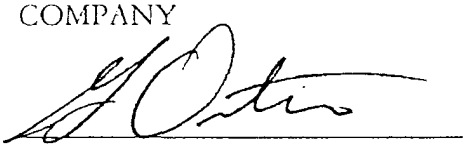
LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LM GENERAL INSURANCE COMPANY

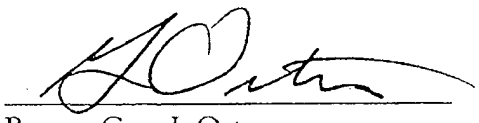
By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY



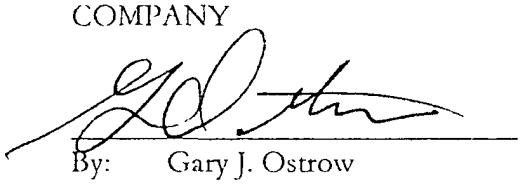
By: Gary J. Ostrow
Title: Vice President

LM INSURANCE CORPORATION



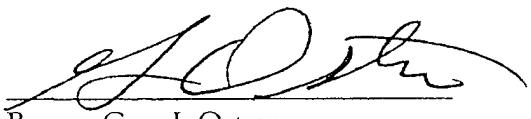
By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY



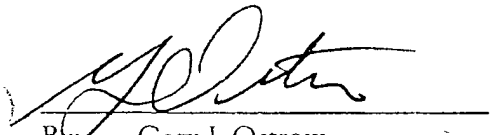
By: Gary J. Ostrow
Title: Vice President

LM PERSONAL INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY

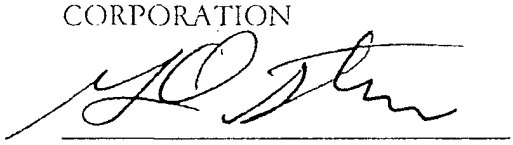


By: Gary J. Ostrow
Title: Vice President

LM PROPERTY AND CASUALTY INSURANCE COMPANY

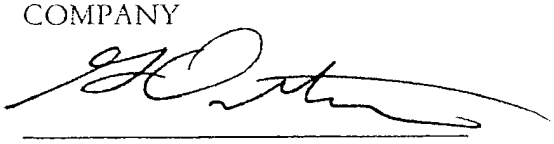
By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION



By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE & CASUALTY COMPANY



By: Gary J. Ostrow
Title: Vice President

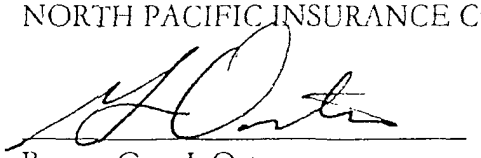
LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

NATIONAL INSURANCE ASSOCIATION (by The National Corporation, its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

NORTH PACIFIC INSURANCE COMPANY

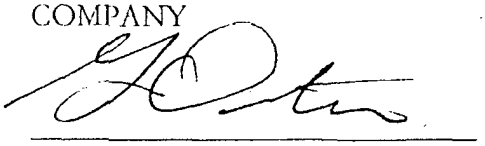


By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE OHIO CASUALTY INSURANCE COMPANY

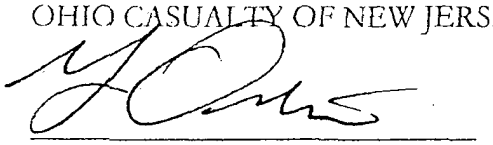


By: Gary J. Ostrow
Title: Vice President

THE FIRST LIBERTY INSURANCE CORPORATION

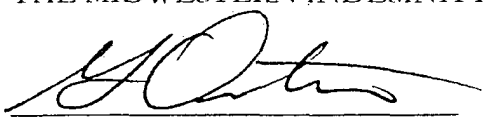
By: Gary J. Ostrow
Title: Vice President

OHIO CASUALTY OF NEW JERSEY, INC.



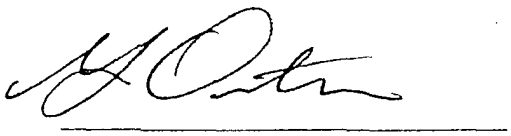
By: Gary J. Ostrow
Title: Vice President

THE MIDWESTERN INDEMNITY COMPANY



By: Gary J. Ostrow
Title: Vice President

OHIO SECURITY INSURANCE COMPANY

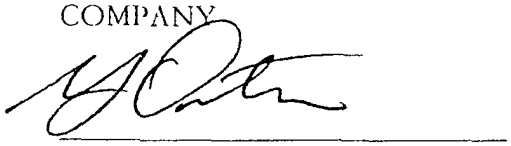


By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

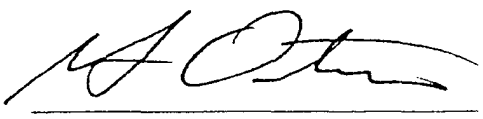
By: Gary J. Ostrow
Title: Vice President

OREGON AUTOMOBILE INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

WEST AMERICAN INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMENDMENT NO. 3
(the "Amendment")
to
FEDERAL TAX SHARING AGREEMENT
(the "Agreement")
by and among

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, and the parties to the Agreement listed on the signature pages of the Agreement and the signature pages of this Amendment.

WHEREAS, Liberty Mutual Personal Insurance Company became a member company of Liberty Mutual Group effective January 1, 2006; and

WHEREAS the parties deem it in their best interests to add Liberty Mutual Personal Insurance Company as party to the Agreement;

NOW, THEREFORE, the parties hereto agree to amend the Agreement, as follows:

1. Liberty Mutual Personal Insurance Company is hereby added to the Agreement effective January 1, 2006 and is hereby deemed to be included in the definition of "Member" as outlined in section 1(C) of the Agreement.

2. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

IN WITNESS WHEREOF, The parties hereto have caused this Amendment No. 3 to the Federal Tax Sharing Agreement, effective as of the date first written above, to be executed by their respective authorized officers.

IN WITNESS WHEREOF, the parties have caused their signatures to be affixed to this Amendment this 15 day of February, 2008, by their respective duly authorized officers.

LIBERTY MUTUAL HOLDING COMPANY INC.

By: Gary J. Ostrow
Title: Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICAN FIRE AND CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

AVOMARK INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

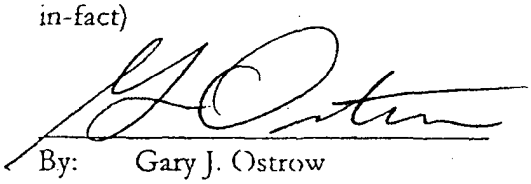
AMERICAN FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY OF WAUSAU

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY (by Gulf States AIF, Inc., its attorney-in-fact)

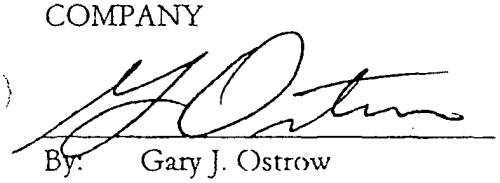


By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY

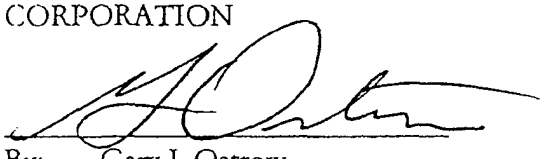
By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY



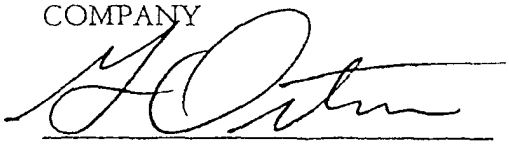
By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION



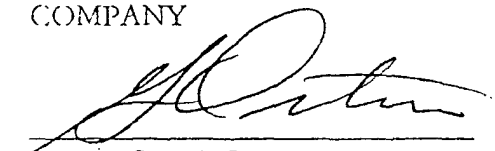
By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD EMPLOYERS INSURANCE COMPANY



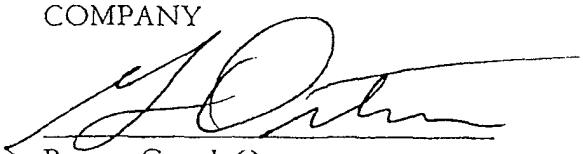
By: Gary J. Ostrow
Title: Vice President

HAWKEYE-SECURITY INSURANCE COMPANY



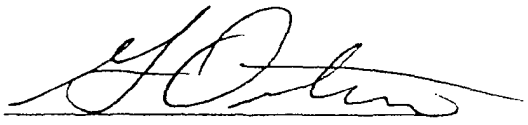
By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

INDIANA INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

CONSOLIDATED INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice PresidenT

LIBERTY INSURANCE UNDERWRITERS INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LM GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM PROPERTY AND CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE & CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

NATIONAL INSURANCE ASSOCIATION (by The National Corporation, its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

NORTH PACIFIC INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE OHIO CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE FIRST LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

OHIO CASUALTY OF NEW JERSEY, INC.

By: Gary J. Ostrow
Title: Vice President

THE MIDWESTERN INDEMNITY COMPANY

By: Gary J. Ostrow
Title: Vice President

OHIO SECURITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

OREGON AUTOMOBILE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WEST AMERICAN INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMENDMENT NO. 4
(the "Amendment")
to
FEDERAL TAX SHARING AGREEMENT
(the "Agreement")
by and among

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, and the parties to the Agreement listed on Exhibit A.

WHEREAS the parties deem it in their best interests to include as parties to the Agreement every other corporation that subsequently consents to or is required to join with LMHC in the filing of a consolidated federal income tax return;

NOW, THEREFORE, the parties hereto agree to amend the Agreement, effective as of September 22, 2008, as follows:

1. The opening paragraph of the Agreement is amended and restated as follows:

   This FEDERAL TAX SHARING AGREEMENT ("Agreement"), effective for tax years beginning on or after the first day of January 2002, is entered into by and among Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts mutual holding company, and the several companies listed on Exhibit A and any other corporation that subsequently consents to or is required to join with LMHC in the filing of a consolidated federal income tax return (collectively, "Liberty Mutual Group").

2. Section 9 of the Agreement is amended and restated as follows:

   MEMBER ENTERING OR DEPARTING GROUP

   In addition to LMHC and the other corporations that are currently parties to this Agreement, any corporation that consents to or is required to join with LMHC in the filing of a consolidated federal income tax return shall automatically become a party to this Agreement effective as of the date such corporation becomes a Member. Members that are no longer eligible to join in the filing of a consolidated federal income tax return with LMHC shall remain as parties to this Agreement for all tax years for which they were included in such consolidated return. LMHC is authorized to revise Exhibit A from time to time to reflect the addition or deletion of Members, and this Agreement need not be amended to give effect to such revised Exhibit A.

3. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment, effective as of the date first written above, to be executed by their duly authorized officers.

[SIGNATURE PAGES TO FOLLOW]

Exhibit A
to
Federal Tax Sharing Agreement

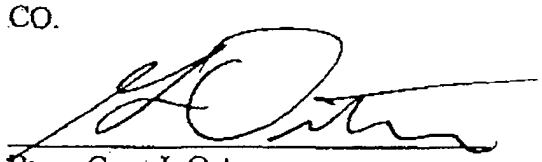
Access Insurance Services, Co.
Ambco Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company
American Ambassador Casualty Company
American Fire & Casualty Insurance Company*
Avomark Insurance Company*
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Agency, Inc. (Arizona corporation)
Capitol Agency, Inc. (Ohio corporation)
Capitol Agency, Inc. (Tennessee corporation)
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Companies Agency Insurance Services of California (dissolved 8/15/2008)
Companies Agency of Alabama, Inc. (dissolved 8/18/2008)
Companies Agency of Georgia, Inc. (dissolved 8/15/2008)
Companies Agency of Kentucky, Inc. (dissolved 8/14/2008)
Companies Agency of Massachusetts, Inc. (dissolved 8/29/08)
Companies Agency of Michigan, Inc. (dissolved 8/15/2008)
Companies Agency of New York, Inc.
Companies Agency of Pennsylvania, Inc.
Companies Agency of Phoenix, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Countrywide Services Corporation
Diversified Settlements, Inc.
Employers Insurance Company of Wausau
Excelsior Insurance Company
Florida State Agency, Inc.
Globe American Casualty Company
Golden Eagle Insurance Corporation
Gulf States AIF, Inc.
Hawkeye-Security Insurance Company
Heritage-Summit Healthcare of Florida, Inc.
Indiana Insurance Company
LEXCO Limited
Liberty Assignment Corporation
Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Company of America
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters, Inc.
Liberty Life Assurance Company of Boston
Liberty Life Holdings, Inc.
Liberty Lloyds of Texas Insurance Company
Liberty Management Services, Inc.
Liberty Mexico Holdings, Inc.
Liberty Mutual Fire Insurance Company
Liberty Mutual Group Inc.
Liberty Mutual Holding Company, Inc.
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation
Liberty - USA Corporation
LIH-Re of America Corporation
LIH U.S. P&C Corporation
LIU Specialty Insurance Agency, Inc.
LM General Insurance Company
LM Insurance Corporation
LM Personal Insurance Company
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings, Inc.
LRE Properties, Inc.
Mid-American Agency, Inc.
Mid-American Fire and Casualty Company
Missouri Agency, Inc.
North Pacific Insurance Company
Oregon Automobile Insurance Company
OCASCO Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Casualty of New Jersey, Inc.
Ohio Life Brokerage Services, Inc.
Ohio Security Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
San Diego Insurance Company
State Agency, Inc. (Indiana corporation)
State Agency, Inc. (Wisconsin corporation)
St. James Insurance Company
Summit Consulting, Inc.
Summit Consulting, Inc. of Louisiana
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Association
The Netherlands Insurance Company
The Ohio Casualty Insurance Company
Wausau Service Corporation
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company

American Economy Insurance Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance
Capital Court Corporation
Commercial Aviation Insurance, Inc.
Emerald City Insurance Agency, Inc.
F.B. Beattie & Company, Inc.
First National Insurance Company of America
General America Corporation
General America Corporation of Texas
General Insurance Company of America

Exhibit A
to
Federal Tax Sharing Agreement

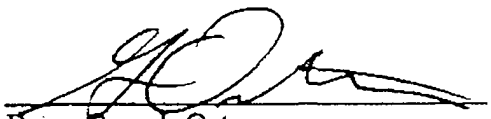
Insurance Company of Illinois
Open Seas Solutions, Inc.
Pilot Insurance Services, Inc.
Rianoc Research Corporation
S.C. Bellevue, Inc.
Safecare Company, Inc.
Safeco Corporation
Safeco General Agency, Inc.
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Properties, Inc.
Safeco Surplus Lines Insurance Company
SCIT, Inc.
Winmar Company, Inc.
Winmar-Metro, Inc.
Winmar of the Desert, Inc.
Winmar Oregon, Inc.

ACCESS INSURANCE SERVICES, CO.



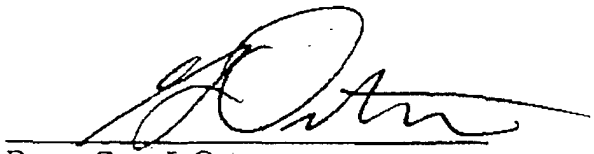
By: Gary J. Ostrow
Title: Vice President

AMERICAN FIRE & CASUALTY INSURANCE COMPANY



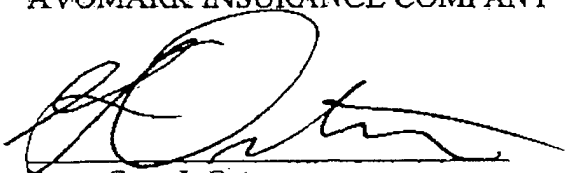
By: Gary J. Ostrow
Title: Vice President

AMBCO CAPITAL CORPORATION



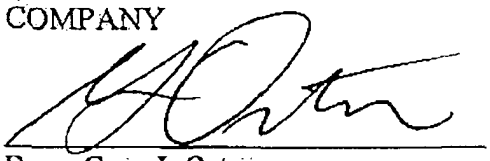
By: Gary J. Ostrow
Title: Vice President

AVOMARK INSURANCE COMPANY



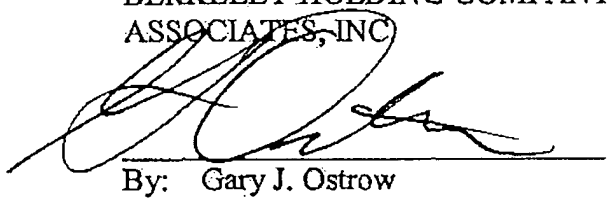
By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST INSURANCE COMPANY



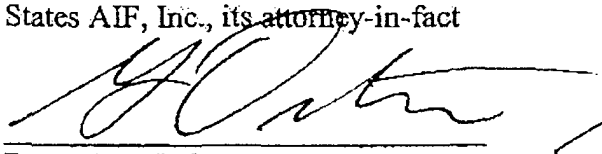
By: Gary J. Ostrow
Title: Vice President

BERKELEY HOLDING COMPANY ASSOCIATES, INC



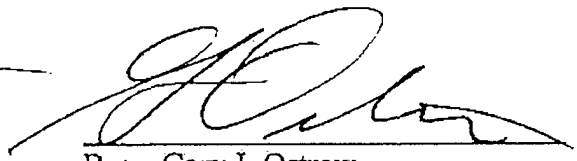
By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY (by Gulf States AIF, Inc., its attorney-in-fact



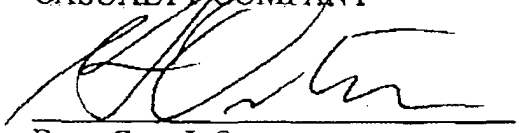
By: Gary J. Ostrow
Title: Vice President

BERKELEY MANAGEMENT CORPORATION



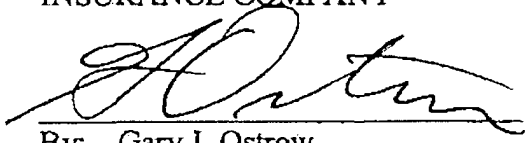
By: Gary J. Ostrow
Title: Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY



By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD EMPLOYERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

CAPITOL AGENCY, INC. (ARIZONA CORPORATION)

By: Gary J. Ostrow
Title: Vice President

COMPANIES AGENCY OF NEW YORK, INC.

By: Gary J. Ostrow
Title: Vice President

CAPITOL AGENCY, INC. (OHIO CORPORATION)

By: Gary J. Ostrow
Title: Vice President

COMPANIES AGENCY OF PENNSYLVANIA, INC.

By: Gary J. Ostrow
Title: Vice President

CAPITOL AGENCY, INC. (TENNESSEE CORPORATION)

By: Gary J. Ostrow
Title: Vice President

COMPANIES AGENCY OF PHOENIX, INC.

By: Gary J. Ostrow
Title: Vice President

CASCADE DISABILITY MANAGEMENT, INC.

By: Gary J. Ostrow
Title: Vice President

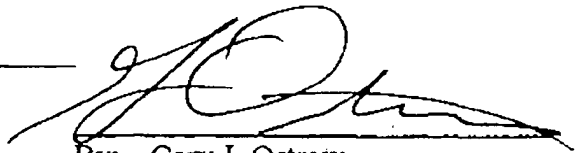
CONSOLIDATED INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

COPLEY VENTURE CAPITAL, INC.

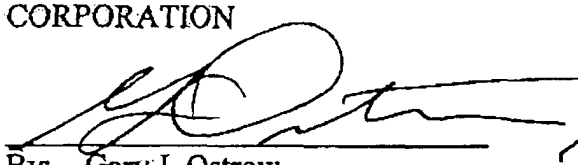
By: Gary J. Ostrow
Title: Vice President

FLORIDA STATE AGENCY, INC.



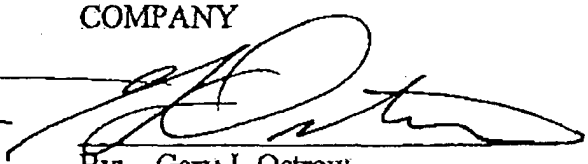
By: Gary J. Ostrow
Title: Vice President

COUNTRYWIDE SERVICES CORPORATION



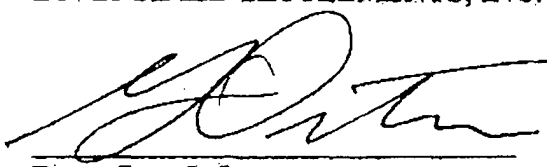
By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY



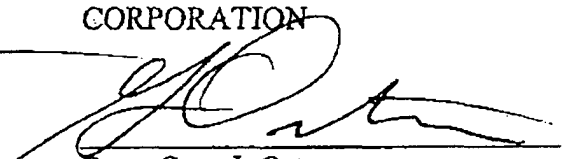
By: Gary J. Ostrow
Title: Vice President

DIVERSIFIED SETTLEMENTS, INC.



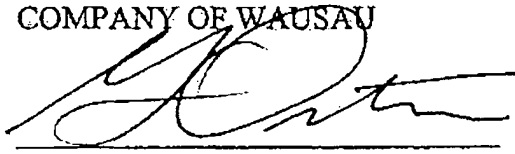
By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION



By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU



By: Gary J. Ostrow
Title: Vice President

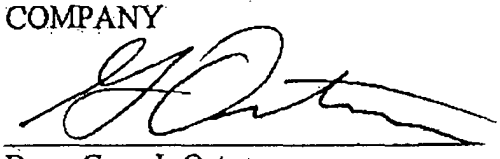
GULF STATES AIF, INC.

By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

HAWKEYE-SECURITY INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

HERITAGE-SUMMIT HEALTHCARE OF FLORIDA, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY FINANCIAL SERVICES, INC.

By: Gary J. Ostrow
Title: Vice President

INDIANA INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY HOSPITALITY GROUP, INC.

By: Gary J. Ostrow
Title: Vice President

LEXCO LIMITED

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

LIBERTY ASSIGNMENT CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY ENERGY CANADA, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE HOLDINGS, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE UNDERWRITERS, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY MEXICO HOLDINGS, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE HOLDINGS, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL GROUP INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY (by Berkeley Management Corporation, its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL HOLDING COMPANY, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY MANAGEMENT SERVICES, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY-USA CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIH-RE OF AMERICA CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY RE (BERMUDA) LIMITED

By: Gary J. Ostrow
Title: Authorized Signatory

LIH U.S. P&C CORPORATION

By: Gary J. Ostrow
Title: Vice President

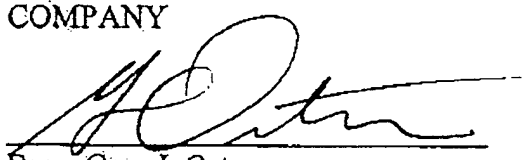
LIBERTY SPONSORED INSURANCE (VERMONT) INC.

By: Gary J. Ostrow
Title: Vice President

LIU SPECIALTY INSURANCE AGENCY, INC.

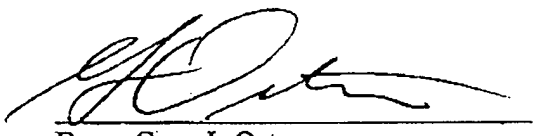
By: Gary J. Ostrow
Title: Vice President

LM GENERAL INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

LRE PROPERTIES, INC.

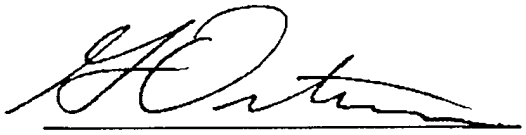


By: Gary J. Ostrow
Title: Vice President

LM INSURANCE CORPORATION

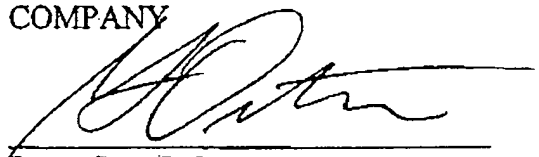
By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN AGENCY, INC.



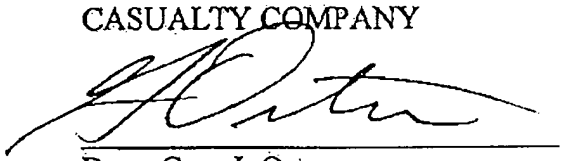
By: Gary J. Ostrow
Title: Vice President

LM PERSONAL INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE AND CASUALTY COMPANY



By: Gary J. Ostrow
Title: Vice President

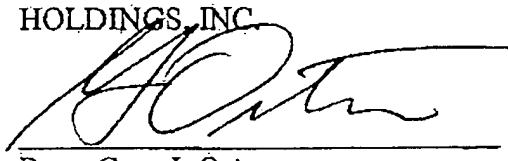
LM PROPERTY & CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

MISSOURI AGENCY, INC.

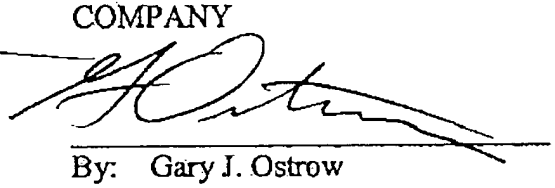
By: Gary J. Ostrow
Title: Vice President

LMHC MASSACHUSETTS HOLDINGS, INC.



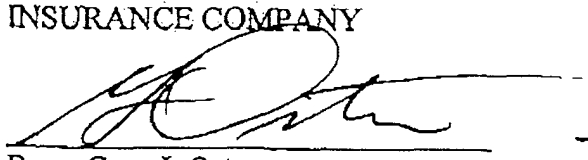
By: Gary J. Ostrow
Title: Vice President

NORTH PACIFIC INSURANCE COMPANY



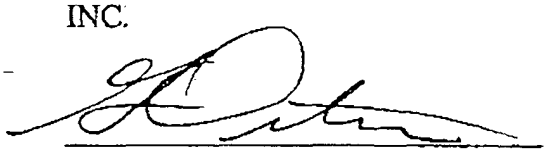
By: Gary J. Ostrow
Title: Vice President

OREGON AUTOMOBILE INSURANCE COMPANY



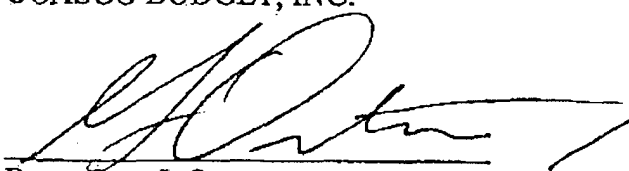
By: Gary J. Ostrow
Title: Vice President

OHIO CASUALTY OF NEW JERSEY, INC.



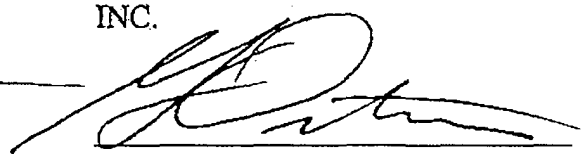
By: Gary J. Ostrow
Title: Vice President

OCASCO BUDGET, INC.



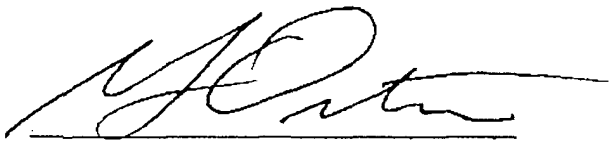
By: Gary J. Ostrow
Tite: Vice President

OHIO LIFE BROKERAGE SERVICES, INC.



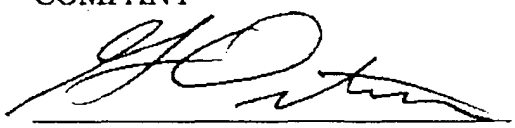
By: Gary J. Ostrow
Title: Vice President

OCI PRINTING, INC.



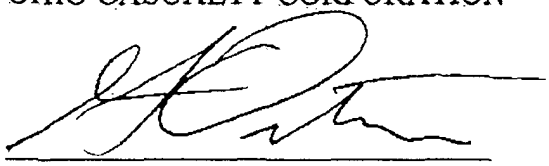
By: Gary J. Ostrow
Title: Vice President

OHIO SECURITY INSURANCE COMPANY



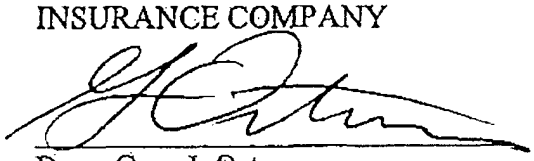
By: Gary J. Ostrow
Title: Vice President

OHIO CASUALTY CORPORATION



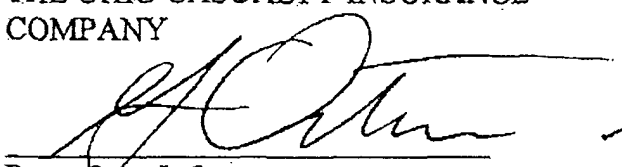
By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY



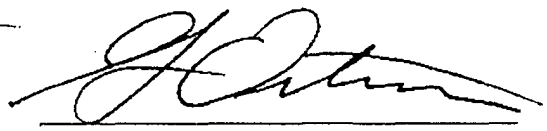
By: Gary J. Ostrow
Title: Vice President

THE OHIO CASUALTY INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SUMMIT CONSULTING, INC. OF LOUISIANA

By: Gary J. Ostrow
Title: Vice President

STATE AGENCY, INC. (INDIANA CORPORATION)

By: Gary J. Ostrow
Title: Vice President

SUMMIT HOLDING SOUTHEAST, INC.

By: Gary J. Ostrow
Title: Vice President

STATE AGENCY, INC. (WISCONSIN CORPORATION)

By: Gary J. Ostrow
Title: Vice President

THE FIRST LIBERTY CORPORATION

By: Gary J. Ostrow
Title: Vice President

ST. JAMES INSURANCE COMPANY

By: Gary J. Ostrow
Title: Authorized Signatory

THE MIDWESTERN INDEMNITY COMPANY

By: Gary J. Ostrow
Title: Vice President

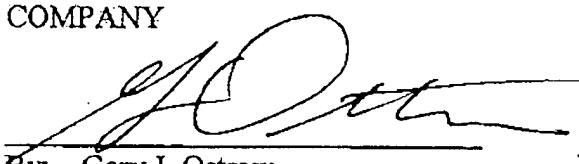
SUMMIT CONSULTING, INC.

By: Gary J. Ostrow
Title: Vice President

THE NATIONAL ASSOCIATION (by The National Corporation, its attorney-in-fact)

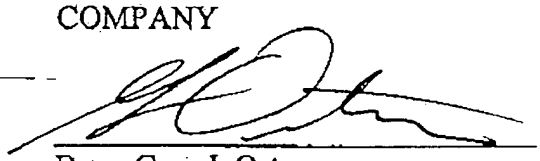
By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY



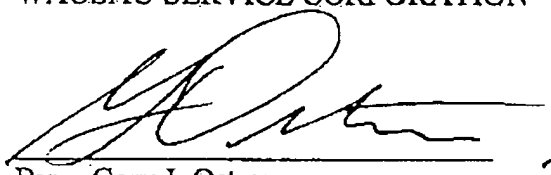
By: Gary J. Ostrow
Title: Vice President

WEST AMERICAN INSURANCE COMPANY



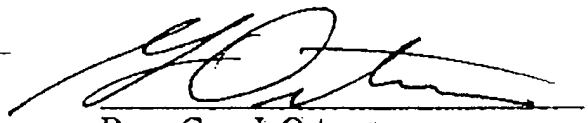
By: Gary J. Ostrow
Title: Vice President

WAUSAU SERVICE CORPORATION



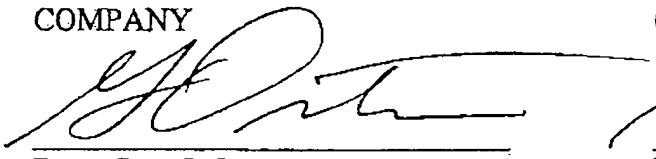
By: Gary J. Ostrow
Title: Vice President

AMERICAN ECONOMY INSURANCE COMPANY



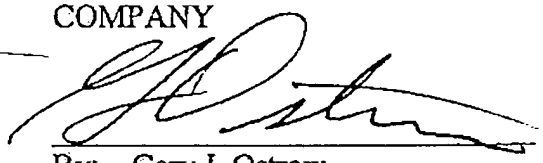
By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY



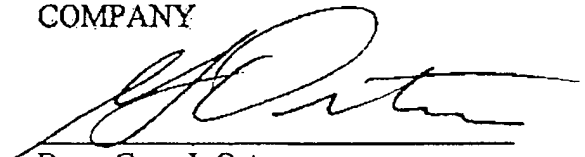
By: Gary J. Ostrow
Title: Vice President

AMERICAN STATES INSURANCE COMPANY



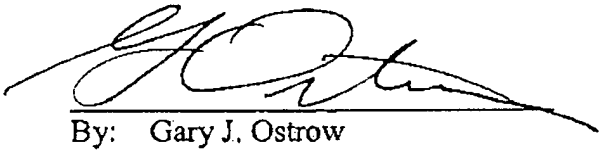
By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

AMERICAN STATES INSURANCE COMPANY OF TEXAS

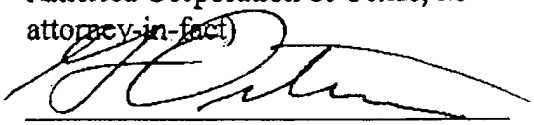


By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICAN STATES LLOYDS INSURANCE COMPANY (by General America Corporation of Texas, its attorney-in-fact)



By: Gary J. Ostrow
Title: Vice President

AMERICAN STATES PREFERRED INSURANCE

By: Gary J. Ostrow
Title: Vice President

CAPITOL COURT CORPORATION

By: Gary J. Ostrow
Title: Vice President

EMERALD CITY INSURANCE AGENCY, INC.

By: Gary J. Ostrow
Title: Vice President

F.B. BEATTIE & COMPANY, INC.

By: Gary J. Ostrow
Title: Vice President

FIRST NATIONAL INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

GENERAL AMERICA CORPORATION

By: Gary J. Ostrow
Title: Vice President

GENERAL AMERICA CORPORATION OF TEXAS

By: Gary J. Ostrow
Title: Vice President

GENERAL INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

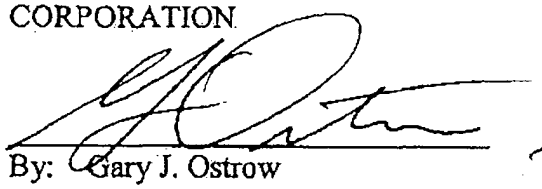
INSURANCE COMPANY OF ILLINOIS

By: Gary J. Ostrow
Title: Vice President

OPEN SEAS SOLUTIONS, INC.

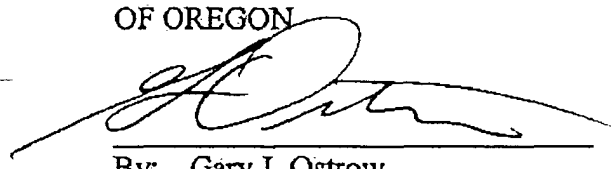
By: Gary J. Ostrow
Title: Vice President

RIANOC RESEARCH CORPORATION



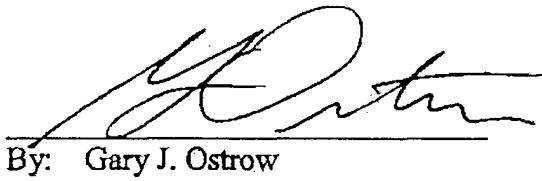
By: Gary J. Ostrow
Title: Vice President

SAFECO INSURANCE COMPANY OF OREGON



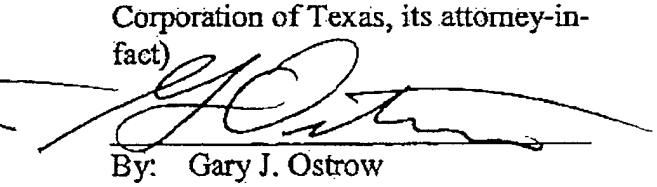
By: Gary J. Ostrow
Title: Vice President

SAFECARE COMPANY, INC.



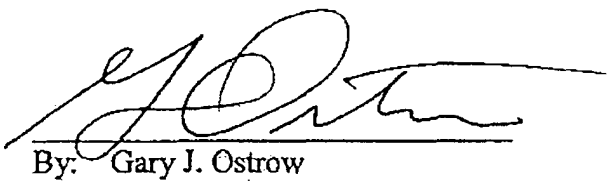
By: Gary J. Ostrow
Title: Vice President

SAFECO LLOYDS INSURANCE COMPANY (by General America Corporation of Texas, its attorney-in-fact)



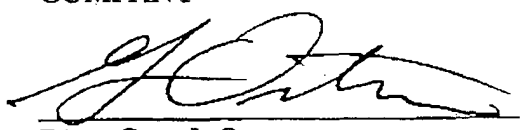
By: Gary J. Ostrow
Title: Vice President

SAFECO GENERAL AGENCY, INC.



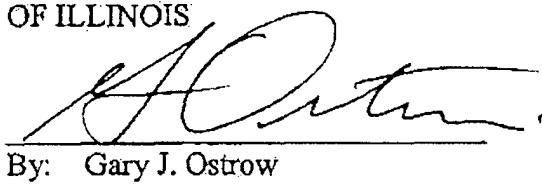
By: Gary J. Ostrow
Title: Vice President

SAFECO NATIONAL INSURANCE COMPANY



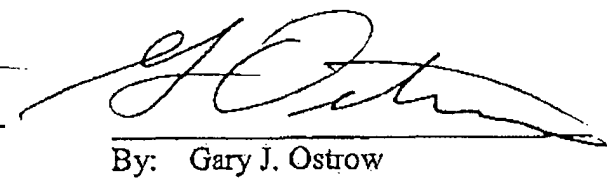
By: Gary J. Ostrow
Title: Vice President

SAFECO INSURANCE COMPANY OF ILLINOIS



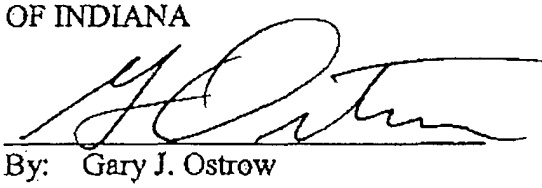
By: Gary J. Ostrow
Title: Vice President

SAFECO PROPERTIES, INC.



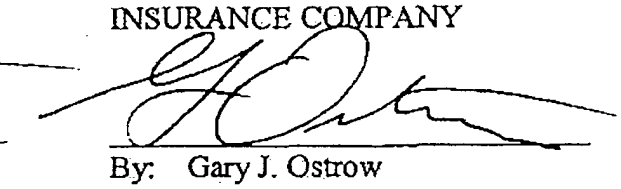
By: Gary J. Ostrow
Title: Vice President

SAFECO INSURANCE COMPANY OF INDIANA



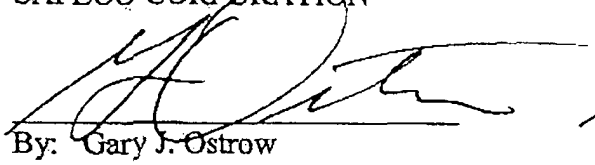
By: Gary J. Ostrow
Title: Vice President

SAFECO SURPLUS LINES INSURANCE COMPANY



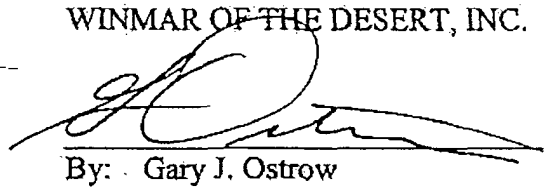
By: Gary J. Ostrow
Title: Vice President

SAFECO CORPORATION



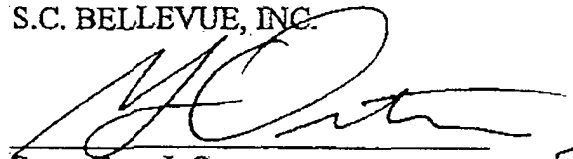
By: Gary J. Ostrow
Title: Vice President

WINMAR OF THE DESERT, INC.



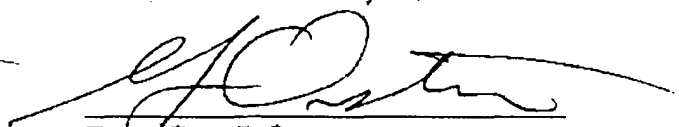
By: Gary J. Ostrow
Title: Vice President

S.C. BELLEVUE, INC.



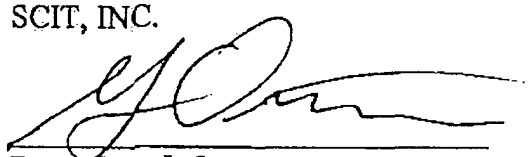
By: Gary J. Ostrow
Title: Vice President

WINMAR OREGON, INC.



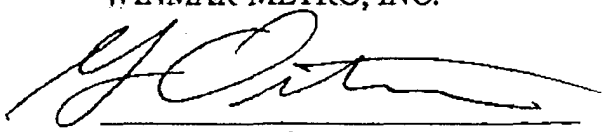
By: Gary J. Ostrow
Title: Vice President

SCIT, INC.



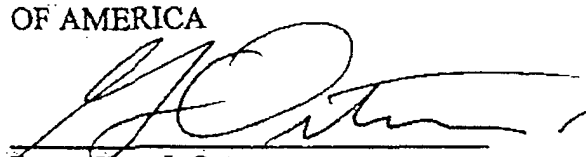
By: Gary J. Ostrow
Title: Vice President

WINMAR-METRO, INC.



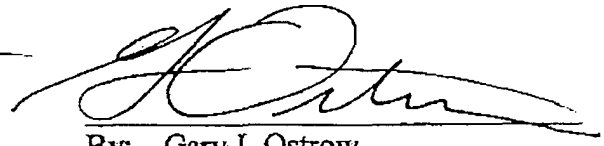
By: Gary J. Ostrow
Title: Vice President

SAFECO INSURANCE COMPANY OF AMERICA



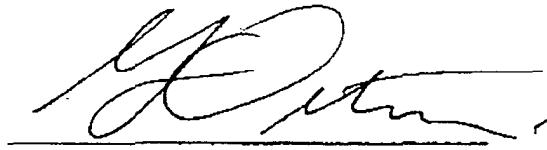
By: Gary J. Ostrow
Title: Vice President

PILOT INSURANCE SERVICES, INC.



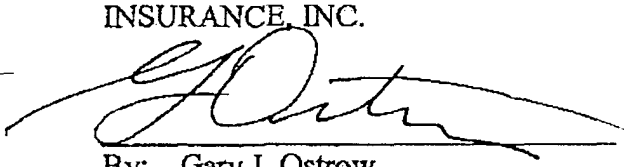
By: Gary J. Ostrow
Title: Vice President

WINMAR COMPANY, INC.



By: Gary J. Ostrow
Title: Vice President

COMMERCIAL AVIATION INSURANCE, INC.



By: Gary J. Ostrow
Title: Vice President

INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this "Agreement") is made and entered into this 1st day of July, 2011 by and between Safeco Surplus Lines Insurance Company (the "Company"), a Washington stock insurance company and Liberty Mutual Group Asset Management Inc. (the "Advisor"), a Delaware corporation.

WHEREAS, the Company desires to enter into a contract for the purpose of appointing the Advisor to manage the assets of its investment portfolios in accordance with the terms hereof; and

WHEREAS, the Advisor is willing to manage the assets of the Company's investment portfolios in accordance with the terms hereof;

NOW, THEREFORE, the Company and the Advisor hereby agree as follows:

1. **Appointment**. The Company hereby authorizes and appoints the Advisor as its investment advisor and, as its agent and attorney-in-fact, to exercise the investment discretion set forth below with respect to the assets of the Company's investment portfolios, including those accounts managed by other investment managers (collectively, the "Investment Portfolios") and the cash, securities or other property contained therein from time to time. The Company hereby authorizes and appoints the Advisor, as its agent and attorney-in-fact, to (i) execute all documentation on the Company's behalf necessary to open additional accounts in the Company's name, including any custodial or safekeeping arrangements, to facilitate investments made within the investment discretion set forth in the Investment Guidelines, as defined below or to otherwise meet the Company's regulatory requirements, and (ii) to execute all documentation on the Company's behalf, to facilitate investment in securities for the Company's Investment Portfolios.

2. **Scope of Authorization for Investment Discretion**. The Advisor shall manage the Company's Investment Portfolios in accordance with the investment policy and guidelines set forth on Appendices A and B respectively (such guidelines, the "Investment Guidelines"), as such may be amended from time-to-time by written agreement between the parties hereto. In connection therewith, the Advisor shall have full power to supervise and direct the investment and reinvestment of the cash, securities and other assets and to engage in such transactions on behalf of the Company as the Advisor may deem appropriate, in the Advisor's absolute discretion and without prior consultation with the Company, subject only to this Agreement and the Investment Guidelines. The Company hereby acknowledges that the Advisor need not seek approval prior to engaging in any transaction where such transaction complies with the terms and conditions of the Investment Guidelines. The Company acknowledges that performance objectives referred to in Appendices A and B are intended as goals and not as an assurance or guarantee of performance.

The cash and assets of the Company shall be held by third-party custodian(s) that have agreed to act as custodian(s) for the Company in accordance with the Advisor's instructions. The Advisor shall at no time maintain physical control of the Company's assets, and the Advisor shall not be liable for any act or omission of the custodian(s). The Advisor may give instructions to the custodian(s), in writing or orally. The Company shall instruct the custodian to provide the Advisor with such periodic reports concerning the status of any Company account as the Advisor may reasonably request from time to time.

In performing its duties under this Agreement, the Advisor will act in the interests of the Company, except as otherwise provided herein. The Advisor will not deal with the assets in the

Company's Account in its own interest or for its own account and, in particular, will not, without prior written consent of the Company, as principal, sell assets to, purchase assets from, or borrow money or other property from the Company's Account.

Without limiting the foregoing, the Company hereby authorizes the Advisor:

(a) to act as the Company's agent and attorney-in-fact with respect to the Company's Investment Portfolios and to have complete discretionary control over the composition of the Investment Portfolios, including the power to make such acquisitions and disposals of investments as the Advisor considers appropriate, but always in accordance with the Investment Guidelines;

(b) to issue to brokers instructions to buy or to sell or otherwise trade in or deal with any asset in the Investment Portfolios;

(c) to instruct any custodian regarding the purchase, receipt, delivery, exchange, deposit, care and safekeeping of any asset in the Investment Portfolios and to deliver any security or other asset sold, exchanged or otherwise disposed of from the Investment Portfolios;

(d) to pay any fee incurred on behalf of the Company in providing services under this Agreement, including commission expenses, attendant Securities and Exchange Commission transaction fees and National Association of Insurance Commissioners transaction fees which shall be paid from the Investment Portfolios in the conventional manner;

(e) to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize the investment management services of, any of its affiliates provided that the Advisor will be fully accountable for any acts or omissions of an affiliate pursuant to such an arrangement, as if such acts or omissions were its own;

(f) to delegate any of its investment functions, responsibilities, duties and authorities set forth herein to, or otherwise to utilize the investment management services of, any third party, subject to the provisions and requirements of Advisor's Sub Adviser Policy;

(g) to place any securities on deposit with any governmental authority as may be necessary or desirable to comply with applicable law, and to substitute other securities in their place;

(h) to perform any other act necessary or desirable to enable the Advisor to carry out its obligations under this Agreement; and

(i) unless directed otherwise by the Company, to vote proxies on behalf of the Investment Portfolios, solicited by or with respect to the issuers of securities in which the assets of the Investment Portfolios may be invested, pursuant to proxy voting guidelines maintained by the Advisor.

3. **Reports and Compliance**. Advisor shall promptly furnish to or place at the disposal of the Company, as appropriate, such information, reports, evaluations, analysis, and opinions as the Company may, at any time or from time to time, reasonably request. Additionally, Advisor shall furnish such information, reports and evaluations as the Company may from time to time reasonably request which may be necessary or appropriate in order to enable the Company to maintain oversight over the Investment Portfolios and assure compliance with the Investment Guidelines.

4. **Fees**. The Advisor shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Company shall be paid from the Investment Portfolios' assets. Fees owed to any sub adviser shall be charged directly to the Company. Compensation amounts owing between the parties shall be billed on a monthly basis and payments of amounts owing shall be made within 45 days after the end of the month.

5. **Limits on Advisor Responsibility**.

(a) The Advisor shall not be responsible for the solvency of or the performance of the obligations of any third party bank, clearing organization, broker, intermediary, nominee or agent appointed or employed by the Advisor in good faith for the performance of its duties but the Advisor shall assign to the Company such rights (if any) as the Advisor may have against such person in the event of the insolvency of any of the above or its failure properly to perform such obligations and shall give, without further compensation, such assistance as the Company may reasonably require to exercise such rights.

(b) The Advisor shall be fully protected in acting and relying upon any written advice, certificate, notice, instruction, request or other paper or document which the Advisor in good faith believes to be genuine and to have been signed or presented by an authorized person or other proper party or parties, and may assume that any person purporting to give such written advice or other paper or document has been duly authorized to do so unless contrary instructions have been delivered to the Advisor by the Company.

(c) The Advisor shall not be liable to the Company for any acts or omissions by the Advisor, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting negligence, willful misconduct or fraud on the part of the Advisor, including its employees. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 5 shall not be construed to provide for the exculpation of the Advisor or any affiliate from any liability to the extent that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 5 to the fullest extent permitted by law.

(d) The Company shall reimburse and indemnify the Advisor for, and hold it harmless against, any loss, liability or expense, including, without limit, reasonable counsel fees, incurred on the part of the Advisor arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement unless such loss, liability or expense is the result of acts or omissions by the Advisor constituting negligence, willful misconduct or fraud; provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Company may have under applicable securities or other laws.

6. **Representations and Agreements.**

(a) The Advisor represents to and agrees with the Company that:

(1) the terms of this Agreement do not violate any obligation by which the Advisor is bound, whether arising by contract, operation of law or regulation, or otherwise;

(2) this Agreement has been duly authorized, executed and delivered by the Advisor and constitutes a legal, valid and binding agreement of the Advisor enforceable in accordance with its terms, and the Advisor has full power and authority to enter into this Agreement and to perform its duties hereunder;

(3) it shall maintain at all times during the term of this Agreement competent personnel to perform the duties required of it hereunder, and the Advisor's expenses in connection therewith shall be borne by the Advisor; and

(4) the representations and warranties contained herein shall continue and remain in effect during the term of this Agreement, and, if at any time during the term of this Agreement any event occurred which would make any of these foregoing representations untrue, incomplete or inaccurate in any respect, the Advisor will promptly notify the Company of such event.

(b) The Company represents to and agrees with the Advisor that:

(1) the terms of this Agreement do not violate any obligation by which the Company is bound, whether arising by contract, operation of law or regulation, or otherwise;

(2) the Company is the sole owner of the assets covered hereby and such assets are free and clear of any and all liens and restrictions on their transfer or sale, except for applicable transfer restrictions under various securities laws;

(3) this Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding agreement of the Company enforceable in accordance with its terms, and the Company has full power and authority to enter into this Agreement and to perform its duties hereunder;

(4) the Investment Portfolios are not subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(5) it is not a "Benefit Plan Investor," as defined under ERISA;

(6) the Company will deliver or cause to be delivered to the Advisor in writing, all the information, documents and instruments that the Advisor may reasonably request in order to perform its duties hereunder; and

(7) the representations and warranties contained herein shall continue and remain in effect during the term of this Agreement, and, if at any time during the term of this Agreement any event occurred which would make any of these foregoing representations untrue, incomplete or inaccurate in any respect, the Company will promptly notify the Advisor of such event.

7. **Acknowledgements and Consents.** The Company acknowledges that:

(a) the Advisor may place orders for the execution of transactions with or through such brokers, dealers or banks as the Advisor may select in its sole discretion. In selecting such broker, Advisor will give primary consideration to obtaining the most favorable price and efficient execution. The Advisor may consider, in addition, the financial stability and reputation of brokers and dealers and the brokerage and research services (as those terms are defined in Section 28(e) of the Securities and Exchange Act of 1934, as amended) provided by brokers and dealers that may benefit the Company. The Advisor may, and is authorized to, consistent with its duty of best execution and in compliance with all applicable securities laws, pay a commission

for executing a transaction which may be greater than the amount of the commission another broker or dealer might have charged for effecting that transaction, provided that the Advisor determines in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided. Subject to the foregoing, the Company acknowledges that such research services rendered may be useful in providing services to clients other than the Company, and that not all such information will necessarily be used by the Advisor in connection with rendering services to the Company. The Company understands and agrees that it will not direct brokerage, and that the choice of brokers is in the Advisor's sole discretion;

(b) (i) the Advisor acts as adviser to other clients and may give advice, and take action, with respect to any of those clients which may differ from the advice given, or the time or nature of action taken, with respect to the Company's Account; (ii) where there is a limited supply of a security that is appropriate for multiple client accounts, the Advisor will use its best efforts to allocate or rotate investment opportunities in a fair and equitable manner, and the Company acknowledges that the Advisor cannot assure, and assumes no responsibility for, equality among all accounts and customers; (iii) affiliates of the Advisor and officers, directors and employees of the Advisor and such affiliates of the Advisor may engage in transactions, or cause or advise other customers to engage in transactions, which may differ from or be identical to transactions engaged in by the Advisor for the Investment Portfolios and the Company acknowledges that the Advisor and affiliates of the Advisor and officers, directors and employees of the Advisor and such affiliates of the Advisor may at any time acquire, increase, decrease or dispose of positions in securities or other assets which are, at the same time being acquired, held or disposed of for the Company's Account; and (iv) the Advisor shall not have any obligation to recommend any transaction or initiate the purchase or sale of any security or other asset for the Investment Portfolios which any of such affiliates or any of the officers, directors or employees of Advisor or such affiliates may engage in for their own accounts or the account of any other customer, except as otherwise required by applicable law;

(c) from time to time the Advisor may determine, in its reasonable judgment, to sell a security for the Company that certain of the Advisor's investment advisory clients or the clients of its affiliated broker-dealer wishes to buy, or buy a security that certain of the Advisor's investment advisory clients or the clients of its affiliated broker-dealer wishes to sell. Such an agency-cross transaction could result in the payment of fees to the Advisor by both the Company and such other client. By execution of this agreement, the Company authorizes and grants consent to the Advisor to participate in agency-cross transactions involving the Investment Portfolios. The Company may revoke its consent at any time by written notice to the Advisor; and

(d) the Advisor may aggregate sales and purchase orders for the Company's Account with similar orders being made concurrently for other accounts managed by the Advisor, if in the Advisor's reasonable judgment such aggregation shall result in an overall economic benefit to the Company's Account, taking into consideration the selling or purchase price, brokerage commission and other expenses; in such case the actual prices applicable to the transaction will be averaged among the accounts for which the transaction is effected, including the Company's Account.

8. **Termination**. This Agreement may be terminated by the Advisor upon 180 days written notice to the Company, and terminated by the Company at any time upon written notice to the Advisor, termination effective upon receipt of such notice by the Advisor (the "Termination Date"). Upon termination, the Advisor shall have no further investment management responsibility for assets in the Account, but shall have reasonable time, not to exceed 90 days, to

transfer assets to a custodian of the Company's selection. The fee payable to the Advisor pursuant hereto will be prorated to the Termination Date and any unearned portion of prepaid fees will be refunded to the Company.

9. **Enforceability**. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

10. **Assignment**. No assignment of this Agreement, including by operation of law, may be made by any party to this Agreement without the consent of the other parties hereto. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns. For purposes of this provision, an "assignment" shall include an assignment as such term is defined by the Investment Advisers Act of 1940 and the rules and regulations thereunder.

11. **Arbitration**. Any controversy or claim arising out of or relating to this Agreement, or the breach of the same, shall be settled by arbitration in accordance with the rules of the American Arbitration Association, or another nationally recognized arbitration association mutually agreed upon by the parties hereto. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction. All arbitration expenses shall be borne equally by the Advisor and the Company. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 11 do not constitute a waiver of any right provided by any applicable law, including the right to choose the forum, whether arbitration or adjudication, in which to seek resolution of disputes.

12. **Governing Law**. This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of The Commonwealth of Massachusetts without regard to its conflict of laws principles.

13. **Counterparts and Facsimile**. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same instrument.

14. **Entire Agreement/Amendment; Headings**. This Agreement, including the Appendices hereto, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all previous agreements, promises, representations, understandings and negotiations, whether written or oral, between the parties with respect to the subject matter hereof. This Agreement, including the Appendices hereto, may not be amended except in writing signed by each of the parties hereto. The headings in this Agreement have been inserted for convenience of reference only and shall in no way affect the meaning or interpretation of this Agreement.

15. **Status of Investment Advisor**. The Advisor shall for all purposes be an independent contractor and not an agent or employee of the Company, nor shall anything herein be construed as making the Company a partner or co-venturer with the Advisor or any of its affiliates or other clients. The Advisor shall have no authority to act for, represent, bind or obligate the Company, except as specifically provided herein.

16. **Form ADV**. The Company acknowledges that it has received and reviewed a copy of the Advisor's "Brochure" that is required to be provided under Rule 204-3 under the Investment Advisers Act of 1940.

IN WITNESS WHEREOF, the parties hereto have caused this Investment Management Agreement to be executed as of the date set forth above.

Safeco Surplus Lines Insurance Company

By: _____

Name: Michael J. Fallon
Title: Chief Financial Officer, Vice President and Treasurer

Liberty Mutual Group Asset Management Inc.

By: _____

Name: A. Alexander Fontanes
Title: President and Chief Executive Officer

Appendix A

STATEMENT OF INVESTMENT POLICY

The investment policy of the Company, like that of the other portfolios managed for the accounts of Liberty Mutual Insurance Group ("LMIG"), has been formulated with two basic tenets in mind. First, as a property and casualty insurance company, the primary purpose of the investment portfolio is to support the company's insurance operations and to be consistent with the company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as an insurance company, the preponderance of risk assumed should be in the underwriting of the company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the Advisor discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the Advisor through the authority granted by the Company's Board of Directors. The Advisor consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMIG, currently totaling over $50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMIG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Directors through the Chief Investment Officer of LMIG. All investment transactions will be reported to the Board at the regularly scheduled meetings.

Appendix B

INVESTMENT GUIDELINES

The investments will be managed on a fully discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. The Advisor may invest up to ten percent of invested assets in assets not falling within the investments authorized below provided that the investment is permitted under applicable state regulations and the transaction is reported to the Board of Directors of the Company or the authorized committee thereof at its next regularly scheduled meeting.

Table 1
Asset Category Guidelines

Asset Category	Maximum % of Invested Assets or Surplus	Limits Within Asset Category
Debt Obligations:		
U.S Government / Agency - Any Direct Obligations & Guaranteed Issues Carrying ull Faith and Credit (Includes Small Business Administration ("SBA's") and Government National Mortgage Association ("GNMA") Pass-Throughs and Commercial Mortgage Obligations ("CMOs")	Up to 100% of invested assets	None
U.S. Agencies & Government Sponsored Enterprises – Any Direct Obligations & Guaranteed Issues (Excluding Mortgage Backed Securities ("MBS") & CMOs Which are Not Full Faith & Credit	Up to 50% of invested assets	15% of invested assets per issuer
MBS & CMO of U.S. Agencies & Government Sponsored Enterprises	Up to 35% of invested assets	20% of invested assets for FNMA and 20% for FHLMC
Non-Agency / Non-Government Sponsored Enterprise Asset Based Securities ("ABS"), Commercial Mortgage Backed Securities ("CMBS") & Commercial Mortgage Loans	Up to 25% of invested assets	2% of invested assets per deal
Municipal Obligations	Up to 65% of invested assets	5% of invested assets per issuer
Corporates:		
Investment Grade (includes foreign overnments)	Up to 60% of invested assets	5% of invested assets per issuer

Noninvestment Grade (includes foreign governments)	Lesser of 10% of invested assets or 50% of surplus	0.5% of investment assets per issuer (at time of purchase) or 2% of invested assets per issuer (if due to downgrade)
Equities:		
Public Common Securities	Lesser of 10% of invested assets or 50% of surplus	2% of invested assets per issuer
Preferred Securities/Direct Investment	Up to 10% of invested assets	2% of invested assets per issuer
Limited Partnerships, LLC's or other investment fund vehicle.	Lesser of 10% of invested assets or 50% of surplus	None
Short-Term Obligations:		
Cash Equivalents or Short-Terms	Up to 100% of invested assets	None

Notwithstanding anything herein to the contrary, the portfolio will at all times be maintained in compliance with the statutes of the Company's state of domicile.

Exposure to all categories with surplus restriction will not exceed 50% of surplus.

Maturity Constraints: The duration of the Company holdings of debt obligations will be managed commensurate with the general terms of its liabilities.

Credit Quality: The overall credit quality of the Company holdings of debt obligations will not be below BBB.

Concentration Benefits: If the Company can achieve a specific monetary, regulatory, or other benefit by concentrating assets above the amounts given in these guidelines, then, if consistent with state law, the Company may exceed these guidelines upon approval by the Company's Chief Investment Officer.

OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.

2. Lending of portfolio securities will be permitted in any amount up to 40% of portfolio assets and subject to constraints and provisions as may be agreed upon in a securities lending agreement with an agent of the portfolio manager's choice or may be conducted directly by the portfolio manager. In any event, all securities lending activities will be conducted in accordance with the guidelines outlined in Addendum A, attached hereto.

3. Mortgage-Backed Securities dollar rolls will be permitted in an amount up to 25% of total holdings of eligible mortgage-backed securities.

In no event shall the aggregate amount of reverse repurchase agreements, securities lending transactions, and mortgage-backed securities dollar rolls exceed 40% of the portfolio at the time any commitments are made.

Addendum A

Securities Lending Program

The proposed lending program would be structured along the following lines:

-Lending Activity will remain secondary to the active management of the company's portfolios reflecting its role as an enhancement to portfolio income rather than an alternative investment strategy.

-Lending will be subject to the following constraints:

(1) No more than 40% of total assets holdings will be on loan at any point in time.
(2) Combined securities lending, dollar-roll, and reverse repurchase activity will not exceed 40% of total holdings.

-Exposure to any single borrower from securities lending, excluding repurchase agreements done as collateral investments will be limited to 5% of total asset holdings.

-Collateral investments other than repurchase agreements and short-term bank obligations will be restricted to security types in which the portfolios would normally invest. In addition, leveraged MBS (mortgage backed securities) products (e.g. IO's, PO's, Inverse Floaters, etc.) will be excluded as repurchase collateral.

-Collateral investments will be limited to U.S. dollar-denominated obligations. Investments of cash collateral may be made in issuers having a split short-term rating, provided that no portion of the rating is below A2/P2. Foreign issuers will be limited to banks with the further restrictions that these issuers must carry a minimum single "A" long-term rating.

-Letter of Credit will not be taken as collateral.

-Lending activity and Collateral reports will be generated on a weekly basis.

Appendix C

to

Investment Management Agreement
by and among

Safeco Surplus Lines Insurance Company
and
Liberty Mutual Group Asset Management Inc.

Compensation

Advisor shall receive a monthly management fee calculated as follows:

> {(the market value under US GAAP of all cash and securities in the Company Account on the first day of each month plus the market value under US GAAP of all cash and securities in the Company Account on the last day of that same month) divided by two} times .00015.

For the purposes of the above calculations, the market value of the securities shall be determined as of the close of business on the first and last days of each month and all cash and securities in a sub advisory account that is being charged a separate management fee shall be excluded. Fees owed to any sub adviser shall be charged directly to the Company.

Company shall be responsible for all custody related charges and wire transfer fees originating from the custody account.

QUESTIONNAIRE (FORM 8)

ATTACHMENT 4

Question #22

Reinsurance will be purchased at a corporate treaty level for the book of business. Facultative reinsurance will also be utilized for specific risks. Peerless Insurance Company is the lead reinsurer under the Reinsurance Agreement which Safeco Surplus Lines Insurance Company ("SSLIC") is party to.

Amended and Restated Reinsurance Pooling Agreement: Effective as of January 1, 2007, the January 1, 1996 Reinsurance Agreement among certain Agency Markets affiliates, an arrangement for sharing of premium, losses and expenses in order to obtain more economical operations and more uniform underwriting results, was amended and restated. The agreement also allows the parties to pay claims and other expenses and to maintain assets, including premiums and other receivables, in one or more accounts held in the name of and collected or paid by one or more of the parties on behalf of the parties.

- Endorsement Number 1 to the Amended and Restated Reinsurance Pooling Agreement, effective January 1, 2008, adds the newly-affiliated parties as a result of Liberty Mutual Group's acquisition of the former Ohio Casualty Group on August 24, 2007. Additionally, Endorsement Number 1 adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto.

- Endorsement Number 2 to the Amended and Restated Reinsurance Pooling Agreement, effective January 1, 2009, adds newly-affiliated parties including SSLIC and adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto. Endorsement Number 2 was filed with the Department on or about October 28, 2008 and approved on December 5, 2008.

- Endorsement Number 3 to the Amended and Restated Reinsurance Pooling Agreement effective January 1, 2010, removes certain companies as parties to the Pooling Agreement and reflects the change in domicile of certain of the companies that is a result of their redomestication. Endorsement Number 3 also adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto. Endorsement Number 3 was filed with the Department on or about October 29, 2009 and was not disapproved within the statutory timeframe.

- Termination Endorsement: SSLIC is party to a Termination Endorsement to the Amended and Restated Reinsurance Pooling Agreement, effective July 1, 2010, removing Montgomery Mutual Insurance Company as a party to the Pooling Agreement. A Form D filing for the Termination Endorsement was not filed with the Washington Department of Insurance as it did not meet the threshold for filing.

The above agreements and amendments are hereby attached.

AMENDED AND RESTATED
REINSURANCE POOLING AGREEMENT

AGREEMENT originally effective 12:01 a.m. 1st day of January 1996, as amended , January 1, 1999; January 1, 2001, August 12, 2002, January 1, 2003 , January 1, 2005 (the "January 1, 1996 Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"); Excelsior Insurance Company, a New Hampshire insurer ("EIC"); Indiana Insurance Company, an Indiana insurer ("IIC"); Consolidated Insurance Company, an Indiana insurer ("CIC"); America First Insurance Company, a New Hampshire ("AFIC"); and Peerless Indemnity Insurance Company (formerly Atlas Assurance Company of America, an Illinois insurer ("PIIC"); America First Lloyd's Insurance Company, a Texas Lloyd's insurer ("AFLIC"); Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a Colorado insurer ("CCIC"), Golden Eagle Insurance Corporation, a California insurer ("GEIC"), Liberty Mutual Mid-Atlantic Insurance Company (formerly Merchants and Business Men's Mutual Insurance Company), a Pennsylvania insurer ("LMMAIC"), The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Globe American Casualty Company, an Ohio insurer ("GACC"), American Ambassador Casualty Company, an Illinois insurer ("AACC"), and Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC") (collectively, referred to herein as the "COMPANIES") on the one part and Peerless Insurance Company, a New Hampshire insurer, ("PIC"); on the other part (hereinafter and together with COMPANIES called the "Parties").

THE RECITALS

A. THE PARTIES are affiliated under common ownership or control within Liberty Mutual Group.

B. THE PARTIES desire to consolidate, restate and amend the January 1, 1996 Agreement as of January 1, 2007 for the continuation of the pooling arrangement for the sharing of premium, losses and expenses under this Amended and Restated Reinsurance Pooling Agreement ("Agreement") in order to obtain more economical operations and more uniform underwriting results.

Accordingly, the Parties hereto, intending to be legally bound herby, mutually covenant and agree as follows:

ARTICLE I - DEFINITIONS

Section 101. The following terms as used herein mean:

(A) "Expenses" shall include unallocated loss adjustment expense.

(B) "Dividends" to policyholders shall be treated as expenses.

(C) "Losses" shall include allocated loss adjustment expenses.

(D) "Net Expenses" means gross expenses less ceding commission allowances under reinsurance contracts, which inure to the benefit of this Agreement.

(E) "Net Losses" shall mean gross losses less salvage, subrogation and reinsurance recoveries, which inure to the benefit of this Agreement.

(F) "Net Unearned Premiums" means gross unearned premiums, less unearned reinsurance premiums effected by the COMPANIES or PIC, as the case may be.

(G) "Net Written Premiums" means gross premiums, less reinsurance premiums effected by the COMPANIES or PIC, as the case may be, and less return premiums and cancellations.

(H) "Ultimate Net Liability" means the sum or sums each party pays, or becomes liable to pay (1) in settlement of claims or suits, or (2) in satisfaction of judgments under policies of insurance or reinsurance issued by the parties hereto.

ARTICLE II - SCOPE OF AGREEMENT

Section 201. This Agreement applies only to that portion of any insurance or reinsurance which the Parties hereto retain net for their own account; and, in calculating the amount of any loss hereunder, only loss or losses in respect of that portion of any insurance or reinsurance which the Parties hereto retain net for their own account shall be included. Nothing, however, in this section shall be construed as meaning that Losses are not recoverable hereunder until the Ultimate Net Liability has been ascertained.

Section 202. Each party to this Agreement has the right to obtain additional reinsurance ("Other Reinsurance"), whether treaty or facultative, on the risks covered under this Agreement. Except as otherwise agreed to between a COMPANY and PIC, each of the COMPANIES hereby assigns, transfers and sets over to PIC all Other Reinsurance obtained by such party, together with all rights, privileges, claims, interests and title therein and all such Other Reinsurance shall be reflected solely on the financial statements of PIC. The collectible proceeds from Other Reinsurance obtained by PIC shall inure to the benefit of this Agreement. All Other Reinsurance obtained by the COMPANIES shall apply before this Agreement, and the collectible proceeds from such Other Reinsurance shall inure to the benefit of this Agreement. The obligations of each assuming COMPANY under this Agreement shall apply without regard to any amounts of Other Reinsurance which are determined to be uncollectible.

ARTICLE III - COMPANIES CEDE TO PIC

Section 301. Losses Covered: The COMPANIES hereby cede and PIC hereby assumes 100% (one hundred percent) of the COMPANIES' Ultimate Net Liability for Net

Losses payable while this Agreement is in force.

Section 302. Reinsurance Premium: Premium to PIC for reinsurance provided in Section 301 shall be 100% (one hundred percent) of the Net Unearned Premium on each and every risk in force as of January 1, 2007 and 100% (one hundred percent) of the Net Written Premium on each and every risk assumed thereafter, by way of primary insurance, reinsurance or retrocession.

Section 303. Expense Reimbursement: PIC shall

(A) Credit the COMPANIES with a ceding commission on the Net Unearned Premium reserve transferred in accordance with Section 302 above. The ceding commission shall be in accordance with Schedule A attached hereto.

(B) Credit the COMPANIES with 100% (one hundred percent) of the amount of all Net Expenses, including but not limited to commissions on premium written, paid by the COMPANIES while this Agreement is in force, except:

(1) United States federal income taxes;

(2) Investment Expenses.

Section 304. Expense Reserve Transfer: The COMPANIES shall credit PIC with 100% (one hundred percent) of the amount of the net reserve on the books of the COMPANIES at January 1, 2007, for unpaid Expenses, excluding reserves for United States federal income taxes and Investment Expenses.

Section 305. Loss Reserve Transfer: The COMPANIES shall credit PIC with 100% (one hundred percent) of the amount of the net reserve for Losses, including incurred but not reported losses, on the books of the COMPANIES at January 1, 2007.

ARTICLE IV - PIC CEDES TO COMPANIES

Section 401. The "PIC Pool": PIC shall add business ceded to it under Article III to its own business thus forming a pool (called the "PIC Pool") which shall then be redistributed by PIC in accordance with percentage shares set forth in Schedule A.

The term "share" or "shares" as used herein means the respective percentages for each of the respective COMPANIES as set forth in Schedule A.

Section 402. Losses Covered: PIC hereby cedes and the COMPANIES hereby assume their respective shares of the PIC Pool's Ultimate Net Liability for Net Losses payable while this Agreement is in force.

Section 403. Reinsurance Premium: Premium to the COMPANIES for their respective shares of the reinsurance provided in Section 402 shall be their respective shares of the Net Unearned Premium on each and every risk in force as of January 1, 2007, and their respective shares of the Net Written Premium on each and every risk thereafter by way of primary insurance, reinsurance or retrocession.

Section 404. Expense Reimbursement: The COMPANIES shall:

(A) Credit PIC with a ceding commission in accordance with Schedule A on their respective shares of the Net Unearned Premium reserve transferred in accordance with Section 403 above.

(B) Credit PIC with their respective share of the amount of all Net Expenses, including but not limited to commissions on premiums written, paid by PIC while this Agreement is in force, except:

(1) United States federal income taxes;

(2) Investment Expenses.

Section 405. Expense Reserve Transfer: PIC shall credit the COMPANIES with their respective share of the amount of the net pooled reserve on the books of PIC at January 1, 2007, for unpaid expenses, excluding the reserve for United States federal income taxes and Investment Expenses.

Section 406. Loss Reserve Transfer: PIC shall credit the COMPANIES with their respective share of the amount of the net pooled reserve for Losses, including incurred but not reported losses, on the books of PIC at January 1, 2007.

ARTICLE V - MUTUAL RIGHTS AND OBLIGATIONS

Section 501. Original Conditions: This Agreement shall be subject in all respects to the same terms, rates, conditions, modifications, alterations and cancellations as the respective policies of insurance or reinsurance of the Parties hereto. The true intent of this Agreement being that the Parties hereto shall follow each other's fortunes.

Section 502. Errors and Omissions: The Parties hereto shall not be prejudiced in any way by inadvertent errors or omissions, provided that such errors or omissions are corrected immediately upon discovery.

Section 503. Termination: This Agreement may be terminated at any time by any of the Parties giving to the others at least 120 (one hundred and twenty) days prior notice by registered mail. In the event of termination of this Agreement as provided above, each of the Parties shall continue to participate in all liability coming within the terms of this Agreement during the termination notice period and shall remain liable up to the natural expiration date of all such business in force on the termination date of this Agreement.

Section 504. Delegation of Authority: The Parties agree that losses and expenses connected with the insurance business of the Parties hereto, including taxes on premiums, fees for licensing, advertising, losses, claims and any other expenses incurred in the conduct of the insurance business of the Parties hereto may be paid by any one or more of the Parties on behalf of any of the Parties. The Parties agree that, subject to the applicable law, the premiums and receivables connected with the insurance business or the Parties hereto may be collected by one or more of the Parties on behalf of the Parties.

Section 505. Payments:

(A) The net amount owed by each Party to the others under this Agreement shall be determined no less frequently than on a quarterly basis; and such amount shall be paid on presentation of invoice covering settlement within forty-five (45) days after the close of the accounting period to which the determination applies, provided that all accounting settlements must be made on or before the forty-eighth (48th) day following the end of each calendar quarter. Advances may be made as needed to comply with statutory requirements. Reports of premiums and losses, and payment of losses, shall be provided no less frequently than on a quarterly basis. Quarterly reports shall consist of premiums, losses, dividends, taxes and other expenses in such detail as to enable each party to comply with statutory accounting practices. Each Party shall have, and may exercise at any time and from time to time, the right to offset any balance or balances, whether on account of premiums, losses, expenses, assessments, taxes, dividends or otherwise, due from such Party to another Party under this Agreement against any balance or balances due to such Party from the same other Party under this Agreement. Further, PIC may withhold funds due to the COMPANIES with interest on such funds at a rate that is equal to the Three Month London Interbank Offered Rate (LIBOR) published in the *Wall Street Journal* at the time such funds are withheld, plus 0.20% per annum. A COMPANY may demand payment of any funds withheld from such COMPANY by PIC, together with all interest accrued thereon, at any time with thirty (30) days advance notice to PIC. Under no circumstances may PIC withhold funds from a COMPANY under this provision for a period in excess of 180 days.

(B) It is the intent of this Agreement that premiums due from agents and insureds (net of ceded reinsurance balances payable) will be pooled according to the percentages on Schedule A.

Section 506. Accounts and Reports: In lieu of the Parties hereto furnishing each other with bordereaux showing the particulars of all transactions hereunder, they shall furnish each other, as soon as practicable after the close of each calendar quarter, statistical data sufficient for the completion of Annual Statement.

Section 507 Access to Records: The Parties hereto agree that they may, upon request, inspect each other's books and all records and documents insofar they may include or affect the business ceded under this Agreement.

Section 508. Insolvency: In consideration of the continuing and reciprocal benefits that accrue hereunder to the assuming reinsurers, the assuming reinsurers hereby agree that, as

to all reinsurances made, ceded, renewed or otherwise becoming effective under this Agreement, the reinsurance shall be payable by the assuming reinsurer on the basis of the liability of the ceding insurer under contract or contracts reinsured without diminution because of the insolvency of the ceding insurer. Payments made by the assuming reinsurer shall be made directly to the ceding insurer or its conservator, liquidator, receiver or statutory successor, except (a) where the assuming reinsurer with the consent of the direct insured or insureds has assumed such policy obligations of the ceding insurer as direct obligations of the assuming reinsurer to the payees under such policies and in substitution for the obligations to the ceding insurer to such payees. The portion of any risk or obligation assumed by the reinsurer, when such portion is ascertained shall be payable on demand of the ceding insurer, at the same time as the ceding insurer shall pay its net retained portion of such risk or obligation, with reasonable provision for verification before payment.

In the event of insolvency of the ceding insurer, the conservator, liquidator, receiver or statutory successor of such ceding insurer shall give written notice to the assuming reinsurer of the pendency of the claim against the insolvent ceding insurer on the policy or bond reinsured within a reasonable time after such claim is filed in insolvency proceeding; that during the pendency of such claim the assuming reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses which it may deem available to the ceding insurer or its conservator, liquidator, receiver or statutory successor; that the expense thus incurred by the assuming reinsurer shall be chargeable, subject to court approval, against the insolvent ceding insurer as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the ceding insurer solely as a result of the defense undertaken by the assuming reinsurer.

The reinsurance shall be payable, in event of insolvency of the ceding insurer, to its conservator, liquidator, receiver or statutory successor immediately on demand, with reasonable provision for verification, on the basis of the claim or claims allowed against the insolvent ceding insurer by any court of competent jurisdiction or any justice or judge thereof, or by any conservator, liquidator, receiver or statutory successor of the company having authority to determine and allow such claim, without diminution because of such insolvency or because such conservator, liquidator, receiver or statutory successor has failed to pay all or a portion of any claim.

ARTICLE VI – ADDITIONAL PROVISIONS APPLICABLE TO CERTAIN OF THE PARTIES

Section 601. With respect to CCIC:

(A) This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado in all matters related to CCIC.

(B) In the event of termination of this Agreement by any Party, the Party terminating the Agreement will send written notice to the Colorado Commissioner of Insurance at least 90 days prior to the effective date of the termination.

Section 602. With respect to GEIC only:

Section 508 of the Agreement shall read as follows:
In the event of insolvency and the appointment of a conservator, liquidator, or statutory successor of the ceding company, the portion of any risk or obligation assumed by the reinsurer shall be payable to the conservator, liquidator, or statutory successor on the basis of claims allowed against the insolvent company by any court of competent jurisdiction or by any conservator, liquidator, or statutory successor of the company having authority to allow such claims, without diminution because of that insolvency, or because the conservator, liquidator, or statutory successor has failed to pay all or a portion of any claims. Payments by the reinsurer as set forth in this subdivision shall be made directly to the ceding insurer or to its conservator, liquidator, or statutory successor except, where the contract of insurance or reinsurance specifically provides another payee of such reinsurance in the event of the insolvency of the ceding insurer. The reinsurance contract may provide that the conservator, liquidator, or statutory successor of a ceding insurer shall give written notice of the pendency of a claim against the ceding insurer indicating the policy or bond reinsured, within a reasonable time after such claim is filed and the reinsurer may interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses, which it may deem available to the ceding insurer or its conservator, liquidator, or statutory successor. The expense thus incurred by the reinsurer shall be payable subject to court approval out of the estate of the insolvent ceding insurer as part of the expense of conservation or liquidation to the extent of a proportionate share of the benefit, which may accrue to the ceding insurer in conservation or liquidation, solely as a result of the defense undertaken by the reinsurer.

Section 603. With respect to the relationship between IIC and PIC:

(A) IIC shall submit to the jurisdiction of any court of competent jurisdiction in any state of the United States, shall comply with all requirements necessary to give the court jurisdiction, and shall abide by the final decision of the court or of any appellate court if there is an appeal.

(B) IIC shall designate the North Carolina Commissioner of Insurance or a designated attorney as its true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding begun by or on behalf of the ceding company.

Section 604. With respect to PIIC and AACC:

In the event of termination of this Agreement by any Party, the Party terminating this Agreement will send written notice to the other Parties to the Agreement and to the Illinois Director of Insurance at least 90 calendar days prior to the effective date of the termination.

ARTICLE VII – MISCELLANEOUS

Section 701.

This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute

one and the same instrument.

Section 702.

This Agreement, including any, and Schedules hereto, sets forth the entire agreement and understanding among the Parties with respect to the subject matter hereof. No other oral or written agreements or contracts relating to the risks reinsured hereunder currently exist among the parties hereto; provided, however, the January 1, 1996 Agreement, prior to consolidation, amendment and restatement, together with all Endorsements thereto, shall govern the period prior to January 1, 2007.

Section 703.

This Agreement may only be modified by an amendment to the Agreement executed by all of the Parties.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

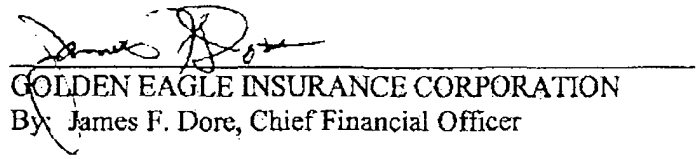
AMERICA FIRST INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

GULF STATES AIF, INC. ATTORNEY-IN-FACT FOR
AMERICA FIRST LLOYD'S INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

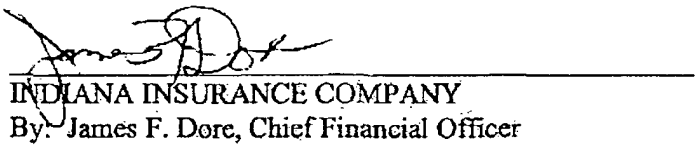
COLORADO CASUALTY INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

CONSOLIDATED INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

EXCELSIOR INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

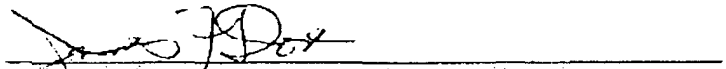


GOLDEN EAGLE INSURANCE CORPORATION
By: James F. Dore, Chief Financial Officer



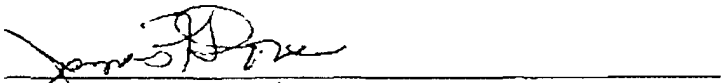
INDIANA INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY
By: James R. Pugh, Assistant Secretary

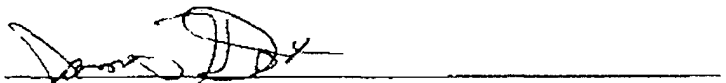


MONTGOMERY MUTUAL INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

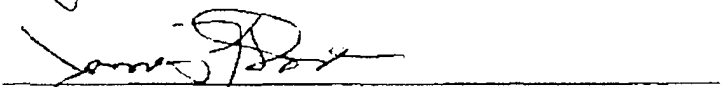
THE NETHERLANDS INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer



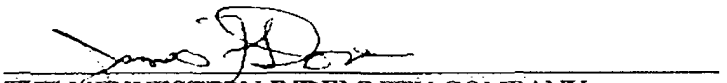
PEERLESS INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer



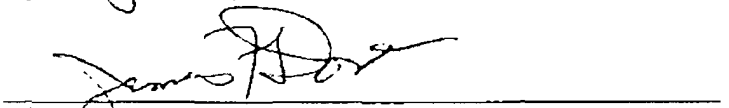
PEERLESS INDEMNITY INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer



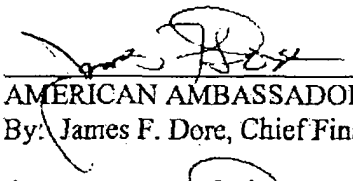
GLOBE AMERICAN CASUALTY COMPANY
By: James F. Dore, Chief Financial Officer



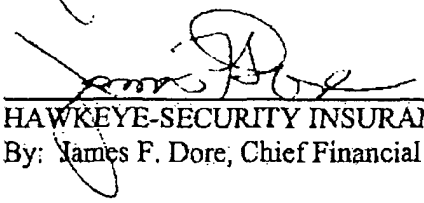
THE MIDWESTERN INDEMNITY COMPANY
By: James F. Dore, Chief Financial Officer



MID-AMERICAN FIRE & CASUALTY COMPANY
By: James F. Dore, Chief Financial Officer



AMERICAN AMBASSADOR CASUALTY COMPANY
By: James F. Dore, Chief Financial Officer



HAWKEYE-SECURITY INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

SCHEDULE A

Attached to and forming a part of the Agreement effective January 1, 2007 by and among the COMPANIES and PIC.

1. Percentage Share

America First Insurance Company	0%
America First Lloyd's Insurance Company	0%
Colorado Casualty Insurance Company	0%
Consolidated Insurance Company	0%
Excelsior Insurance Company	0%
Golden Eagle Insurance Corporation	13.25%
Indiana Insurance Company	12.25%
Liberty Mutual Mid-Atlantic Insurance Company	0%
Montgomery Mutual Insurance Company	0%
The Netherlands Insurance Company	3.27%
Peerless Indemnity Insurance Company	0.30%
The Midwestern Indemnity Company	0%
Mid-American Fire & Casualty Company	0%
Globe American Casualty Company	0%
American Ambassador Casualty Company	0%
Hawkeye-Security Insurance Company	0%
Peerless Insurance Company	70.93%

2. PIC's Ceding Commission to COMPANIES (Section 303)

An amount equal to the actual costs incurred by the respective COMPANIES for commissions, premium taxes and underwriting expenses.

3. COMPANIES' Ceding Commission to PIC (Section 404)

Each percentage share of an amount equal to the actual costs incurred by PIC for commissions, premium taxes and underwriting expenses.

ENDORSEMENT NUMBER 1
to the

Amended and Restated Reinsurance Pooling Agreement effective January 1, 2007 (the "Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"), Excelsior Insurance Company, a New Hampshire insurer ("EIC"), Indiana Insurance Company, an Indiana insurer ("IIC"), Consolidated Insurance Company, an Indiana insurer ("CIC"), America First Insurance Company, a New Hampshire insurer ("AFIC"), Peerless Indemnity Insurance Company (formerly, Atlas Assurance Company of America), an Illinois insurer ("PIIC"), America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a Colorado insurer ("CCIC"), Golden Eagle Insurance Corporation, a California insurer ("GEIC"), Liberty Mutual Mid-Atlantic Insurance Company (formerly, Merchants and Business Men's Mutual Insurance Company), a Pennsylvania insurer ("LMMAIC"), The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Globe American Casualty Company, an Ohio insurer ("Globe"), American Ambassador Casualty Company, an Illinois insurer ("AACC") and Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC") (collectively, referred to herein as the "Companies") on the one part, and Peerless Insurance Company, a New Hampshire insurer ("PIC"), on the other part (hereinafter and together with Companies, referred to as the "Parties").

NOW, THEREFORE, the Agreement is hereby amended as follows, all terms as used herein having the same meaning as in the Agreement:

1. The Ohio Casualty Insurance Company, an Ohio insurer ("OCIC"), Ohio Security Insurance Company, an Ohio insurer ("OSIC"), West American Insurance Company, an Indiana insurer ("WAIC"), Avomark Insurance Company, an Indiana insurer ("AIC"), Ohio Casualty of New Jersey, Inc., an Ohio insurer ("OCNJ"), American Fire and Casualty Company, an Ohio insurer ("AFCC") and National Insurance Association ("NIA"), an Indiana reciprocal insurer, are affiliates of the Parties and are hereby added as parties to the Agreement and shall be hereinafter included in within the term "Companies" as it is used within the Agreement.

2. Item Number 1 of Schedule A of the Agreement is amended to read as follows:

1. <u>Percentage Shares</u>

America First Insurance Company	0%
America First Lloyd's Insurance Company	0%
American Ambassador Casualty Company	0%
Colorado Casualty Insurance Company	0%
Consolidated Insurance Company	0%
Excelsior Insurance Company	0%
Globe American Casualty Company	0%

Golden Eagle Insurance Corporation	7%
Hawkeye-Security Insurance Company	0%
Indiana Insurance Company	8%
Liberty Mutual Mid-Atlantic Insurance Company	0%
Mid-American Fire & Casualty Company	0%
Montgomery Mutual Insurance Company	0%
The Midwestern Indemnity Company	0%
The Netherlands Insurance Company	3%
Peerless Indemnity Insurance Company	5%
Peerless Insurance Company	42%
National Insurance Association	0%
The Ohio Casualty Insurance Company	34%
Avomark Insurance Company	0%
West American Insurance Company	0%
American Fire and Casualty Company	1%
Ohio Security Insurance Company	0%
Ohio Casualty of New Jersey, Inc.	0%

3. As soon as practicable following the effective date of this Endorsement Number 1, each Party shall sell, assign, transfer and deliver to the others, as applicable, all such assets, funds and/or investments as may be necessary, appropriate and/or convenient to properly reflect and effect the asset and liability transfers contemplated by the amendments to the Agreement effected by this Endorsement Number 1.

4. This Endorsement Number 1 shall be effective as of 12:01 A.M., Eastern Time, on January 1, 2008 (the "Effective Date"), and shall remain in force unless modified by mutual agreement or terminated in accordance with the Agreement.

5. Notwithstanding the provisions of Item 4 above, this Endorsement Number 1 shall not be effective until all necessary regulatory approvals for the transactions contemplated hereby have been received.

6. This Endorsement Number 1 may be executed in counterparts of like form, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute one and the same instrument.

7. Except as provided herein, the terms and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Endorsement Number 1 to be executed and delivered by their duly authorized officers as of the Effective Date.

AMERICA FIRST INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

AMERICA FIRST LLOYD'S INSURANCE COMPANY
BY GULF STATES AIF, INC., ITS ATTORNEY-IN-FACT

By: James F. Dore, Chief Financial Officer

COLORADO CASUALTY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

CONSOLIDATED INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

EXCELSIOR INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION

By: James F. Dore, Chief Financial Officer

INDIANA INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY (formerly MERCHANTS AND BUSINESS MEN'S MUTUAL INSURANCE COMPANY)

By: James R. Pugh, Assistant Secretary

MONTGOMERY MUTUAL INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

THE NETHERLANDS INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

PEERLESS INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

THE MIDWESTERN INDEMNITY COMPANY

By: James F. Dore, Chief Financial Officer

MID-AMERICAN FIRE & CASUALTY COMPANY

By: James F. Dore, Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY

By: James F. Dore, Chief Financial Officer

AMERICAN AMBASSADOR CASUALTY COMPANY

By: James F. Dore, Chief Financial Officer

HAWKEYE-SECURITY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

NATIONAL INSURANCE ASSOCIATION
BY THE NATIONAL CORPORATION, ITS ATTORNEY-IN-FACT

By: James F. Dore, Chief Financial Officer

THE OHIO CASUALTY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

AMERICAN FIRE AND CASUALTY COMPANY

By: James F. Dore, Chief Financial Officer

OHIO SECURITY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

WEST AMERICAN INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

AVOMARK INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

OHIO CASUALTY OF NEW JERSEY, INC.

By: James F. Dore, Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

ENDORSEMENT NUMBER 2
to the

Amended and Restated Reinsurance Pooling Agreement effective January 1, 2007, as amended January 1, 2008 (the "Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"), Excelsior Insurance Company, a New Hampshire insurer ("EIC"), Indiana Insurance Company, an Indiana insurer ("IIC"), Consolidated Insurance Company, an Indiana insurer ("CIC"), America First Insurance Company, a New Hampshire insurer ("AFIC"), Peerless Indemnity Insurance Company (formerly, Atlas Assurance Company of America), an Illinois insurer ("PIIC"), America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a Colorado insurer ("CCIC"), Golden Eagle Insurance Corporation, a California insurer ("GEIC"), Liberty Mutual Mid-Atlantic Insurance Company (formerly, Merchants and Business Men's Mutual Insurance Company), a Pennsylvania insurer ("LMMAIC"), The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Globe American Casualty Company, an Ohio insurer ("Globe"), American Ambassador Casualty Company, an Illinois insurer ("AACC"), Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC"), The Ohio Casualty Insurance Company, an Ohio insurer ("OCIC"), Ohio Security Insurance Company, an Ohio insurer ("OSIC"), West American Insurance Company, an Indiana insurer ("WAIC"), Avomark Insurance Company, an Indiana insurer ("AIC"), Ohio Casualty of New Jersey, Inc., an Ohio insurer ("OCNJ"), American Fire and Casualty Company, an Ohio insurer ("AFCC") and National Insurance Association ("NIA"), an Indiana reciprocal insurer, (collectively, referred to herein as the "Companies") on the one part, and Peerless Insurance Company, a New Hampshire insurer ("PIC"), on the other part (hereinafter and together with Companies, referred to as the "Parties").

NOW, THEREFORE, the Agreement is hereby amended as follows, all terms as used herein having the same meaning as in the Agreement:

1. Insurance Company of Illinois, an Illinois insurer ("ICI"), Safeco Insurance Company of Illinois, an Illinois insurer ("SICIL"), American Economy Insurance Company, an Indiana insurer ("AEIC"), American States Insurance Company, an Indiana insurer ("ASIC"), American States Preferred Insurance Company, an Indiana insurer ("ASPIC"), Safeco Insurance Company of Indiana, an Indiana insurer ("SICIN"), Safeco National Insurance Company, a Missouri insurer ("SNIC"), Safeco Insurance Company of Oregon, an Oregon insurer ("SICO"), American States Insurance Company of Texas, a Texas insurer ("ASICT"), American States Lloyds Insurance Company, a Texas Lloyd's company ("ASLIC"), Safeco Lloyds Insurance Company, a Texas Lloyd's company ("SLIC"), First National Insurance Company of America, a Washington insurer ("FNICA"), General Insurance Company of America, a Washington insurer ("GICA"), Safeco Insurance Company of America, a Washington insurer ("SICA"), and Safeco Surplus Lines Insurance Company ("SSLIC"), a Washington insurer, are affiliates of the Parties and are hereby added as parties to the Agreement and shall be hereinafter included within the terms "Companies" and "Parties" as they are used within the Agreement.

2. Article III, Section 303 is deleted in its entirety and replaced with the following new Section 303:

Section 303. Expense Reimbursement: PIC shall

Credit the COMPANIES with 100% (one hundred percent) of the amount of all Net Expenses, including but not limited to commissions on premium written, paid by the COMPANIES while this Agreement is in force, except:

(1) United States federal income taxes;
(2) Investment Expenses.

3. Article IV, Section 404 is deleted in its entirety and replaced with the following new Section 404:

Section 404. Expense Reimbursement: The COMPANIES shall:

Credit PIC with their respective share of the amount of all Net Expenses, including but not limited to commissions on premiums written, paid by PIC while this Agreement is in force, except:

(1) United States federal income taxes;
(2) Investment Expenses.

4. Article V, Section 505(A) is deleted in its entirety and replaced with the following new Section 505(A):

Section 505. Payments:

(A) The net amount owed by each Party to the others under this Agreement shall be determined no less frequently than on a quarterly basis; and such amount shall be paid on presentation of invoice covering settlement within forty-five(45) days after the close of the accounting period to which the determination applies, provided that all accounting settlements must be made on or before the forty-eighth (48th) day following the end of each calendar quarter. Each Party shall have, and may exercise at any time and from time to time, the right to offset any balance or balances, whether on account of premiums, losses, expenses, assessments, taxes, dividends or otherwise, due from such Party to another Party under this Agreement against any balance or balances due to such Party from the same other Party under this Agreement. Further, PIC may withhold funds due to the COMPANIES with interest on such funds at a rate that is equal to the Three Month London Interbank Offered Rate (LIBOR) published in the *Wall Street Journal* at the time such funds are withheld, plus 0.20% per annum. A COMPANY may demand payment of any funds withheld from such COMPANY by PIC, together with all interest accrued thereon, at any time with thirty (30) days advance notice to PIC. Under no circumstances may PIC withhold funds from a COMPANY under this provision for a period in excess of 180 days.

5. Article V, Section 506 is deleted in its entirety and replaced with the following new Section 506:

Section 506. Accounts and Reports: In lieu of the Parties hereto furnishing each other with bordereaux or other reports, they shall furnish each other, as soon as practicable after the close of each calendar quarter, accounting and statistical data sufficient to enable each party to comply with statutory accounting practices and for the completion of the Annual Statement.

6. Article VI, Section 604 is deleted in its entirety and replaced with the following new Section 604:

Section 604. With respect to entities domiciled in the State of Illinois: In the event of termination of this Agreement by any Party, the Party terminating this Agreement will send written notice to the other Parties to the Agreement and to the Illinois Director of Insurance at least 90 calendar days prior to the effective date of the termination.

7. Schedule A of the Agreement is deleted in its entirety and replaced with the following new Schedule A:

SCHEDULE A

Attached to and forming a part of the Agreement effective January 1, 2009 by and among the COMPANIES and PIC

America First Insurance Company	0.00%
America First Lloyd's Insurance Company	0.00%
American Ambassador Casualty Company	0.00%
Colorado Casualty Insurance Company	0.00%
Consolidated Insurance Company	0.00%
Excelsior Insurance Company	0.00%
Globe American Casualty Company	0.00%
Golden Eagle Insurance Corporation	3.00%
Hawkeye-Security Insurance Company	0.00%
Indiana Insurance Company	4.80%
Liberty Mutual Mid-Atlantic Insurance Company	0.00%
Mid-American Fire & Casualty Company	0.00%
The Midwestern Indemnity Company	0.00%
Montgomery Mutual Insurance Company	0.00%
The Netherlands Insurance Company	1.80%
Peerless Indemnity Insurance Company	3.00%
Peerless Insurance Company	25.20%
National Insurance Association	0.00%
The Ohio Casualty Insurance Company	20.40%
Avomark Insurance Company	0.00%
West American Insurance Company	0.00%
American Fire and Casualty Company	0.60%
Ohio Security Insurance Company	0.00%
Ohio Casualty of New Jersey, Inc.	0.00%
Insurance Company of Illinois	0.00%
Safeco Insurance Company of Illinois	2.00%
American Economy Insurance Company	5.60%
American States Insurance Company	7.60%
American States Preferred Insurance Company	0.80%
Safeco Insurance Company of Indiana	0.00%
Safeco National Insurance Company	0.00%
Safeco Insurance Company of Oregon	0.00%
American States Lloyds Insurance Company	0.00%
Safeco Lloyds Insurance Company	0.00%
First National Insurance Company of America	0.80%
General Insurance Company of America	9.20%
Safeco Insurance Company of America	15.20%
Safeco Surplus Lines Insurance Company	0.00%
American States Insurance Company of Texas	0.00%

8. As soon as practicable following the effective date of this Endorsement Number 2, each Party shall sell, assign, transfer and deliver to the others, as applicable, all such assets, funds and/or investments as may be necessary, appropriate and/or convenient to properly reflect and effect the asset and liability transfers contemplated by the amendments to the Agreement effected by this Endorsement Number 2.

9. This Endorsement Number 2 shall be effective as of 12:01 A.M. on January 1, 2009 (the "Effective Date") and shall remain in force unless modified by mutual agreement or terminated in accordance with the Agreement.

10. Notwithstanding the provisions of Item 4 above, this Endorsement Number 2 shall not be effective until all necessary regulatory approvals for the transactions contemplated hereby have been received.

11. This Endorsement Number 2 may be executed in counterparts of like form, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute one and the same instrument.

12. Except as provided herein, the terms and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Endorsement Number 2 to be executed and delivered by their duly authorized officers as of the Effective Date.

AMERICA FIRST INSURANCE COMPANY

Michael J. Fallon

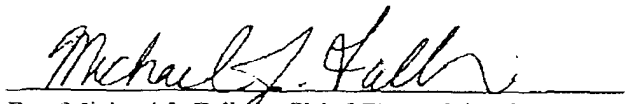
By: Michael J. Fallon, Chief Financial Officer

AMERICA FIRST LLOYD'S INSURANCE COMPANY
BY GULF STATES AIF, INC., ITS ATTORNEY-IN-FACT

Michael J. Fallon

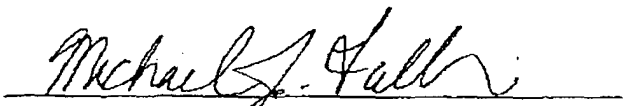
By: Michael J. Fallon, Chief Financial Officer

AMERICAN AMBASSADOR CASUALTY COMPANY



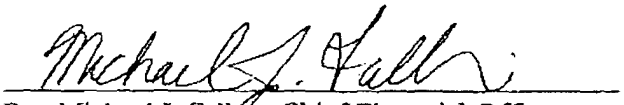
By: Michael J. Fallon, Chief Financial Officer

AMERICAN ECONOMY INSURANCE COMPANY



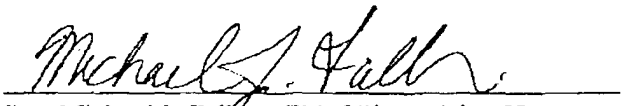
By: Michael J. Fallon, Chief Financial Officer

AMERICAN FIRE AND CASUALTY COMPANY



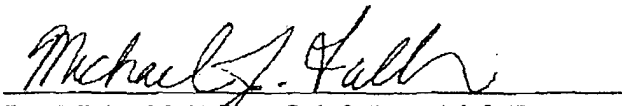
By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES INSURANCE COMPANY



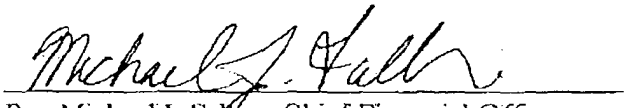
By: Michael J. Fallon, Chief Financial Officer

AMERICAN-STATES INSURANCE COMPANY OF TEXAS



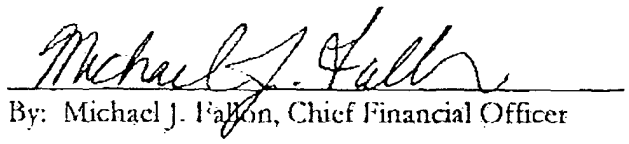
By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT



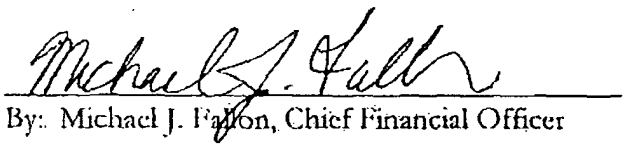
By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES PREFERRED INSURANCE COMPANY



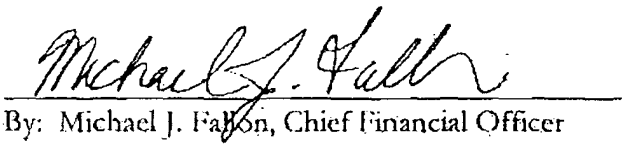
By: Michael J. Fallon, Chief Financial Officer

AVOMARK INSURANCE COMPANY



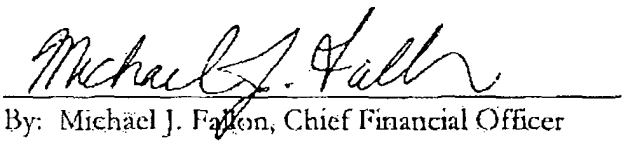
By: Michael J. Fallon, Chief Financial Officer

COLORADO CASUALTY INSURANCE COMPANY



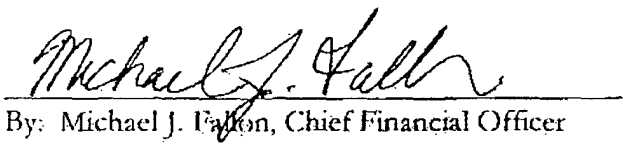
By: Michael J. Fallon, Chief Financial Officer

CONSOLIDATED INSURANCE COMPANY



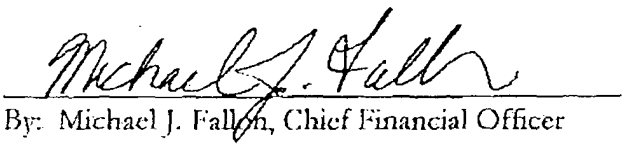
By: Michael J. Fallon, Chief Financial Officer

EXCELSIOR INSURANCE COMPANY



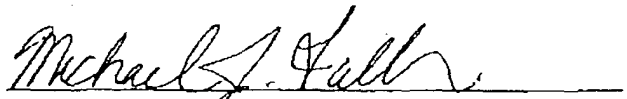
By: Michael J. Fallon, Chief Financial Officer

FIRST NATIONAL INSURANCE COMPANY OF AMERICA



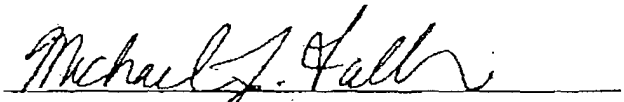
By: Michael J. Fallon, Chief Financial Officer

GENERAL INSURANCE COMPANY OF AMERICA



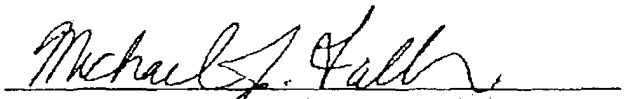
By: Michael J. Fallon, Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY



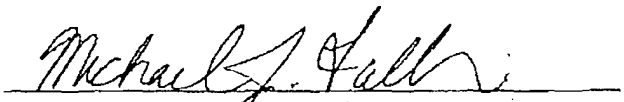
By: Michael J. Fallon, Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION



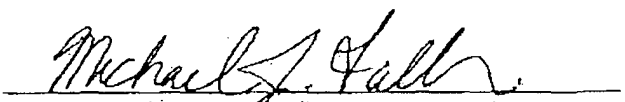
By: Michael J. Fallon, Chief Financial Officer

HAWKEYE-SECURITY INSURANCE COMPANY



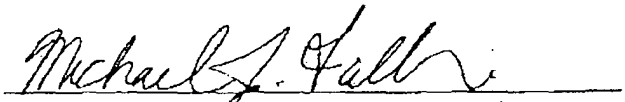
By: Michael J. Fallon, Chief Financial Officer

INDIANA INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial Officer

INSURANCE COMPANY OF ILLINOIS



By: Michael J. Fallon, Chief Financial Officer

LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY (formerly MERCHANTS AND BUSINESS MEN'S MUTUAL INSURANCE COMPANY)

By: Michael J. Fallon, Chief Financial Officer

MID-AMERICAN FIRE & CASUALTY COMPANY

By: Michael J. Fallon, Chief Financial Officer

MONTGOMERY MUTUAL INSURANCE COMPANY

By: Michael J. Fallon, Chief Financial Officer

NATIONAL INSURANCE ASSOCIATION
BY THE NATIONAL CORPORATION, ITS ATTORNEY-IN-FACT

By: Michael J. Fallon, Chief Financial Officer

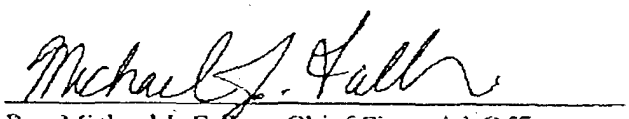
OHIO CASUALTY OF NEW JERSEY, INC.

By: Michael J. Fallon, Chief Financial Officer

OHIO SECURITY INSURANCE COMPANY

By: Michael J. Fallon, Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY



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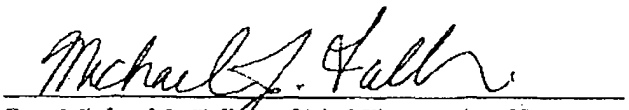
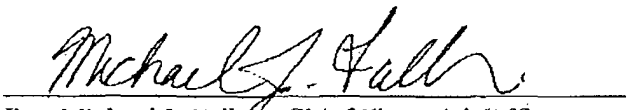
PEERLESS INSURANCE COMPANY



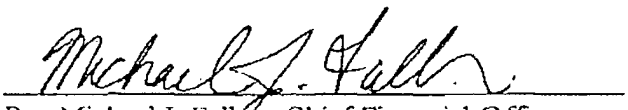
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF AMERICA



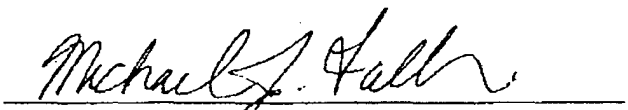
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF ILLINOIS



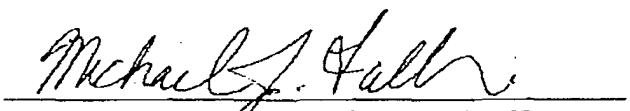
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF INDIANA



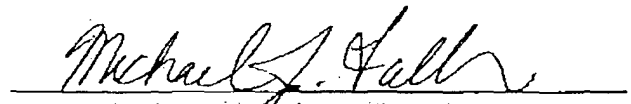
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF OREGON



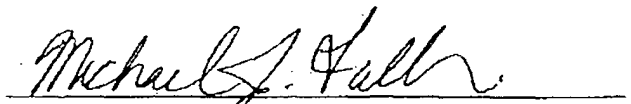
By: Michael J. Fallon, Chief Financial Officer

SAFECO LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT



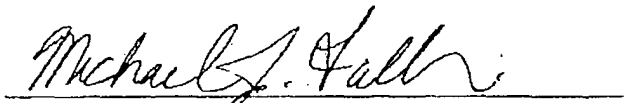
By: Michael J. Fallon, Chief Financial Officer

SAFECO NATIONAL INSURANCE COMPANY



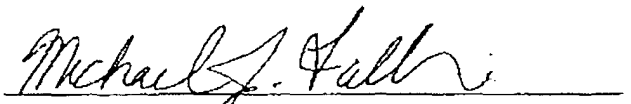
By: Michael J. Fallon, Chief Financial Officer

SAFECO SURPLUS LINES INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial Officer

THE MIDWESTERN INDEMNITY COMPANY

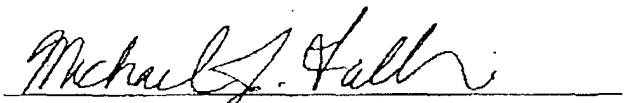


By: Michael J. Fallon, Chief Financial Officer

THE NETHERLANDS INSURANCE COMPANY

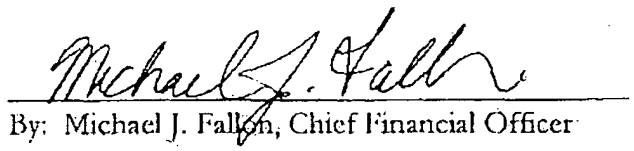
By: Michael J. Fallon, Chief Financial Officer

THE OHIO CASUALTY INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial Officer

WEST AMERICAN INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial Officer

ENDORSEMENT NUMBER 3
to the

Amended and Restated Reinsurance Pooling Agreement effective January 1, 2007, as amended January 1, 2008 (the "Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"), Excelsior Insurance Company, a New Hampshire insurer ("EIC"), Indiana Insurance Company, an Indiana insurer ("IIC"), Consolidated Insurance Company, an Indiana insurer ("CIC"), America First Insurance Company, a New Hampshire insurer ("AFIC"), Peerless Indemnity Insurance Company (formerly, Atlas Assurance Company of America), an Illinois insurer ("PIIC"), America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a Colorado insurer ("CCIC"), Golden Eagle Insurance Corporation, a California insurer ("GEIC"), Liberty Mutual Mid-Atlantic Insurance Company (formerly, Merchants and Business Men's Mutual Insurance Company), a Pennsylvania insurer ("LMMAIC"), The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Globe American Casualty Company, an Ohio insurer ("Globe"), American Ambassador Casualty Company, an Illinois insurer ("AACC"), Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC"), The Ohio Casualty Insurance Company, an Ohio insurer ("OCIC"), Ohio Security Insurance Company, an Ohio insurer ("OSIC"), West American Insurance Company, an Indiana insurer ("WAIC"), Avomark Insurance Company, an Indiana insurer ("AIC"), Ohio Casualty of New Jersey, Inc., an Ohio insurer ("OCNJ"), American Fire and Casualty Company, an Ohio insurer ("AFCC") and National Insurance Association ("NIA"), an Indiana reciprocal insurer, Insurance Company of Illinois, an Illinois insurer ("ICIL"),Safeco Insurance Company of Illinois, an Illinois insurer ("SICIL"), American Economy Insurance Company, an Indiana insurer ("AEIC"), American States Insurance Company, an Indiana insurer ("ASIC"), American States Preferred Insurance Company, an Indiana insurer ("ASPIC"), Safeco Insurance Company of Indiana, an Indiana insurer ("SICIN"), Safeco National Insurance Company, a Missouri insurer ("SNIC"), Safeco Insurance Company of Oregon, an Oregon insurer ("SICO"), American States Insurance Company of Texas, a Texas insurer ("ASICT"), American States Lloyds Insurance Company, a Texas Lloyd's company ("ASLIC"), Safeco Lloyds Insurance Company, a Texas Lloyd's company ("SLIC"), First National Insurance Company of America, a Washington insurer ("FNICA"), General Insurance Company of America, a Washington insurer ("GICA"), Safeco Insurance Company of America, a Washington insurer ("SICA"), and Safeco Surplus Lines Insurance Company ("SSLIC"), a Washington insurer, (collectively, referred to herein as the "Companies") on the one part, and Peerless Insurance Company, a New Hampshire insurer ("PIC"), on the other part (hereinafter and together with Companies, referred to as the "Parties").

NOW, THEREFORE, the Agreement is hereby amended as follows, all terms as used herein having the same meaning as in the Agreement:

1. Insurance Company of Illinois, an Illinois insurer and Liberty Mutual Mid-Atlantic Insurance Company, a Pennsylvania insurer, are removed as parties to the Agreement effective December 31, 2009.

2. Effective September 17, 2009, Ohio Casualty of New Jersey, Inc., an Ohio insurer, merged with and into The Ohio Casualty Insurance Company, an Ohio insurer, and is removed as a party to this Agreement.

3. Effective October 1, 2009, Colorado Casualty Insurance Company, formerly a Colorado insurer, and Safeco National Insurance Company, formerly a Missouri insurer, redomesticated to New Hampshire.

4. Effective October 21, 2009, American Ambassador Casualty Company, an Illinois insurer, merged with and into Peerless Indemnity Insurance Company, an Illinois insurer, and is removed as a party to this Agreement.

5. Effective January 1, 2010,Schedule A of the Agreement is deleted in its entirety and replaced with the following new Schedule A:

SCHEDULE A

Attached to and forming a part of the Agreement effective January 1, 2010 by and among the COMPANIES and PIC.

America First Insurance Company	0.00%
America First Lloyd's Insurance Company	0.00%
Colorado Casualty Insurance Company	0.00%
Consolidated Insurance Company	0.00%
Excelsior Insurance Company	0.00%
Globe American Casualty Company	0.00%
Golden Eagle Insurance Corporation	3.00%
Hawkeye-Security Insurance Company	0.00%
Indiana Insurance Company	4.80%
Mid-American Fire & Casualty Company	0.00%
The Midwestern Indemnity Company	0.00%
Montgomery Mutual Insurance Company	0.00%
The Netherlands Insurance Company	1.80%
Peerless Indemnity Insurance Company	3.00%
Peerless Insurance Company	25.20%
National Insurance Association	0.00%
The Ohio Casualty Insurance Company	20.40%
Avomark Insurance Company	0.00%
West American Insurance Company	0.00%
American Fire and Casualty Company	0.60%
Ohio Security Insurance Company	0.00%
Safeco Insurance Company of Illinois	2.00%
American Economy Insurance Company	5.60%
American States Insurance Company	7.60%
American States Preferred Insurance Company	0.80%
Safeco Insurance Company of Indiana	0.00%
Safeco National Insurance Company	0.00%
Safeco Insurance Company of Oregon	0.00%
American States Lloyds Insurance Company	0.00%
Safeco Lloyds Insurance Company	0.00%
First National Insurance Company of America	0.80%
General Insurance Company of America	9.20%
Safeco Insurance Company of America	15.20%
Safeco Surplus Lines Insurance Company	0.00%
American States Insurance Company of Texas	0.00%

6. As soon as practicable following the effective date of this Endorsement Number 3, each Party shall sell, assign, transfer and deliver to the others, as applicable, all such assets, funds and/or investments as may be necessary, appropriate and/or convenient to properly reflect and effect the asset and liability transfers contemplated by the amendments to the Agreement effected by this Endorsement Number 3.

7. This Endorsement Number 3 shall be effective as of 12:01 A.M. on January 1, 2010 (the "Effective Date") and shall remain in force unless modified by mutual agreement or terminated in accordance with the Agreement.

8. Notwithstanding the provisions of Item 4 above, this Endorsement Number 3 shall not be effective until all necessary regulatory approvals for the transactions contemplated hereby have been received.

9. This Endorsement Number 3 may be executed in counterparts of like form, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute one and the same instrument.

10. Except as provided herein, the terms and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Endorsement Number 3 to be executed and delivered by their duly authorized officers as of the Effective Date.

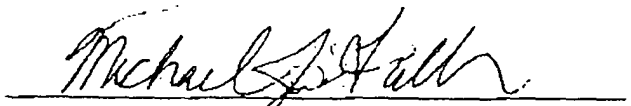
AMERICA FIRST INSURANCE COMPANY

By: Michael J. Fallon, Chief Financial Officer

AMERICA FIRST LLOYD'S INSURANCE COMPANY
BY GULF STATES AIF, INC., ITS ATTORNEY-IN-FACT

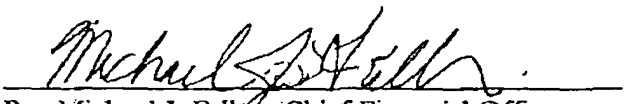
By: Michael J. Fallon, Chief Financial Officer

AMERICAN ECONOMY INSURANCE COMPANY



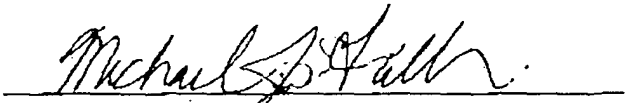
By: Michael J. Fallon, Chief Financial Officer

AMERICAN FIRE AND CASUALTY COMPANY



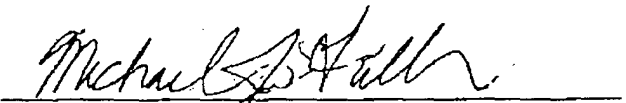
By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES INSURANCE COMPANY



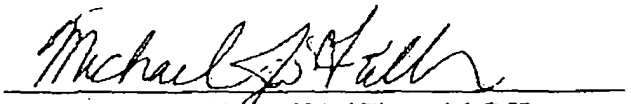
By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES INSURANCE COMPANY OF TEXAS



By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT

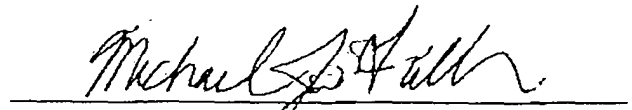


By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES PREFERRED INSURANCE COMPANY

By: Michael J. Fallon, Chief Financial Officer

AVOMARK INSURANCE COMPANY



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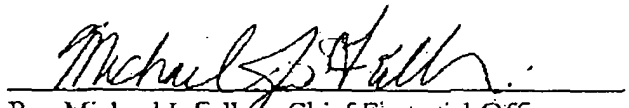
COLORADO CASUALTY INSURANCE COMPANY



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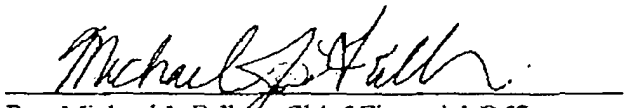
CONSOLIDATED INSURANCE COMPANY



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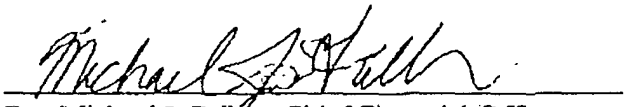
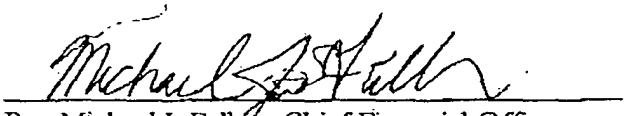
EXCELSIOR INSURANCE COMPANY



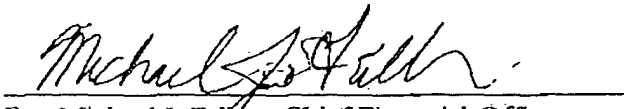
By: Michael J. Fallon, Chief Financial Officer

FIRST NATIONAL INSURANCE COMPANY OF AMERICA



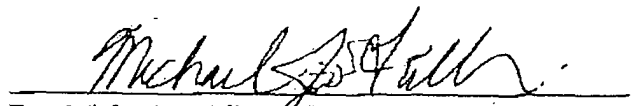
By: Michael J. Fallon, Chief Financial Officer

GENERAL INSURANCE COMPANY OF AMERICA



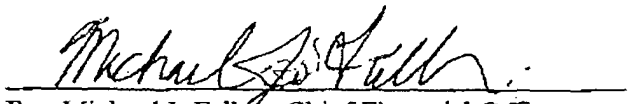
By: Michael J. Fallon, Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY



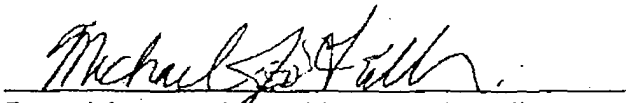
By: Michael J. Fallon, Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION



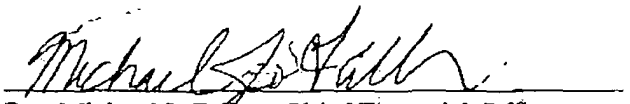
By: Michael J. Fallon, Chief Financial Officer

HAWKEYE-SECURITY INSURANCE COMPANY



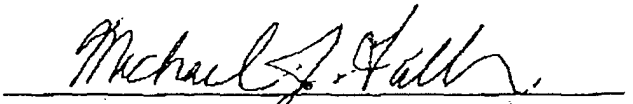
By: Michael J. Fallon, Chief Financial Officer

INDIANA INSURANCE COMPANY



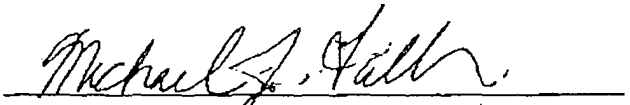
By: Michael J. Fallon, Chief Financial Officer

INSURANCE COMPANY OF ILLINOIS



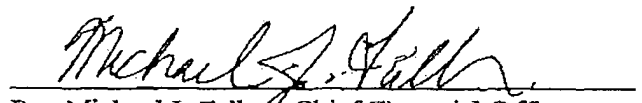
By: Michael J. Fallon, Chief Financial Officer

LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY (formerly MERCHANTS AND BUSINESS MEN'S MUTUAL INSURANCE COMPANY)



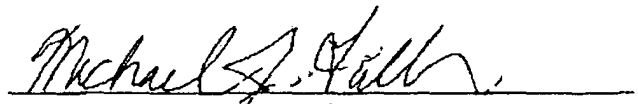
By: Michael J. Fallon, Chief Financial Officer

MID-AMERICAN FIRE & CASUALTY COMPANY



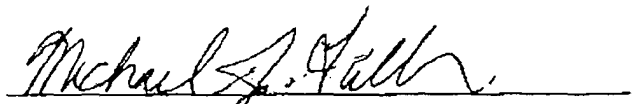
By: Michael J. Fallon, Chief Financial Officer

MONTGOMERY MUTUAL INSURANCE COMPANY



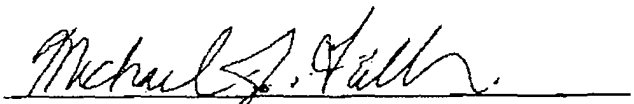
By: Michael J. Fallon, Chief Financial Officer

NATIONAL INSURANCE ASSOCIATION
BY THE NATIONAL CORPORATION, ITS ATTORNEY-IN-FACT



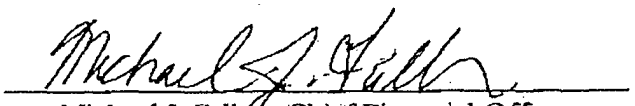
By: Michael J. Fallon, Chief Financial Officer

OHIO SECURITY INSURANCE COMPANY



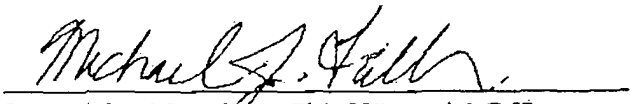
By: Michael J. Fallon, Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY



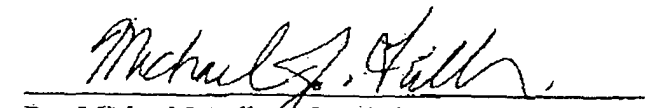
By: Michael J. Fallon, Chief Financial Officer

PEERLESS INSURANCE COMPANY



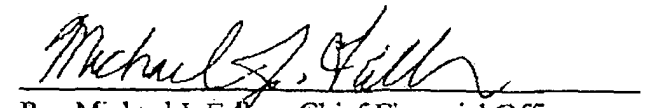
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF AMERICA



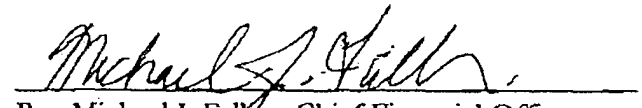
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF ILLINOIS



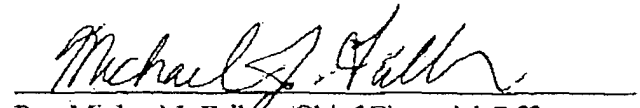
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF INDIANA



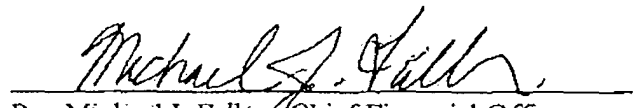
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF OREGON



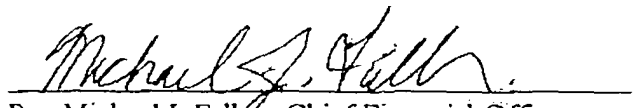
By: Michael J. Fallon, Chief Financial Officer

SAFECO LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT



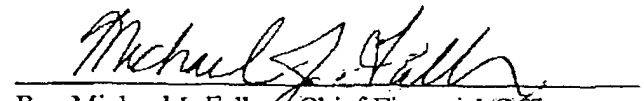
By: Michael J. Fallon, Chief Financial Officer

SAFECO NATIONAL INSURANCE COMPANY



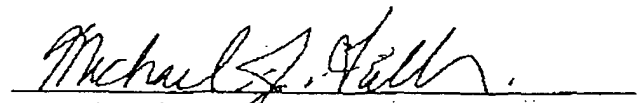
By: Michael J. Fallon, Chief Financial Officer

SAFECO SURPLUS LINES INSURANCE COMPANY



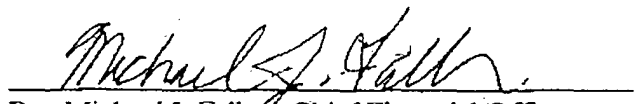
By: Michael J. Fallon, Chief Financial Officer

THE MIDWESTERN INDEMNITY COMPANY



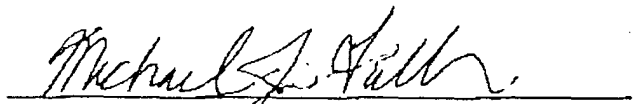
By: Michael J. Fallon, Chief Financial Officer

THE NETHERLANDS INSURANCE COMPANY



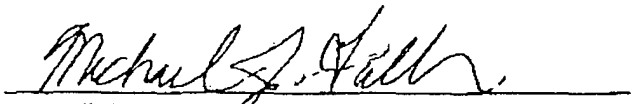
By: Michael J. Fallon, Chief Financial Officer

THE OHIO CASUALTY INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial Officer

WEST AMERICAN INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial Officer

TERMINATION ENDORSEMENT
to the

Amended and Restated Reinsurance Pooling Agreement effective January 1, 2007, as amended January 1, 2008 and January 1, 2009 (the "Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"), Excelsior Insurance Company, a New Hampshire insurer ("EIC"), Indiana Insurance Company, an Indiana insurer ("IIC"), Consolidated Insurance Company, an Indiana insurer ("CIC"), America First Insurance Company, a New Hampshire insurer ("AFIC"), Peerless Indemnity Insurance Company (formerly, Atlas Assurance Company of America), an Illinois insurer ("PIIC"), America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a New Hampshire insurer ("CCIC"), Golden Eagle Insurance Corporation, a New Hampshire insurer ("GEIC"),, The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC"), The Ohio Casualty Insurance Company, an Ohio insurer ("OCIC"), Ohio Security Insurance Company, an Ohio insurer ("OSIC"), West American Insurance Company, an Indiana insurer ("WAIC"), American Fire and Casualty Company, an Ohio insurer ("AFCC") and National Insurance Association ("NIA"), an Indiana reciprocal insurer, Safeco Insurance Company of Illinois, an Illinois insurer ("SICIL"), American Economy Insurance Company, an Indiana insurer ("AEIC"), American States Insurance Company, an Indiana insurer ("ASIC"), American States Preferred Insurance Company, an Indiana insurer ("ASPIC"), Safeco Insurance Company of Indiana, an Indiana insurer ("SICIN"), Safeco National Insurance Company, a New Hampshire insurer ("SNIC"), Safeco Insurance Company of Oregon, an Oregon insurer ("SICO"), American States Insurance Company of Texas, a Texas insurer ("ASICT"), American States Lloyds Insurance Company, a Texas Lloyd's company ("ASLIC"), Safeco Lloyds Insurance Company, a Texas Lloyd's company ("SLIC"), First National Insurance Company of America, a Washington insurer ("FNICA"), General Insurance Company of America, a Washington insurer ("GICA"), Safeco Insurance Company of America, a Washington insurer ("SICA"), and Safeco Surplus Lines Insurance Company ("SSLIC"), a Washington insurer, (collectively, referred to herein as the "Companies") on the one part, and Peerless Insurance Company, a New Hampshire insurer ("PIC"), on the other part (hereinafter and together with Companies, referred to as the "Parties").

NOW, THEREFORE, the Agreement is hereby amended as follows, all terms as used herein having the same meaning as in the Agreement:

1. Montgomery Mutual Insurance Company, a Maryland mutual insurance company is removed as a party to the Agreement effective July 1, 2010 with respect to in-force, new and renewal policies.

2. As soon as practicable following the effective date of this Endorsement Number 4, each Party shall sell, assign, transfer and deliver to the others, as applicable, all such assets, funds and/or investments as may be necessary, appropriate and/or

convenient to properly reflect and effect the asset and liability transfers contemplated by the amendments to the Agreement effected by this Termination Endorsement.

3. This Termination Endorsement shall be effective as of 12:01 A.M. on July 1, 2010 (the "Effective Date") and shall remain in force unless modified by mutual agreement or terminated in accordance with the Agreement.

4. Notwithstanding the provisions of Item 3 above, this Termination Endorsement shall not be effective until all necessary regulatory approvals for the transactions contemplated hereby have been received.

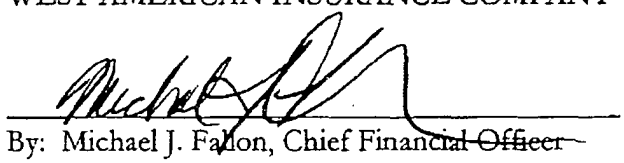
5. This Termination Endorsement may be executed in counterparts of like form, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute one and the same instrument.

6. Except as provided herein, the terms and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Termination Endorsement to be executed and delivered by their duly authorized officers as of the Effective Date.

AMERICA FIRST INSURANCE COMPANY
AMERICA FIRST LLOYD'S INSURANCE COMPANY
BY GULF STATES AIF, INC., ITS ATTORNEY-IN-FACT
AMERICAN ECONOMY INSURANCE COMPANY
AMERICAN FIRE AND CASUALTY COMPANY
AMERICAN STATES INSURANCE COMPANY
AMERICAN STATES INSURANCE COMPANY OF TEXAS
AMERICAN STATES LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT
AMERICAN STATES PREFERRED INSURANCE COMPANY
COLORADO CASUALTY INSURANCE COMPANY
CONSOLIDATED INSURANCE COMPANY
EXCELSIOR INSURANCE COMPANY
FIRST NATIONAL INSURANCE COMPANY OF AMERICA
GENERAL INSURANCE COMPANY OF AMERICA
GOLDEN EAGLE INSURANCE CORPORATION
HAWKEYE-SECURITY INSURANCE COMPANY
INDIANA INSURANCE COMPANY
MID-AMERICAN FIRE & CASUALTY COMPANY
MONTGOMERY MUTUAL INSURANCE COMPANY
NATIONAL INSURANCE ASSOCIATION
BY THE NATIONAL CORPORATION, ITS ATTORNEY-IN-FACT
OHIO SECURITY INSURANCE COMPANY

PEERLESS INDEMNITY INSURANCE COMPANY
PEERLESS INSURANCE COMPANY
SAFECO INSURANCE COMPANY OF AMERICA
SAFECO INSURANCE COMPANY OF ILLINOIS
SAFECO INSURANCE COMPANY OF INDIANA
SAFECO INSURANCE COMPANY OF OREGON
SAFECO LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT
SAFECO NATIONAL INSURANCE COMPANY
SAFECO SURPLUS LINES INSURANCE COMPANY
THE MIDWESTERN INDEMNITY COMPANY
THE NETHERLANDS INSURANCE COMPANY
THE OHIO CASUALTY INSURANCE COMPANY
WEST AMERICAN INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial ~~Officer~~

Applicant Name: Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

QUESTIONNAIRE (FORM 8)

ATTACHMENT 5

Question #23 A and B

Investment Management Agreement: SSLIC is a party to a separate Investment Management Agreement with Liberty Mutual Group Asset Management Inc.("LMGAM") dated July 1, 2011 . Pursuant to the Investment Management Agreement, LMGAM manages and invests certain assets on behalf of the Registrant in designated asset sectors in accordance with the Registrant's investment policies and guidelines.

The above agreement and any amendments thereto are hereby attached.

INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this "Agreement") is made and entered into this 1st day of July, 2011 by and between Safeco Surplus Lines Insurance Company (the "Company"), a Washington stock insurance company and Liberty Mutual Group Asset Management Inc. (the "Advisor"), a Delaware corporation.

WHEREAS, the Company desires to enter into a contract for the purpose of appointing the Advisor to manage the assets of its investment portfolios in accordance with the terms hereof; and

WHEREAS, the Advisor is willing to manage the assets of the Company's investment portfolios in accordance with the terms hereof;

NOW, THEREFORE, the Company and the Advisor hereby agree as follows:

1. **Appointment**. The Company hereby authorizes and appoints the Advisor as its investment advisor and, as its agent and attorney-in-fact, to exercise the investment discretion set forth below with respect to the assets of the Company's investment portfolios, including those accounts managed by other investment managers (collectively, the "Investment Portfolios") and the cash, securities or other property contained therein from time to time. The Company hereby authorizes and appoints the Advisor, as its agent and attorney-in-fact, to (i) execute all documentation on the Company's behalf necessary to open additional accounts in the Company's name, including any custodial or safekeeping arrangements, to facilitate investments made within the investment discretion set forth in the Investment Guidelines, as defined below or to otherwise meet the Company's regulatory requirements, and (ii) to execute all documentation on the Company's behalf, to facilitate investment in securities for the Company's Investment Portfolios.

2. **Scope of Authorization for Investment Discretion**. The Advisor shall manage the Company's Investment Portfolios in accordance with the investment policy and guidelines set forth on Appendices A and B respectively (such guidelines, the "Investment Guidelines"), as such may be amended from time-to-time by written agreement between the parties hereto. In connection therewith, the Advisor shall have full power to supervise and direct the investment and reinvestment of the cash, securities and other assets and to engage in such transactions on behalf of the Company as the Advisor may deem appropriate, in the Advisor's absolute discretion and without prior consultation with the Company, subject only to this Agreement and the Investment Guidelines. The Company hereby acknowledges that the Advisor need not seek approval prior to engaging in any transaction where such transaction complies with the terms and conditions of the Investment Guidelines. The Company acknowledges that performance objectives referred to in Appendices A and B are intended as goals and not as an assurance or guarantee of performance.

The cash and assets of the Company shall be held by third-party custodian(s) that have agreed to act as custodian(s) for the Company in accordance with the Advisor's instructions. The Advisor shall at no time maintain physical control of the Company's assets, and the Advisor shall not be liable for any act or omission of the custodian(s). The Advisor may give instructions to the custodian(s), in writing or orally. The Company shall instruct the custodian to provide the Advisor with such periodic reports concerning the status of any Company account as the Advisor may reasonably request from time to time.

In performing its duties under this Agreement, the Advisor will act in the interests of the Company, except as otherwise provided herein. The Advisor will not deal with the assets in the

Company's Account in its own interest or for its own account and, in particular, will not, without prior written consent of the Company, as principal, sell assets to, purchase assets from, or borrow money or other property from the Company's Account.

Without limiting the foregoing, the Company hereby authorizes the Advisor:

(a) to act as the Company's agent and attorney-in-fact with respect to the Company's Investment Portfolios and to have complete discretionary control over the composition of the Investment Portfolios, including the power to make such acquisitions and disposals of investments as the Advisor considers appropriate, but always in accordance with the Investment Guidelines;

(b) to issue to brokers instructions to buy or to sell or otherwise trade in or deal with any asset in the Investment Portfolios;

(c) to instruct any custodian regarding the purchase, receipt, delivery, exchange, deposit, care and safekeeping of any asset in the Investment Portfolios and to deliver any security or other asset sold, exchanged or otherwise disposed of from the Investment Portfolios;

(d) to pay any fee incurred on behalf of the Company in providing services under this Agreement, including commission expenses, attendant Securities and Exchange Commission transaction fees and National Association of Insurance Commissioners transaction fees which shall be paid from the Investment Portfolios in the conventional manner;

(e) to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize the investment management services of, any of its affiliates provided that the Advisor will be fully accountable for any acts or omissions of an affiliate pursuant to such an arrangement, as if such acts or omissions were its own;

(f) to delegate any of its investment functions, responsibilities, duties and authorities set forth herein to, or otherwise to utilize the investment management services of, any third party, subject to the provisions and requirements of Advisor's Sub Adviser Policy;

(g) to place any securities on deposit with any governmental authority as may be necessary or desirable to comply with applicable law, and to substitute other securities in their place;

(h) to perform any other act necessary or desirable to enable the Advisor to carry out its obligations under this Agreement; and

(i) unless directed otherwise by the Company, to vote proxies on behalf of the Investment Portfolios, solicited by or with respect to the issuers of securities in which the assets of the Investment Portfolios may be invested, pursuant to proxy voting guidelines maintained by the Advisor.

3. **Reports and Compliance**. Advisor shall promptly furnish to or place at the disposal of the Company, as appropriate, such information, reports, evaluations, analysis, and opinions as the Company may, at any time or from time to time, reasonably request. Additionally, Advisor shall furnish such information, reports and evaluations as the Company may from time to time reasonably request which may be necessary or appropriate in order to enable the Company to maintain oversight over the Investment Portfolios and assure compliance with the Investment Guidelines.

4. **Fees**. The Advisor shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Company shall be paid from the Investment Portfolios' assets. Fees owed to any sub adviser shall be charged directly to the Company. Compensation amounts owing between the parties shall be billed on a monthly basis and payments of amounts owing shall be made within 45 days after the end of the month.

5. **Limits on Advisor Responsibility**.

(a) The Advisor shall not be responsible for the solvency of or the performance of the obligations of any third party bank, clearing organization, broker, intermediary, nominee or agent appointed or employed by the Advisor in good faith for the performance of its duties but the Advisor shall assign to the Company such rights (if any) as the Advisor may have against such person in the event of the insolvency of any of the above or its failure properly to perform such obligations and shall give, without further compensation, such assistance as the Company may reasonably require to exercise such rights.

(b) The Advisor shall be fully protected in acting and relying upon any written advice, certificate, notice, instruction, request or other paper or document which the Advisor in good faith believes to be genuine and to have been signed or presented by an authorized person or other proper party or parties, and may assume that any person purporting to give such written advice or other paper or document has been duly authorized to do so unless contrary instructions have been delivered to the Advisor by the Company.

(c) The Advisor shall not be liable to the Company for any acts or omissions by the Advisor, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting negligence, willful misconduct or fraud on the part of the Advisor, including its employees. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 5 shall not be construed to provide for the exculpation of the Advisor or any affiliate from any liability to the extent that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 5 to the fullest extent permitted by law.

(d) The Company shall reimburse and indemnify the Advisor for, and hold it harmless against, any loss, liability or expense, including, without limit, reasonable counsel fees, incurred on the part of the Advisor arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement unless such loss, liability or expense is the result of acts or omissions by the Advisor constituting negligence, willful misconduct or fraud; provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Company may have under applicable securities or other laws.

6. **Representations and Agreements.**

(a) The Advisor represents to and agrees with the Company that:

(1) the terms of this Agreement do not violate any obligation by which the Advisor is bound, whether arising by contract, operation of law or regulation, or otherwise;

(2) this Agreement has been duly authorized, executed and delivered by the Advisor and constitutes a legal, valid and binding agreement of the Advisor enforceable in accordance with its terms, and the Advisor has full power and authority to enter into this Agreement and to perform its duties hereunder;

(3) it shall maintain at all times during the term of this Agreement competent personnel to perform the duties required of it hereunder, and the Advisor's expenses in connection therewith shall be borne by the Advisor; and

(4) the representations and warranties contained herein shall continue and remain in effect during the term of this Agreement, and, if at any time during the term of this Agreement any event occurred which would make any of these foregoing representations untrue, incomplete or inaccurate in any respect, the Advisor will promptly notify the Company of such event.

(b) The Company represents to and agrees with the Advisor that:

(1) the terms of this Agreement do not violate any obligation by which the Company is bound, whether arising by contract, operation of law or regulation, or otherwise;

(2) the Company is the sole owner of the assets covered hereby and such assets are free and clear of any and all liens and restrictions on their transfer or sale, except for applicable transfer restrictions under various securities laws;

(3) this Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding agreement of the Company enforceable in accordance with its terms, and the Company has full power and authority to enter into this Agreement and to perform its duties hereunder;

(4) the Investment Portfolios are not subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(5) it is not a "Benefit Plan Investor," as defined under ERISA;

(6) the Company will deliver or cause to be delivered to the Advisor in writing, all the information, documents and instruments that the Advisor may reasonably request in order to perform its duties hereunder; and

(7) the representations and warranties contained herein shall continue and remain in effect during the term of this Agreement, and, if at any time during the term of this Agreement any event occurred which would make any of these foregoing representations untrue, incomplete or inaccurate in any respect, the Company will promptly notify the Advisor of such event.

7. **Acknowledgements and Consents.** The Company acknowledges that:

(a) the Advisor may place orders for the execution of transactions with or through such brokers, dealers or banks as the Advisor may select in its sole discretion. In selecting such broker, Advisor will give primary consideration to obtaining the most favorable price and efficient execution. The Advisor may consider, in addition, the financial stability and reputation of brokers and dealers and the brokerage and research services (as those terms are defined in Section 28(e) of the Securities and Exchange Act of 1934, as amended) provided by brokers and dealers that may benefit the Company. The Advisor may, and is authorized to, consistent with its duty of best execution and in compliance with all applicable securities laws, pay a commission

for executing a transaction which may be greater than the amount of the commission another broker or dealer might have charged for effecting that transaction, provided that the Advisor determines in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided. Subject to the foregoing, the Company acknowledges that such research services rendered may be useful in providing services to clients other than the Company, and that not all such information will necessarily be used by the Advisor in connection with rendering services to the Company. The Company understands and agrees that it will not direct brokerage, and that the choice of brokers is in the Advisor's sole discretion;

(b) (i) the Advisor acts as adviser to other clients and may give advice, and take action, with respect to any of those clients which may differ from the advice given, or the time or nature of action taken, with respect to the Company's Account; (ii) where there is a limited supply of a security that is appropriate for multiple client accounts, the Advisor will use its best efforts to allocate or rotate investment opportunities in a fair and equitable manner, and the Company acknowledges that the Advisor cannot assure, and assumes no responsibility for, equality among all accounts and customers; (iii) affiliates of the Advisor and officers, directors and employees of the Advisor and such affiliates of the Advisor may engage in transactions, or cause or advise other customers to engage in transactions, which may differ from or be identical to transactions engaged in by the Advisor for the Investment Portfolios and the Company acknowledges that the Advisor and affiliates of the Advisor and officers, directors and employees of the Advisor and such affiliates of the Advisor may at any time acquire, increase, decrease or dispose of positions in securities or other assets which are, at the same time being acquired, held or disposed of for the Company's Account; and (iv) the Advisor shall not have any obligation to recommend any transaction or initiate the purchase or sale of any security or other asset for the Investment Portfolios which any of such affiliates or any of the officers, directors or employees of Advisor or such affiliates may engage in for their own accounts or the account of any other customer, except as otherwise required by applicable law;

(c) from time to time the Advisor may determine, in its reasonable judgment, to sell a security for the Company that certain of the Advisor's investment advisory clients or the clients of its affiliated broker-dealer wishes to buy, or buy a security that certain of the Advisor's investment advisory clients or the clients of its affiliated broker-dealer wishes to sell. Such an agency-cross transaction could result in the payment of fees to the Advisor by both the Company and such other client. By execution of this agreement, the Company authorizes and grants consent to the Advisor to participate in agency-cross transactions involving the Investment Portfolios. The Company may revoke its consent at any time by written notice to the Advisor; and

(d) the Advisor may aggregate sales and purchase orders for the Company's Account with similar orders being made concurrently for other accounts managed by the Advisor, if in the Advisor's reasonable judgment such aggregation shall result in an overall economic benefit to the Company's Account, taking into consideration the selling or purchase price, brokerage commission and other expenses; in such case the actual prices applicable to the transaction will be averaged among the accounts for which the transaction is effected, including the Company's Account.

8. **Termination**. This Agreement may be terminated by the Advisor upon 180 days written notice to the Company, and terminated by the Company at any time upon written notice to the Advisor, termination effective upon receipt of such notice by the Advisor (the "Termination Date"). Upon termination, the Advisor shall have no further investment management responsibility for assets in the Account, but shall have reasonable time, not to exceed 90 days, to

transfer assets to a custodian of the Company's selection. The fee payable to the Advisor pursuant hereto will be prorated to the Termination Date and any unearned portion of prepaid fees will be refunded to the Company.

9. **Enforceability**. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

10. **Assignment**. No assignment of this Agreement, including by operation of law, may be made by any party to this Agreement without the consent of the other parties hereto. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns. For purposes of this provision, an "assignment" shall include an assignment as such term is defined by the Investment Advisers Act of 1940 and the rules and regulations thereunder.

11. **Arbitration**. Any controversy or claim arising out of or relating to this Agreement, or the breach of the same, shall be settled by arbitration in accordance with the rules of the American Arbitration Association, or another nationally recognized arbitration association mutually agreed upon by the parties hereto. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction. All arbitration expenses shall be borne equally by the Advisor and the Company. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 11 do not constitute a waiver of any right provided by any applicable law, including the right to choose the forum, whether arbitration or adjudication, in which to seek resolution of disputes.

12. **Governing Law**. This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of The Commonwealth of Massachusetts without regard to its conflict of laws principles.

13. **Counterparts and Facsimile**. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same instrument.

14. **Entire Agreement/Amendment; Headings**. This Agreement, including the Appendices hereto, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all previous agreements, promises, representations, understandings and negotiations, whether written or oral, between the parties with respect to the subject matter hereof. This Agreement, including the Appendices hereto, may not be amended except in writing signed by each of the parties hereto. The headings in this Agreement have been inserted for convenience of reference only and shall in no way affect the meaning or interpretation of this Agreement.

15. **Status of Investment Advisor**. The Advisor shall for all purposes be an independent contractor and not an agent or employee of the Company, nor shall anything herein be construed as making the Company a partner or co-venturer with the Advisor or any of its affiliates or other clients. The Advisor shall have no authority to act for, represent, bind or obligate the Company, except as specifically provided herein.

16. **Form ADV**. The Company acknowledges that it has received and reviewed a copy of the Advisor's "Brochure" that is required to be provided under Rule 204-3 under the Investment Advisers Act of 1940.

IN WITNESS WHEREOF, the parties hereto have caused this Investment Management Agreement to be executed as of the date set forth above.

Safeco Surplus Lines Insurance Company

By: _____

Name: Michael J. Fallon
Title: Chief Financial Officer, Vice President and Treasurer

Liberty Mutual Group Asset Management Inc.

By: _____

Name: A. Alexander Fontanes
Title: President and Chief Executive Officer

Appendix A

STATEMENT OF INVESTMENT POLICY

The investment policy of the Company, like that of the other portfolios managed for the accounts of Liberty Mutual Insurance Group ("LMIG"), has been formulated with two basic tenets in mind. First, as a property and casualty insurance company, the primary purpose of the investment portfolio is to support the company's insurance operations and to be consistent with the company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as an insurance company, the preponderance of risk assumed should be in the underwriting of the company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the Advisor discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the Advisor through the authority granted by the Company's Board of Directors. The Advisor consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMIG, currently totaling over $50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMIG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Directors through the Chief Investment Officer of LMIG. All investment transactions will be reported to the Board at the regularly scheduled meetings.

Appendix B

INVESTMENT GUIDELINES

The investments will be managed on a fully discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. The Advisor may invest up to ten percent of invested assets in assets not falling within the investments authorized below provided that the investment is permitted under applicable state regulations and the transaction is reported to the Board of Directors of the Company or the authorized committee thereof at its next regularly scheduled meeting.

Table 1
Asset Category Guidelines

Asset Category	Maximum % of Invested Assets or Surplus	Limits Within Asset Category
Debt Obligations:		
U.S Government / Agency - Any Direct Obligations & Guaranteed Issues Carrying Full Faith and Credit (Includes Small Business Administration ("SBA's") and Government National Mortgage Association ("GNMA") Pass-Throughs and Commercial Mortgage Obligations ("CMOs")	Up to 100% of invested assets	None
U.S. Agencies & Government Sponsored Enterprises – Any Direct Obligations & Guaranteed Issues (Excluding Mortgage Backed Securities ("MBS") & CMOs Which are Not Full Faith & Credit	Up to 50% of invested assets	15% of invested assets per issuer
MBS & CMO of U.S. Agencies & Government Sponsored Enterprises	Up to 35% of invested assets	20% of invested assets for FNMA and 20% for FHLMC
Non-Agency / Non-Government Sponsored Enterprise Asset Based Securities ("ABS"), Commercial Mortgage Backed Securities ("CMBS") & Commercial Mortgage Loans	Up to 25% of invested assets	2% of invested assets per deal
Municipal Obligations	Up to 65% of invested assets	5% of invested assets per issuer
Corporates:		
Investment Grade (includes foreign governments)	Up to 60% of invested assets	5% of invested assets per issuer

Noninvestment Grade (includes foreign governments)	Lesser of 10% of invested assets or 50% of surplus	0.5% of investment assets per issuer (at time of purchase) or 2% of invested assets per issuer (if due to downgrade)
Equities:		
Public Common Securities	Lesser of 10% of invested assets or 50% of surplus	2% of invested assets per issuer
Preferred Securities/Direct Investment	Up to 10% of invested assets	2% of invested assets per issuer
Limited Partnerships, LLC's or other investment fund vehicle.	Lesser of 10% of invested assets or 50% of surplus	None
Short-Term Obligations:		
Cash Equivalents or Short-Terms	Up to 100% of invested assets	None

Notwithstanding anything herein to the contrary, the portfolio will at all times be maintained in compliance with the statutes of the Company's state of domicile.

Exposure to all categories with surplus restriction will not exceed 50% of surplus.

Maturity Constraints: The duration of the Company holdings of debt obligations will be managed commensurate with the general terms of its liabilities.

Credit Quality: The overall credit quality of the Company holdings of debt obligations will not be below BBB.

Concentration Benefits: If the Company can achieve a specific monetary, regulatory, or other benefit by concentrating assets above the amounts given in these guidelines, then, if consistent with state law, the Company may exceed these guidelines upon approval by the Company's Chief Investment Officer.

OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.

2. Lending of portfolio securities will be permitted in any amount up to 40% of portfolio assets and subject to constraints and provisions as may be agreed upon in a securities lending agreement with an agent of the portfolio manager's choice or may be conducted directly by the portfolio manager. In any event, all securities lending activities will be conducted in accordance with the guidelines outlined in Addendum A, attached hereto.

3. Mortgage-Backed Securities dollar rolls will be permitted in an amount up to 25% of total holdings of eligible mortgage-backed securities.

In no event shall the aggregate amount of reverse repurchase agreements, securities lending transactions, and mortgage-backed securities dollar rolls exceed 40% of the portfolio at the time any commitments are made.

Addendum A

Securities Lending Program

The proposed lending program would be structured along the following lines:

-Lending Activity will remain secondary to the active management of the company's portfolios reflecting its role as an enhancement to portfolio income rather than an alternative investment strategy.

-Lending will be subject to the following constraints:

(1) No more than 40% of total assets holdings will be on loan at any point in time.
(2) Combined securities lending, dollar-roll, and reverse repurchase activity will not exceed 40% of total holdings.

-Exposure to any single borrower from securities lending, excluding repurchase agreements done as collateral investments will be limited to 5% of total asset holdings.

-Collateral investments other than repurchase agreements and short-term bank obligations will be restricted to security types in which the portfolios would normally invest. In addition, leveraged MBS (mortgage backed securities) products (e.g. IO's, PO's, Inverse Floaters, etc.) will be excluded as repurchase collateral.

-Collateral investments will be limited to U.S. dollar-denominated obligations. Investments of cash collateral may be made in issuers having a split short-term rating, provided that no portion of the rating is below A2/P2. Foreign issuers will be limited to banks with the further restrictions that these issuers must carry a minimum single "A" long-term rating.

-Letter of Credit will not be taken as collateral.

-Lending activity and Collateral reports will be generated on a weekly basis.

Appendix C

to

Investment Management Agreement
by and among

Safeco Surplus Lines Insurance Company
and
Liberty Mutual Group Asset Management Inc.

Compensation

Advisor shall receive a monthly management fee calculated as follows:

> {(the market value under US GAAP of all cash and securities in the Company Account on the first day of each month plus the market value under US GAAP of all cash and securities in the Company Account on the last day of that same month) divided by two} times .00015.

For the purposes of the above calculations, the market value of the securities shall be determined as of the close of business on the first and last days of each month and all cash and securities in a sub advisory account that is being charged a separate management fee shall be excluded. Fees owed to any sub adviser shall be charged directly to the Company.

Company shall be responsible for all custody related charges and wire transfer fees originating from the custody account.

Pro-forma

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No.11100
FEIN: 91-1231536

Primary UCAA Application

Item 6. Pro-Forma financial projections.

Safeco Surplus Lines Insurance Company

Three-year pro-forma financial projections

The attached three-year pro-forma financial projections have been prepared solely in connection with the above noted entity's application to transfer its State of domicile from Washington to New Hampshire, which include the required filing of these financials as part of Item 6 of the Uniform Certificate of Authority Application ("Item 6").

These pro-forma financial projections are forward looking statements that have been prepared in accordance with the statutory accounting principles prescribed by the National Association of Insurance Commissioners for insurance entities ("SAP") and not in conformity with accounting principles generally accepted in the United States ("GAAP"). Further, these projections have been prepared solely for compliance with Item 6 and include estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change; actual results could be materially different.

Some of the factors that could cause actual results to differ include, but are not limited to the following: the occurrence of catastrophic events (including terrorist acts, hurricanes, hail, tornados, snowfall and winter conditions); inadequacy of loss reserves; adverse developments involving asbestos, environmental or toxic tort claims and litigation; adverse developments in the cost, availability or ability to collect reinsurance; disruptions to the Company's relationships with its independent agents and brokers; financial disruption or a prolonged economic downturn; the performance of the Company's investment portfolios; a rise in interest rates; risks inherent in the Company's alternative investments in private limited partnerships and limited liability companies; difficulty in valuing certain of the Company's investments; subjectivity in the determination of the amount of impairments taken on the Company's investments; unfavorable outcomes from litigation and other legal proceedings, including the effects of emerging claim and coverage issues and investigations by state and federal authorities; the Company's exposure to credit risk in certain of its business operations; terrorist acts; the Company's inability to obtain price increases or maintain market share due to competition or otherwise; inadequacy of the Company's pricing models; changes to insurance laws and regulations; changes in the amount of statutory capital that the Company must hold to maintain its financial strength and credit ratings; regulatory restrictions on the Company's ability to change its methods of marketing and underwriting in certain areas; assessments for guaranty funds and mandatory pooling arrangements; a downgrade in the Company's claims-paying and financial strength ratings; the ability of the Company's subsidiaries to pay dividends to the Company; inflation, including inflation in medical costs and automobile and home repair costs; the cyclicality of the property and casualty insurance industry; political, legal, operational and other risks faced by the Company's international business; potentially high severity losses involving the Company's surety products; loss or significant restriction on the Company's ability to use credit scoring in the pricing and underwriting of personal lines policies; inadequacy of the Company's controls to ensure compliance with legal and regulatory standards; changes in federal or state tax laws; risks arising out of the Company's securities lending program; the Company's utilization of information technology systems and its implementation of technology innovations; difficulties with technology or data security; insufficiency of the Company's business continuity plan in the event of a disaster; the Company's ability to successfully integrate operations, personnel and technology from its acquisitions; insufficiency of the Company's enterprise risk management models and modeling techniques; and changing climate conditions. For a detailed discussion of these and other cautionary statements, visit Liberty Mutual Group's Investor Relations website at www.libertymutual.com/investors.

THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED ON IN CONNECTION WITH ANY TRANSACTION IN ANY SECURITIES OF LIBERTY MUTUAL GROUP INC., LIBERTY MUTUAL INSURANCE COMPANY, SAFECO CORPORATION AND OHIO CASUALTY CORPORATION (each a "Company").

UCAA Proforma Financial Statements
Property and Casualty Insurance Company

UNIFORM CERTIFICATE OF AUTHORITY APPLICATION

Instructions

1. Enter the Company Name below.
2. Enter the first year of the proformas (ie. 2006).
3. Select the states to be completed for proformas by clicking the check boxes on the right and then click on the "Create Selected State Worksheets" button below.
4. Complete all sections of the proforma statements contained on each tab below.
5. Note that several tabs contain worksheets for 3 years of data. Be sure to complete all years of data.
6. Do not "Cut" and "Paste" cells in the worksheets. Use "Copy" and "Paste" instead.

Enter the Company Name:

Safeco Surplus Lines Insurance Company

Year 1: 2011

Year 2: 2012

Year 3: 2013

☐	AK	Alaska	☐	MT	Montana	
☐	AL	Alabama	☐	NC	North Carolina	
☐	AR	Arkansas	☐	ND	North Dakota	
☐	AS	American Samoa	☐	NE	Nebraska	
☐	AZ	Arizona	☑	NH	New Hampshire	Go to NH
☐	CA	California	☐	NJ	New Jersey	
☐	CO	Colorado	☐	NM	New Mexico	
☐	CT	Connecticut	☐	NV	Nevada	
☐	DC	District Of Columbia	☐	NY	New York	
☐	DE	Delaware	☐	OH	Ohio	
☐	FL	Florida	☐	OK	Oklahoma	
☐	GA	Georgia	☐	OR	Oregon	
☐	GU	Guam	☐	PA	Pennsylvania	
☐	HI	Hawaii	☐	PR	Puerto Rico	
☐	IA	Iowa	☐	RI	Rhode Island	
☐	ID	Idaho	☐	SC	South Carolina	
☐	IL	Illinois	☐	SD	South Dakota	
☐	IN	Indiana	☐	TN	Tennessee	
☐	KS	Kansas	☐	TX	Texas	
☐	KY	Kentucky	☐	UT	Utah	
☐	LA	Louisiana	☐	VA	Virginia	
☐	MA	Massachusetts	☐	VI	U.S. Virgin Islands	
☐	MD	Maryland	☐	VT	Vermont	
☐	ME	Maine	☐	WA	Washington	
☐	MI	Michigan	☐	WI	Wisconsin	
☐	MN	Minnesota	☐	WV	West Virginia	
☐	MO	Missouri	☐	WY	Wyoming	
☐	MS	Mississippi				

If states were added to this spreadsheet in error

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Pro Forma Statutory Balance Sheet
(In Thousands)

	2011	2012	2013
Admitted Assets			
1. Invested Assets(non-affiliated)	34,413	35,506	36,654
2. Investments in Subs and Affiliates			
3. All assets other than investments	479	493	508
4. Total Admitted Assets(1+2+3)	34,892	35,999	37,162
Liabilities			
5. Losses (Case & IBNR)			
6. Loss Adjustment Expenses			
7. Unearned Premiums			
8. Ceded Reinsurance Payable	(26)	(27)	(28)
9. Payable to Parents, Subsidiaries & Affiliates	79	81	83
10. All Other Liabilities	1,409	1,451	1,495
11. Total Liabilities(5+6+7+8+9+10)	1,462	1,505	1,550
Capital and Surplus			
12. Common Stock	5,000	5,000	5,000
13. Preferred Stock			
14. Gross Paid In and Contributed Surplus	5,650	5,650	5,650
15. Surplus Notes			
16. Unassigned Surplus	22,780	23,844	24,962
17. Other Items(elaborate)			
18. Total Capital and Surplus(12+13+14+15+16+17)	33,430	34,494	35,612
19. Total Liabilities, Capital and Surplus(11+18)	34,892	35,999	37,162
Risk-Based Capital Analysis			
20. Total Adjusted Capital	33,430	34,494	35,612
21. Authorized Control Level Risk-Based Capital	124	128	132
22. Calculated Risk-Based Capital (20/21)	26960%	26948%	26979%

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Pro Forma Statutory Profit & Loss Statement
(In Thousands)

	2011	2012	2013
1. Net Premiums Earned			
2. Net Losses Incurred (Case & IBNR)			
3. Net Loss Adjustment Expenses Incurred			
4. Direct Commissions & Brokerage			
5. Reinsurance Ceding Commissions			
6. Net Commissions Incurred (4-5)	-	-	-
7. Other Contractual Agreements*			
8. Other Underwriting Expenses Incurred			
9. Underwriting Gain (Loss) (1-(2+3+6+7+8))	-	-	-
10. Net Investment Income	1,267	1,331	1,397
11. Other Income			
12. Net Operating Income (Loss) Before Taxes (9+10+11)	1,267	1,331	1,397
13. Income Taxes Incurred	253	266	279
14. Net Operating Income (Loss) After Taxes (12-13)	1,014	1,065	1,118
15. Stockholder Dividends			
Operating Percentages:			
Net Premiums Earned	100.00%	100.00%	100.00%
16. Net Losses Incurred to Net Premiums Earned(2/1)	0.00%	0.00%	0.00%
17. Net Loss Adjustment Expenses Incurred to Net Premiums Earned(3/1)	0.00%	0.00%	0.00%
18. Other Underwriting Expenses to Net Premiums Earned ((6+7+8)/1)	0.00%	0.00%	0.00%
19. Net Underwriting Gain Or (Loss) (9/1)	0.00%	0.00%	0.00%
Other Percentages:			
20. Other Underwriting Expenses to Net Premiums Written ((6+7+8)/Total Net Premiums Written))	0.00%	0.00%	0.00%
21. Net Loss and Loss Adjustment Expenses Incurred to Net Premiums Earned ((2+3)/1)	0.00%	0.00%	0.00%

*ie... MGA(excluding amounts included above as agents commissions), service contracts, claims payment contracts

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Pro Forma Statutory Cash Flow Statement
(In Thousands)

	2011	2012	2013
Cash From Operations			
1. Premiums Collected Net of Reinsurance			
2. Loss and Loss Adjustments Expenses Paid (Net of S&S)			
3. Underwriting Expenses Paid			
4. Other Underwriting Income(expenses)			
5. Total Cash From Underwriting(1-2-3+4)	-	-	-
6. Net Investment Income	1,353	1,421	1,492
7. Other Income			
8. Dividends to Policyholders			
9. Federal and Foreign Income Taxes (Paid) Recovered	(271)	(284)	(298)
10. Net Cash From Operations(5+6+7-8+9)	1,082	1,137	1,194
Cash From Investments			
11. Net Cash from Investments	400	400	400
Cash From Financing and Misc Sources			
12. Total Other Cash Provided			
13. Total Other Cash applied	100	103	106
14. Net Cash from Financing and Misc Sources(12-13)	(100)	(103)	(106)
15. Net Change in Cash, Cash Equivalents and Short-Term Investments(10+11+14)	1,382	1,434	1,488

Nationwide

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Premiums Written to Surplus Ratios
Amounts in Whole Dollars

Year	Direct Premiums Written	Assumed Premiums Written	Gross Premiums Written	Ceded Premiums Written	Net Premiums Written	Gross Written Premiums to Surplus	Net Written Premiums to Surplus
2011	42,491	-	42,491	42,491	-	0.1%	-
2012	42,491	-	42,491	42,491	-	0.1%	-
2013	42,491	-	42,491	42,491	-	0.1%	-

No data entry is required on this page.

Nationwide

Year 1 2011

Company Name: Safeco Surplus Lines Insurance Company

(Property & Casualty Insurance Company)
Planned Premium Volume By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
1.0	Fire	3,000		3,000	-	2,970		2,970	-
2.1	Allied Lines	2,000		2,000	-	1,980		1,980	-
2.2	Multiple Peril Crop	800		800	-	792		792	-
2.3	Federal Flood	0		0	-	-		-	-
3.0	Farmowners Multiple Peril	3,000		3,000	-	2,970		2,970	-
4.0	Homeowners Multiple Peril	5,000		5,000	-	4,950		4,950	-
5.1	Commercial Multiple Peril (Non-Liability Portion)	2,000		2,000	-	1,980		1,980	-
5.2	Commercial Multiple Peril (Liability Portion)	2,000		2,000	-	1,980		1,980	-
6.0	Mortgage Guaranty	500		500	-	495		495	-
8.0	Ocean Marine	400		400	-	396		396	-
9.0	Inland Marine	2,000		2,000	-	1,980		1,980	-
10.0	Financial Guaranty	400		400	-	396		396	-
11.1	Medical Malpractice - Occurrence	1,000		1,000	-	990		990	-
11.2	Medical Malpractice - Claims Made	300		300	-	297		297	-
12.0	Earthquake	300		300	-	297		297	-
13.0	Group A&H	300		300	-	297		297	-
14.0	Credit A&H (Group & Individual)	300		300	-	297		297	-
15.1	Collectively Renewable A&H	300		300	-	297		297	-
15.2	Non-Cancellable A&H	200		200	-	198		198	-
15.3	Guaranteed Renewable A&H	600		600	-	594		594	-
15.4	Non-Renew-Stated Reasons Only A&H	-		-	-	-		-	-
15.5	Other Accident Only	200		200	-	198		198	-
15.6	All Other A&H	300		300	-	297		297	-
15.7	Federal Employees Health Benefits Program	-		-	-	-		-	-
16.0	Workers' Compensation	3,000		3,000	-	2,970		2,970	-
17.1	Other Liability - Occurrence	2,647		2,647	-	2,621		2,621	-
17.2	Other Liability - Claims Made	700		700	-	693		693	-
18.1	Products Liability - Occurrence	400		400	-	396		396	-
18.2	Products Liability - Claims Made	500		500	-	495		495	-
19.1	Private Passenger Auto No-Fault (PIP)				-	-		-	-
19.2	Other Private Passenger Auto Liability	1,000		1,000	-	990		990	-
19.3	Commercial Auto No-Fault (PIP)				-	-		-	-
19.4	Other Commercial Auto Liability	1,000		1,000	-	990		990	-
21.1	Private Passenger Auto Phys Damage	1,000		1,000	-	990		990	-
21.2	Commercial Auto Physical Damage	1,000		1,000	-	990		990	-
22.0	Aircraft (All Perils)	800		800	-	792		792	-
23.0	Fidelity	1,200		1,200	-	1,188		1,188	-
24.0	Surety	1,243		1,243	-	1,231		1,231	-
26.0	Burglary and Theft	800		800	-	792		792	-
27.0	Boiler and Machinery	800		800	-	792		792	-
28.0	Credit	500		500	-	495		495	-
28.0	Credit Disability	-		-	-	-		-	-
31.0	Auto Warranties	-		-	-	-	-	-	-
31.0	Prepaid Legal	-	-	-	-	-	-	-	-
31.0	Bail Bonds	-	-	-	-	-	-	-	-
31.0	Glass	-	-	-	-	-	-	-	-
31.0	Title	-	-	-	-	-	-	-	-
31.0	Livestock	-	-	-	-	-	-	-	-
31.0	Industrial Extended Coverage	-	-	-	-	-	-	-	-
31.0	Mobile Home Multiple Peril	-	-	-	-	-	-	-	-
31.0	Mobile Home Physical Damage	-	-	-	-	-	-	-	-
31.0	Home Warranties	-	-	-	-	-	-	-	-
31.0	Service Warranties	-	-	-	-	-	-	-	-
31.0	Reinsurance	-	-	-	-	-	-	-	-
31.0	Other - Property	500	-	500	-	495	-	495	-
31.0	Other - Casualty	500	-	500	-	495	-	495	-
31.0	Other				-	-		-	-
	Total	42,491	-	42,491	-	42,066	-	42,066	-

Nationwide

Year 2 **2012**

Company Name: **Safeco Surplus Lines Insurance Company**

(Property & Casualty Insurance Company)

Planned Premium Volume By Line of Business

Amounts in Whole Dollars

Annual Statement Line	Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
1.0	Fire	3,000		3,000	-	2,970		2,970	-
2.1	Allied Lines	2,000		2,000	-	1,980		1,980	-
2.2	Multiple Peril Crop	800		800	-	792		792	-
2.3	Federal Flood	0		0	-	-		-	-
3.0	Farmowners Multiple Peril	3,000		3,000	-	2,970		2,970	-
4.0	Homeowners Multiple Peril	5,000		5,000	-	4,950		4,950	-
5.1	Commercial Multiple Peril (Non-Liability Portion)	2,000		2,000	-	1,980		1,980	-
5.2	Commercial Multiple Peril (Liability Portion)	2,000		2,000	-	1,980		1,980	-
6.0	Mortgage Guaranty	500		500	-	495		495	-
8.0	Ocean Marine	400		400	-	396		396	-
9.0	Inland Marine	2,000		2,000	-	1,980		1,980	-
10.0	Financial Guaranty	400		400	-	396		396	-
11.1	Medical Malpractice - Occurrence	1,000		1,000	-	990		990	-
11.2	Medical Malpractice - Claims Made	300		300	-	297		297	-
12.0	Earthquake	300		300	-	297		297	-
13.0	Group A&H	300		300	-	297		297	-
14.0	Credit A&H (Group & Individual)	300		300	-	297		297	-
15.1	Collectively Renewable A&H	300		300	-	297		297	-
15.2	Non-Cancellable A&H	200		200	-	198		198	-
15.3	Guaranteed Renewable A&H	600		600	-	594		594	-
15.4	Non-Renew-Stated Reasons Only A&H	-		-	-	-		-	-
15.5	Other Accident Only	200		200	-	198		198	-
15.6	All Other A&H	300		300	-	297		297	-
15.7	Federal Employees Health Benefits Program	-		-	-	-		-	-
16.0	Workers' Compensation	3,000		3,000	-	2,970		2,970	-
17.1	Other Liability - Occurrence	2,647		2,647	-	2,621		2,621	-
17.2	Other Liability - Claims Made	700		700	-	693		693	-
18.1	Products Liability - Occurrence	400		400	-	396		396	-
18.2	Products Liability - Claims Made	500		500	-	495		495	-
19.1	Private Passenger Auto No-Fault (PIP)	-		-	-	-		-	-
19.2	Other Private Passenger Auto Liability	1,000		1,000	-	990		990	-
19.3	Commercial Auto No-Fault (PIP)	-		-	-	-		-	-
19.4	Other Commercial Auto Liability	1,000		1,000	-	990		990	-
21.1	Private Passenger Auto Phys Damage	1,000		1,000	-	990		990	-
21.2	Commercial Auto Physical Damage	1,000		1,000	-	990		990	-
22.0	Aircraft (All Perils)	800		800	-	792		792	-
23.0	Fidelity	1,200		1,200	-	1,188		1,188	-
24.0	Surety	1,243		1,243	-	1,231		1,231	-
26.0	Burglary and Theft	800		800	-	792		792	-
27.0	Boiler and Machinery	800		800	-	792		792	-
28.0	Credit	500		500	-	495		495	-
28.0	Credit Disability	-		-	-	-		-	-
31.0	Auto Warranties	-		-	-	-	-	-	-
31.0	Prepaid Legal	-		-	-	-	-	-	-
31.0	Bail Bonds	-	-	-	-	-	-	-	-
31.0	Glass	-	-	-	-	-	-	-	-
31.0	Title	-	-	-	-	-	-	-	-
31.0	Livestock	-	-	-	-	-	-	-	-
31.0	Industrial Extended Coverage	-	-	-	-	-	-	-	-
31.0	Mobile Home Multiple Peril	-	-	-	-	-	-	-	-
31.0	Mobile Home Physical Damage	-	-	-	-	-	-	-	-
31.0	Home Warranties	-	-	-	-	-	-	-	-
31.0	Service Warranties	-	-	-	-	-	-	-	-
31.0	Reinsurance	-	-	-	-	-	-	-	-
31.0	Other - Property	500	-	500	-	495	-	495	-
31.0	Other - Casualty	500	-	500	-	495	-	495	-
31.0	Other	-		-	-	-		-	-
	Total	42,491	-	42,491	-	42,066	-	42,066	-

Nationwide

Year 3 2013

Company Name: Safeco Surplus Lines Insurance Company

(Property & Casualty Insurance Company)

Planned Premium Volume By Line of Business

Amounts in Whole Dollars

Annual Statement Line	Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
1.0	Fire	3,000		3,000	-	2,970		2,970	-
2.1	Allied Lines	2,000		2,000	-	1,980		1,980	-
2.2	Multiple Peril Crop	800		800	-	792		792	-
2.3	Federal Flood	0		0	-	-		-	-
3.0	Farmowners Multiple Peril	3,000		3,000	-	2,970		2,970	-
4.0	Homeowners Multiple Peril	5,000		5,000	-	4,950		4,950	-
5.1	Commercial Multiple Peril (Non-Liability Portion)	2,000		2,000	-	1,980		1,980	-
5.2	Commercial Multiple Peril (Liability Portion)	2,000		2,000	-	1,980		1,980	-
6.0	Mortgage Guaranty	500		500	-	495		495	-
8.0	Ocean Marine	400		400	-	396		396	-
9.0	Inland Marine	2,000		2,000	-	1,980		1,980	-
10.0	Financial Guaranty	400		400	-	396		396	-
11.1	Medical Malpractice - Occurrence	1,000		1,000	-	990		990	-
11.2	Medical Malpractice - Claims Made	300		300	-	297		297	-
12.0	Earthquake	300		300	-	297		297	-
13.0	Group A&H	300		300	-	297		297	-
14.0	Credit A&H (Group & Individual)	300		300	-	297		297	-
15.1	Collectively Renewable A&H	300		300	-	297		297	-
15.2	Non-Cancellable A&H	200		200	-	198		198	-
15.3	Guaranteed Renewable A&H	600		600	-	594		594	-
15.4	Non-Renew-Stated Reasons Only A&H	-		-	-	-		-	-
15.5	Other Accident Only	200		200	-	198		198	-
15.6	All Other A&H	300		300	-	297		297	-
15.7	Federal Employees Health Benefits Program	-		-	-	-		-	-
16.0	Workers' Compensation	3,000		3,000	-	2,970		2,970	-
17.1	Other Liability - Occurrence	2,647		2,647	-	2,621		2,621	-
17.2	Other Liability - Claims Made	700		700	-	693		693	-
18.1	Products Liability - Occurrence	400		400	-	396		396	-
18.2	Products Liability - Claims Made	500		500	-	495		495	-
19.1	Private Passenger Auto No-Fault (PIP)	-		-	-	-		-	-
19.2	Other Private Passenger Auto Liability	1,000		1,000	-	990		990	-
19.3	Commercial Auto No-Fault (PIP)	-		-	-	-		-	-
19.4	Other Commercial Auto Liability	1,000		1,000	-	990		990	-
21.1	Private Passenger Auto Phys Damage	1,000		1,000	-	990		990	-
21.2	Commercial Auto Physical Damage	1,000		1,000	-	990		990	-
22.0	Aircraft (All Perils)	800		800	-	792		792	-
23.0	Fidelity	1,200		1,200	-	1,188		1,188	-
24.0	Surety	1,243		1,243	-	1,231		1,231	-
26.0	Burglary and Theft	800		800	-	792		792	-
27.0	Boiler and Machinery	800		800	-	792		792	-
28.0	Credit	500		500	-	495		495	-
28.0	Credit Disability	-		-	-	-		-	-
31.0	Auto Warranties	-	-	-	-	-	-	-	-
31.0	Prepaid Legal	-	-	-	-	-	-	-	-
31.0	Bail Bonds	-	-	-	-	-	-	-	-
31.0	Glass	-	-	-	-	-	-	-	-
31.0	Title	-	-	-	-	-	-	-	-
31.0	Livestock	-	-	-	-	-	-	-	-
31.0	Industrial Extended Coverage	-	-	-	-	-	-	-	-
31.0	Mobile Home Multiple Peril	-	-	-	-	-	-	-	-
31.0	Mobile Home Physical Damage	-	-	-	-	-	-	-	-
31.0	Home Warranties	-	-	-	-	-	-	-	-
31.0	Service Warranties	-	-	-	-	-	-	-	-
31.0	Reinsurance	-	-	-	-	-	-	-	-
31.0	Other - Property	500	-	500	-	495	-	495	-
31.0	Other - Casualty	500	-	500	-	495	-	495	-
31.0	Other	-		-	-	-		-	-
	Total	42,491	-	42,491	-	42,066	-	42,066	-

Nationwide
Year 1 2011

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Incurred Loss Summary By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Losses Incurred*	Assumed Losses Incurred*	Ceded Losses Incurred*	Net Losses Incurred*
1.0	Fire	1,581		1,581	-
2.0	Allied Lines	1,054		1,054	-
2.2	Multiple Peril Crop	422		422	-
2.3	Federal Flood	-		-	-
3.0	Farmowners Multiple Peril	1,581		1,581	-
4.0	Homeowners Multiple Peril	2,635		2,635	-
5.1	Commercial Multiple Peril (Non-Liability Portion)	1,054		1,054	-
5.2	Commercial Multiple Peril (Liability Portion)	1,054		1,054	-
6.0	Mortgage Guaranty	264		264	-
8.0	Ocean Marine	211		211	-
9.0	Inland Marine	1,054		1,054	-
10.0	Financial Guaranty	211		211	-
11.1	Medical Malpractice - Occurrence	527		527	-
11.2	Medical Malpractice - Claims Made	158		158	-
12.0	Earthquake	158		158	-
13.0	Group A&H	158		158	-
14.0	Credit A&H (Group & Individual)	158		158	-
15.1	Collectively Renewable A&H	158		158	-
15.2	Non-Cancellable A&H	105		105	-
15.3	Guaranteed Renewable A&H	316		316	-
15.4	Non-Renew - Stated Reasons Only A&H	-		-	-
15.5	Other Accident Only	105		105	-
15.6	All Other A&H	158		158	-
15.7	Federal Employees Health Benefits Program	-		-	-
16.0	Workers' Compensation	1,581		1,581	-
17.1	Other Liability - Occurrence	1,395		1,395	-
17.2	Other Liability - Claims Made	369		369	-
18.1	Products Liability - Occurrence	211		211	-
18.2	Products Liability - Claims Made	264		264	-
19.1	Private Passenger Auto No-Fault (PIP)	-		-	-
19.2	Other Private Passenger Auto Liability	527		527	-
19.3	Commercial Auto No-Fault (PIP)	-		-	-
19.4	Other Commercial Auto Liability	527		527	-
21.1	Private Passenger Auto Phys Damage	527		527	-
21.2	Commercial Auto Physical Damage	527		527	-
22.0	Aircraft (All Perils)	422		422	-
23.0	Fidelity	632		632	-
24.0	Surety	655		655	-
26.0	Burglary and Theft	422		422	-
27.0	Boiler and Machinery	422		422	-
28.0	Credit	264		264	-
28.0	Credit Disability	-		-	-
31.0	Auto Warranties	-		-	-
31.0	Prepaid Legal	-		-	-
31.0	Bail Bonds	-	-	-	-
31.0	Glass	-	-	-	-
31.0	Title	-	-	-	-
31.0	Livestock	-	-	-	-
31.0	Industrial Extended Coverage	-	-	-	-
31.0	Mobile Home Multiple Peril	-	-	-	-
31.0	Mobile Home Physical Damage	-	-	-	-
31.0	Home Warranties	-	-	-	-
31.0	Service Warranties	-	-	-	-
31.0	Reinsurance	-	-	-	-
31.0	Other	264	-	264	-
31.0	Other	264	-	264	-
31.0	Other	-		-	-
	Total	22,393	-	22,393	-
	Verification from P & L	=========	=========	=========	-

* Include loss adjustment expenses.

Nationwide
Year 2 2012

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Incurred Loss Summary By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Losses Incurred*	Assumed Losses Incurred*	Ceded Losses Incurred*	Net Losses Incurred*
1.0	Fire	1,581		1,581	-
2.0	Allied Lines	1,054		1,054	-
2.2	Multiple Peril Crop	422		422	-
2.3	Federal Flood	-		-	-
3.0	Farmowners Multiple Peril	1,581		1,581	-
4.0	Homeowners Multiple Peril	2,635		2,635	-
5.1	Commercial Multiple Peril (Non-Liability Portion)	1,054		1,054	-
5.2	Commercial Multiple Peril (Liability Portion)	1,054		1,054	-
6.0	Mortgage Guaranty	264		264	-
8.0	Ocean Marine	211		211	-
9.0	Inland Marine	1,054		1,054	-
10.0	Financial Guaranty	211		211	-
11.1	Medical Malpractice - Occurrence	527		527	-
11.2	Medical Malpractice - Claims Made	158		158	-
12.0	Earthquake	158		158	-
13.0	Group A&H	158		158	-
14.0	Credit A&H (Group & Individual)	158		158	-
15.1	Collectively Renewable A&H	158		158	-
15.2	Non-Cancellable A&H	105		105	-
15.3	Guaranteed Renewable A&H	316		316	-
15.4	Non-Renew - Stated Reasons Only A&H	-		-	-
15.5	Other Accident Only	105		105	-
15.6	All Other A&H	158		158	-
15.7	Federal Employees Health Benefits Program	-		-	-
16.0	Workers' Compensation	1,581		1,581	-
17.1	Other Liability - Occurrence	1,395		1,395	-
17.2	Other Liability - Claims Made	369		369	-
18.1	Products Liability - Occurrence	211		211	-
18.2	Products Liability - Claims Made	264		264	-
19.1	Private Passenger Auto No-Fault (PIP)	-		-	-
19.2	Other Private Passenger Auto Liability	527		527	-
19.3	Commercial Auto No-Fault (PIP)	-		-	-
19.4	Other Commercial Auto Liability	527		527	-
21.1	Private Passenger Auto Phys Damage	527		527	-
21.2	Commercial Auto Physical Damage	527		527	-
22.0	Aircraft (All Perils)	422		422	-
23.0	Fidelity	632		632	-
24.0	Surety	655		655	-
26.0	Burglary and Theft	422		422	-
27.0	Boiler and Machinery	422		422	-
28.0	Credit	264		264	-
28.0	Credit Disability	-		-	-
31.0	Auto Warranties	-	-	-	-
31.0	Prepaid Legal	-	-	-	-
31.0	Bail Bonds	-	-	-	-
31.0	Glass	-	-	-	-
31.0	Title	-	-	-	-
31.0	Livestock	-	-	-	-
31.0	Industrial Extended Coverage	-	-	-	-
31.0	Mobile Home Multiple Peril	-	-	-	-
31.0	Mobile Home Physical Damage	-	-	-	-
31.0	Home Warranties	-	-	-	-
31.0	Service Warranties	-	-	-	-
31.0	Reinsurance	-	-	-	-
31.0	Other	264	-	264	-
31.0	Other	264		264	-
31.0	Other	-		-	-
	Total	22,393	-	22,393	-
	Verification from P & L				

* Include loss adjustment expenses.

Nationwide
Year 3 2013

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Incurred Loss Summary By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Losses Incurred*	Assumed Losses Incurred*	Ceded Losses Incurred*	Net Losses Incurred*
1.0	Fire	1,581		1,581	-
2.0	Allied Lines	1,054		1,054	-
2.2	Multiple Peril Crop	422		422	-
2.3	Federal Flood	-		-	-
3.0	Farmowners Multiple Peril	1,581		1,581	-
4.0	Homeowners Multiple Peril	2,635		2,635	-
5.1	Commercial Multiple Peril (Non-Liability Portion)	1,054		1,054	-
5.2	Commercial Multiple Peril (Liability Portion)	1,054		1,054	-
6.0	Mortgage Guaranty	264		264	-
8.0	Ocean Marine	211		211	-
9.0	Inland Marine	1,054		1,054	-
10.0	Financial Guaranty	211		211	-
11.1	Medical Malpractice - Occurrence	527		527	-
11.2	*Medical Malpractice - Claims Made*	*158*		*158*	-
12.0	Earthquake	158		158	-
13.0	Group A&H	158		158	-
14.0	Credit A&H (Group & Individual)	158		158	-
15.1	Collectively Renewable A&H	158		158	-
15.2	Non-Cancellable A&H	105		105	-
15.3	Guaranteed Renewable A&H	316		316	-
15.4	Non-Renew - Stated Reasons Only A&H	-		-	-
15.5	Other Accident Only	105		105	-
15.6	All Other A&H	158		158	-
15.7	Federal Employees Health Benefits Program	-		-	-
16.0	Workers' Compensation	1,581		1,581	-
17.1	Other Liability - Occurrence	1,395		1,395	-
17.2	Other Liability - Claims Made	369		369	-
18.1	Products Liability - Occurrence	211		211	-
18.2	*Products Liability - Claims Made*	264		264	-
19.1	Private Passenger Auto No-Fault (PIP)	-		-	-
19.2	Other Private Passenger Auto Liability	527		527	-
19.3	Commercial Auto No-Fault (PIP)	-		-	-
19.4	Other Commercial Auto Liability	527		527	-
21.1	Private Passenger Auto Phys Damage	527		527	-
21.2	Commercial Auto Physical Damage	527		527	-
22.0	Aircraft (All Perils)	422		422	-
23.0	Fidelity	632		632	-
24.0	Surety	655		655	-
26.0	Burglary and Theft	422		422	-
27.0	Boiler and Machinery	422		422	-
28.0	Credit	264		264	-
28.0	Credit Disability	-		-	-
31.0	Auto Warranties	-		-	-
31.0	*Prepaid Legal*	-	-	-	-
31.0	Bail Bonds	-	-	-	-
31.0	Glass	-	-	-	-
31.0	Title	-	-	-	-
31.0	Livestock	-	-	-	-
31.0	Industrial Extended Coverage	-	-	-	-
31.0	Mobile Home Multiple Peril	-	-	-	-
31.0	Mobile Home Physical Damage	-	-	-	-
31.0	Home Warranties	-	-	-	-
31.0	Service Warranties	-	-	-	-
31.0	Reinsurance	-	-	-	-
31.0	Other	264		264	-
31.0	Other	264		264	-
31.0	Other	-		-	-
	Total	22,393	-	22,393	-
	Verification from P & L				

* Include loss adjustment expenses.

Nationwide

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Net Premium and Loss Developments By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Premiums Earned	2011 Losses Incurred*	Loss Ratio	Premiums Earned	2012 Losses Incurred*	Loss Ratio	Premiums Earned	2013 Losses Incurred*	Loss Ratio
1.0	Fire	-	-	-	-	-	-	-	-	-
2.1	Allied Lines	-	-	-	-	-	-	-	-	-
2.2	Multiple Peril Crop	-	-	-	-	-	-	-	-	-
2.3	Federal Flood	-	-	-	-	-	-	-	-	-
3.0	Farmowners Multiple Peril	-	-	-	-	-	-	-	-	-
4.0	Homeowners Multiple Peril	-	-	-	-	-	-	-	-	-
5.1	Commercial Multiple Peril (Non-Liability Portion)	-	-	-	-	-	-	-	-	-
5.2	Commercial Mutiple Peril (Liability Portion)	-	-	-	-	-	-	-	-	-
6.0	Mortgage Guaranty	-	-	-	-	-	-	-	-	-
8.0	Ocean Marine	-	-	-	-	-	-	-	-	-
9.0	Inland Marine	-	-	-	-	-	-	-	-	-
10.0	Financial Guaranty	-	-	-	-	-	-	-	-	-
11.1	Medical Malpractice - Occurrence	-	-	-	-	-	-	-	-	-
11.2	Medical Malpractice - Claims Made	-	-	-	-	-	-	-	-	-
12.0	Earthquake	-	-	-	-	-	-	-	-	-
13.0	Group A&H	-	-	-	-	-	-	-	-	-
14.0	Credit A&H (Group & Individual)	-	-	-	-	-	-	-	-	-
15.1	Collectively Renewable A&H	-	-	-	-	-	-	-	-	-
15.2	Non-Cancellable A&H	-	-	-	-	-	-	-	-	-
15.3	Guaranteed Renewable A&H	-	-	-	-	-	-	-	-	-
15.4	Non-Renew-Stated Reasons Only A&H	-	-	-	-	-	-	-	-	-
15.5	Other Accident Only	-	-	-	-	-	-	-	-	-
15.6	All Other A&H	-	-	-	-	-	-	-	-	-
15.7	Federal Employees Health Benefits Program	-	-	-	-	-	-	-	-	-
16.0	Workers' Compensation	-	-	-	-	-	-	-	-	-
17.1	Other Liability - Occurrence	-	-	-	-	-	-	-	-	-
17.2	Other Liability - Claims Made	-	-	-	-	-	-	-	-	-
18.1	Products Liability - Occurrence	-	-	-	-	-	-	-	-	-
18.2	Products Liability - Claims Made	-	-	-	-	-	-	-	-	-
19.1	Private Passenger Auto No-Fault (PIP)	-	-	-	-	-	-	-	-	-
19.2	Other Private Passenger Auto Liability	-	-	-	-	-	-	-	-	-
19.3	Commercial Auto No-Fault (PIP)	-	-	-	-	-	-	-	-	-
19.4	Other Commercial Auto Liability	-	-	-	-	-	-	-	-	-
21.1	Private Passenger Auto Phys Damage	-	-	-	-	-	-	-	-	-
21.2	Commercial Auto Physical Damage	-	-	-	-	-	-	-	-	-
22.0	Aircraft (All Perils)	-	-	-	-	-	-	-	-	-
23.0	Fidelity	-	-	-	-	-	-	-	-	-
24.0	Surety	-	-	-	-	-	-	-	-	-
26.0	Burglary and Theft	-	-	-	-	-	-	-	-	-
27.0	Boiler and Machinery	-	-	-	-	-	-	-	-	-
28.0	Credit	-	-	-	-	-	-	-	-	-
28.0	Credit Disability	-	-	-	-	-	-	-	-	-
31.0	Auto Warranties	-	-	-	-	-	-	-	-	-
31.0	Prepaid Legal	-	-	-	-	-	-	-	-	-
31.0	Bail Bonds	-	-	-	-	-	-	-	-	-
31.0	Glass	-	-	-	-	-	-	-	-	-
31.0	Title	-	-	-	-	-	-	-	-	-
31.0	Livestock	-	-	-	-	-	-	-	-	-
31.0	Industrial Extended Coverage	-	-	-	-	-	-	-	-	-
31.0	Mobile Home Multiple Peril	-	-	-	-	-	-	-	-	-
31.0	Mobile Home Physical Damage	-	-	-	-	-	-	-	-	-
31.0	Home Warranties	-	-	-	-	-	-	-	-	-
31.0	Service Warranties	-	-	-	-	-	-	-	-	-
31.0	Reinsurance	-	-	-	-	-	-	-	-	-
31.0	Other	-	-	-	-	-	-	-	-	-
31.0	Other	-	-	-	-	-	-	-	-	-
31.0	Other	-	-	-	-	-	-	-	-	-
	Total	0	0	0%	0	0	0%	0	0	0%
	Verification from P & L - should equal line above.									

* Include loss adjustment expenses.

UCAA Proforma Financial Statements Assumptions

***List all* of the relevant assumptions used to create the proformas.**
Note, assumptions enclosed within the Plan of Operation need not be disclosed again here.

Safeco Surplus Lines Insurance Company is a member of the Peerless Insurance Company Reinsurance Pooling Agreement and cedes 100% of it's direct underwriting res
The Balance Sheet for 2011-2013 is projected to grow at 4%
DWP assumes flat growth each year.
The projected RBC ratio over the 3 years remains unchanged under the assumption that the risks are growing at the same rate as surplus.

ults to the lead company Peerless.

New Hampshire
Year 1 2011

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Planned Premium Volume By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
1.0	Fire	200			200	60			60
2.1	Allied Lines	200			200	60			60
2.2	Multiple Peril Crop	200			200	60			60
2.3	Federal Flood	0			-	-			-
3.0	Farmowners Multiple Peril	400			400	120			120
4.0	Homeowners Multiple Peril	400			400	120			120
5.1	Commercial Multiple Peril (Non-Liability Portion)	200			200	60			60
5.2	Commercial Multiple Peril (Liability Portion)	200			200	60			60
6.0	Mortgage Guaranty	200			200	60			60
8.0	Ocean Marine	200			200	60			60
9.0	Inland Marine	200			200	60			60
10.0	Financial Guaranty	200			200	60			60
11.1	Medical Malpractice - Occurrence	500			500	150			150
11.2	Medical Malpractice - Claims Made	200			200	60			60
12.0	Earthquake	200			200	60			60
13.0	Group A&H	200			200	60			60
14.0	Credit A&H (Group & Individual)	200			200	60			60
15.1	Collectively Renewable A&H	200			200	60			60
15.2	Non-Cancellable A&H	200			200	60			60
15.3	Guaranteed Renewable A&H	300			300	90			90
15.4	Non-Renew-Stated Reasons Only A&H	-			-	-			-
15.5	Other Accident Only	200			200	60			60
15.6	All Other A&H	300			300	90			90
15.7	Federal Employees Health Benefits Program	-			-	-			-
16.0	Workers' Compensation	200			200	60			60
17.1	Other Liability - Occurrence	662			662	199			199
17.2	Other Liability - Claims Made	500			500	150			150
18.1	Products Liability - Occurrence	200			200	60			60
18.2	Products Liability - Claims Made	500			500	150			150
19.1	Private Passenger Auto No-Fault (PIP)				-	-			-
19.2	Other Private Passenger Auto Liability	200			200	60			60
19.3	Commercial Auto No-Fault (PIP)				-	-			-
19.4	Other Commercial Auto Liability	200			200	60			60
21.1	Private Passenger Auto Phys Damage	200			200	60			60
21.2	Commercial Auto Physical Damage	200			200	60			60
22.0	Aircraft (All Perils)	400			400	120			120
23.0	Fidelity	200			200	60			60
24.0	Surety	311			311	93			93
26.0	Burglary and Theft	300			300	90			90
27.0	Boiler and Machinery	300			300	90			90
28.0	Credit	200			200	60			60
28.0	Credit Disability				-				-
31.0	Auto Warranties				-				-
31.0	Prepaid Legal				-				-
31.0	Bail Bonds				-				-
31.0	Glass				-				-
31.0	Title				-				-
31.0	Livestock				-				-
31.0	Industrial Extended Coverage				-				-
31.0	Mobile Home Multiple Peril				-				-
31.0	Mobile Home Physical Damage				-				-
31.0	Home Warranties				-				-
31.0	Service Warranties				-				-
31.0	Reinsurance				-				-
31.0	Other	200			200	60			60
31.0	Other				-				-
31.0	Other				-				-
	Total	9,873	-	-	9,873	2,962	-	-	2,962
	Verification from Net Premiums and Loss Development by LOB								2,962

New Hampshire
Year 2 **2012**

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Planned Premium Volume By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
1.0	Fire	400			400	340			340
2.1	Allied Lines	400			400	340			340
2.2	Multiple Peril Crop	400			400	340			340
2.3	Federal Flood	-			-	-			-
3.0	Farmowners Multiple Peril	800			800	680			680
4.0	Homeowners Multiple Peril	800			800	680			680
5.1	Commercial Multiple Peril (Non-Liability Portion)	400			400	340			340
5.2	Commercial Multiple Peril (Liability Portion)	400			400	340			340
6.0	Mortgage Guaranty	400			400	340			340
8.0	Ocean Marine	400			400	340			340
9.0	Inland Marine	400			400	340			340
10.0	Financial Guaranty	400			400	340			340
11.1	Medical Malpractice - Occurrence	1,000			1,000	850			850
11.2	Medical Malpractice - Claims Made	400			400	340			340
12.0	Earthquake	400			400	340			340
13.0	Group A&H	400			400	340			340
14.0	Credit A&H (Group & Individual)	400			400	340			340
15.1	Collectively Renewable A&H	400			400	340			340
15.2	Non-Cancellable A&H	400			400	340			340
15.3	Guaranteed Renewable A&H	600			600	510			510
15.4	Non-Renew-Stated Reasons Only A&H	-			-	-			-
15.5	Other Accident Only	400			400	340			340
15.6	All Other A&H	600			600	510			510
15.7	Federal Employees Health Benefits Program	-			-	-			-
16.0	Workers' Compensation	400			400	340			340
17.1	Other Liability - Occurrence	1,324			1,324	1,125			1,125
17.2	Other Liability - Claims Made	1000			1,000	850			850
18.1	Products Liability - Occurrence	400			400	340			340
18.2	Products Liability - Claims Made	1000			1,000	850			850
19.1	Private Passenger Auto No-Fault (PIP)	-			-	-			-
19.2	Other Private Passenger Auto Liability	400			400	340			340
19.3	Commercial Auto No-Fault (PIP)	-			-	-			-
19.4	Other Commercial Auto Liability	400			400	340			340
21.1	Private Passenger Auto Phys Damage	400			400	340			340
21.2	Commercial Auto Physical Damage	400			400	340			340
22.0	Aircraft (All Perils)	800			800	680			680
23.0	Fidelity	400			400	340			340
24.0	Surety	622			622	528			528
26.0	Burglary and Theft	600			600	510			510
27.0	Boiler and Machinery	600			600	510			510
28.0	Credit	400			400	340			340
28.0	Credit Disability				-				-
31.0	Auto Warranties				-				-
31.0	Prepaid Legal				-				-
31.0	Bail Bonds				-				-
31.0	Glass				-				-
31.0	Title				-				-
31.0	Livestock				-				-
31.0	Industrial Extended Coverage				-				-
31.0	Mobile Home Multiple Peril				-				-
31.0	Mobile Home Physical Damage				-				-
31.0	Home Warranties				-				-
31.0	Service Warranties				-				-
31.0	Reinsurance				-				-
31.0	Other	400			400	340			340
31.0	Other				-				-
31.0	Other				-				-
	Total	19,745	-	-	19,745	16,784	-	-	16,784
Verification from Net Premiums and Loss Development by LOB		=========	=========	=========	=========	=========	=========	=========	16,784

New Hampshire
Year 3 2013

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Planned Premium Volume By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
1.0	Fire	480			480	442			442
2.1	Allied Lines	480			480	442			442
2.2	Multiple Peril Crop	480			480	442			442
2.3	Federal Flood	-			-	-			-
3.0	Farmowners Multiple Peril	960			960	883			883
4.0	Homeowners Multiple Peril	960			960	883			883
5.1	Commercial Multiple Peril (Non-Liability Portion)	480			480	442			442
5.2	Commercial Multiple Peril (Liability Portion)	480			480	442			442
6.0	Mortgage Guaranty	480			480	442			442
8.0	Ocean Marine	480			480	442			442
9.0	Inland Marine	480			480	442			442
10.0	Financial Guaranty	480			480	442			442
11.1	Medical Malpractice - Occurrence	1,200			1,200	1,104			1,104
11.2	Medical Malpractice - Claims Made	480			480	442			442
12.0	Earthquake	480			480	442			442
13.0	Group A&H	480			480	442			442
14.0	Credit A&H (Group & Individual)	480			480	442			442
15.1	Collectively Renewable A&H	480			480	442			442
15.2	Non-Cancellable A&H	480			480	442			442
15.3	Guaranteed Renewable A&H	720			720	662			662
15.4	Non-Renew-Stated Reasons Only A&H	-			-	-			-
15.5	Other Accident Only	480			480	442			442
15.6	All Other A&H	720			720	662			662
15.7	Federal Employees Health Benefits Program	-			-	-			-
16.0	Workers' Compensation	480			480	442			442
17.1	Other Liability - Occurrence	1,588			1,588	1,461			1,461
17.2	Other Liability - Claims Made	1,200			1,200	1,104			1,104
18.1	Products Liability - Occurrence	480			480	442			442
18.2	Products Liability - Claims Made	1,200			1,200	1,104			1,104
19.1	Private Passenger Auto No-Fault (PIP)	-			-	-			-
19.2	Other Private Passenger Auto Liability	480			480	442			442
19.3	Commercial Auto No-Fault (PIP)	-			-	-			-
19.4	Other Commercial Auto Liability	480			480	442			442
21.1	Private Passenger Auto Phys Damage	480			480	442			442
21.2	Commercial Auto Physical Damage	480			480	442			442
22.0	Aircraft (All Perils)	960			960	883			883
23.0	Fidelity	480			480	442			442
24.0	Surety	746			746	686			686
26.0	Burglary and Theft	720			720	662			662
27.0	Boiler and Machinery	720			720	662			662
28.0	Credit	480			480	442			442
28.0	Credit Disability				-				-
31.0	Auto Warranties				-				-
31.0	Prepaid Legal				-				-
31.0	Bail Bonds				-				-
31.0	Glass				-				-
31.0	Title				-				-
31.0	Livestock				-				-
31.0	Industrial Extended Coverage				-				-
31.0	Mobile Home Multiple Peril				-				-
31.0	Mobile Home Physical Damage				-				-
31.0	Home Warranties				-				-
31.0	Service Warranties				-				-
31.0	Reinsurance				-				-
31.0	Other	480			480	442			442
31.0	Other				-				-
31.0	Other				-				-
	Total	23,694	-	-	23,694	21,799	-	-	21,799
	Verification from Net Premiums and Loss Development by LOB	=========	=========	=========	=========	=========	=========	=========	21,799

New Hampshire
Year 1 2011

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Incurred Loss Summary By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Losses Incurred*	Assumed Losses Incurred*	Ceded Losses Incurred*	Net Losses Incurred*
1.0	Fire	35			35
2.0	Allied Lines	35			35
2.2	Multiple Peril Crop	35			35
2.3	Federal Flood	-			-
3.0	Farmowners Multiple Peril	70			70
4.0	Homeowners Multiple Peril	70			70
5.1	Commercial Multiple Peril (Non-Liability Portion)	35			35
5.2	Commercial Multiple Peril (Liability Portion)	35			35
6.0	Mortgage Guaranty	35			35
8.0	Ocean Marine	35			35
9.0	Inland Marine	35			35
10.0	Financial Guaranty	35			35
11.1	Medical Malpractice - Occurrence	87			87
11.2	Medical Malpractice - Claims Made	35			35
12.0	Earthquake	35			35
13.0	Group A&H	35			35
14.0	Credit A&H (Group & Individual)	35			35
15.1	Collectively Renewable A&H	35			35
15.2	Non-Cancellable A&H	35			35
15.3	Guaranteed Renewable A&H	52			52
15.4	*Non-Renew - Stated Reasons Only A&H*	-			-
15.5	Other Accident Only	35			35
15.6	All Other A&H	52			52
15.7	Federal Employees Health Benefits Program	-			-
16.0	Workers' Compensation	35			35
17.1	Other Liability - Occurrence	115			115
17.2	Other Liability - Claims Made	87			87
18.1	Products Liability - Occurrence	35			35
18.2	Products Liability - Claims Made	87			87
19.1	Private Passenger Auto No-Fault (PIP)	-			-
19.2	Other Private Passenger Auto Liability	35			35
19.3	Commercial Auto No-Fault (PIP)	-			-
19.4	Other Commercial Auto Liability	35			35
21.1	Private Passenger Auto Phys Damage	35			35
21.2	Commercial Auto Physical Damage	35			35
22.0	Aircraft (All Perils)	70			70
23.0	Fidelity	35			35
24.0	Surety	54			54
26.0	Burglary and Theft	52			52
27.0	Boiler and Machinery	52			52
28.0	Credit	35			35
28.0	Credit Disability				-
31.0	Auto Warranties				-
31.0	Prepaid Legal				-
31.0	Bail Bonds				-
31.0	Glass				-
31.0	*Title*				-
31.0	Livestock				-
31.0	Industrial Extended Coverage				-
31.0	Mobile Home Multiple Peril				-
31.0	Mobile Home Physical Damage				-
31.0	Home Warranties				-
31.0	Service Warranties				-
31.0	Reinsurance				-
31.0	Other	35			35
31.0	Other				-
31.0	Other				-
	Total	1,718	-	-	1,718
Verification from Net Premiums and Loss Development by LOB		=========	=========	=========	1,718

* Include loss adjustment expenses.

New Hampshire
Year 2 2012

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Incurred Loss Summary By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Losses Incurred*	Assumed Losses Incurred*	Ceded Losses Incurred*	Net Losses Incurred*
1.0	Fire	211			211
2.0	Allied Lines	211			211
2.2	Multiple Peril Crop	211			211
2.3	Federal Flood	-			-
3.0	Farmowners Multiple Peril	422			422
4.0	Homeowners Multiple Peril	422			422
5.1	Commercial Multiple Peril (Non-Liability Portion)	211			211
5.2	Commercial Multiple Peril (Liability Portion)	211			211
6.0	Mortgage Guaranty	211			211
8.0	Ocean Marine	211			211
9.0	Inland Marine	211			211
10.0	Financial Guaranty	211			211
11.1	Medical Malpractice - Occurrence	527			527
11.2	Medical Malpractice - Claims Made	211			211
12.0	Earthquake	211			211
13.0	Group A&H	211			211
14.0	Credit A&H (Group & Individual)	211			211
15.1	Collectively Renewable A&H	211			211
15.2	Non-Cancellable A&H	211			211
15.3	Guaranteed Renewable A&H	316			316
15.4	Non-Renew - Stated Reasons Only A&H	-			-
15.5	Other Accident Only	211			211
15.6	All Other A&H	316			316
15.7	*Federal Employees Health Benefits Program*	-			-
16.0	Workers' Compensation	211			211
17.1	Other Liability - Occurrence	698			698
17.2	Other Liability - Claims Made	527			527
18.1	Products Liability - Occurrence	211			211
18.2	Products Liability - Claims Made	527			527
19.1	Private Passenger Auto No-Fault (PIP)	-			-
19.2	Other Private Passenger Auto Liability	211			211
19.3	Commercial Auto No-Fault (PIP)	-			-
19.4	Other Commercial Auto Liability	211			211
21.1	Private Passenger Auto Phys Damage	211			211
21.2	Commercial Auto Physical Damage	211			211
22.0	Aircraft (All Perils)	422			422
23.0	Fidelity	211			211
24.0	Surety	328			328
26.0	Burglary and Theft	316			316
27.0	Boiler and Machinery	316			316
28.0	Credit	211			211
28.0	Credit Disability				-
31.0	Auto Warranties				-
31.0	Prepaid Legal				-
31.0	Bail Bonds				-
31.0	Glass				-
31.0	*Title*				-
31.0	Livestock				-
31.0	Industrial Extended Coverage				-
31.0	Mobile Home Multiple Peril				-
31.0	*Mobile Home Physical Damage*				-
31.0	Home Warranties				-
31.0	Service Warranties				-
31.0	Reinsurance				-
31.0	Other	211			211
31.0	Other				-
31.0	Other				-
	Total	10,406	-	-	10,406
	Verification from Net Premiums and Loss Development by LOB	10,406	-	-	10,406

* Include loss adjustment expenses.

New Hampshire
Year 3 2013

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Incurred Loss Summary By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	Direct Losses Incurred*	Assumed Losses Incurred*	Ceded Losses Incurred*	Net Losses Incurred*
1.0	Fire	283			283
2.0	Allied Lines	283			283
2.2	Multiple Peril Crop	283			283
2.3	Federal Flood	-			-
3.0	Farmowners Multiple Peril	565			565
4.0	Homeowners Multiple Peril	565			565
5.1	Commercial Multiple Peril (Non-Liability Portion)	283			283
5.2	Commercial Multiple Peril (Liability Portion)	283			283
6.0	Mortgage Guaranty	283			283
8.0	Ocean Marine	283			283
9.0	Inland Marine	283			283
10.0	Financial Guaranty	283			283
11.1	Medical Malpractice - Occurrence	707			707
11.2	Medical Malpractice - Claims Made	283			283
12.0	Earthquake	283			283
13.0	Group A&H	283			283
14.0	Credit A&H (Group & Individual)	283			283
15.1	Collectively Renewable A&H	283			283
15.2	Non-Cancellable A&H	283			283
15.3	Guaranteed Renewable A&H	424			424
15.4	Non-Renew - Stated Reasons Only A&H	-			-
15.5	Other Accident Only	283			283
15.6	All Other A&H	424			424
15.7	Federal Employees Health Benefits Program	-			-
16.0	Workers' Compensation	283			283
17.1	Other Liability - Occurrence	935			935
17.2	Other Liability - Claims Made	707			707
18.1	Products Liability - Occurrence	283			283
18.2	Products Liability - Claims Made	707			707
19.1	Private Passenger Auto No-Fault (PIP)	-			-
19.2	Other Private Passenger Auto Liability	283			283
19.3	Commercial Auto No-Fault (PIP)	-			-
19.4	Other Commercial Auto Liability	283			283
21.1	Private Passenger Auto Phys Damage	283			283
21.2	Commercial Auto Physical Damage	283			283
22.0	Aircraft (All Perils)	565			565
23.0	Fidelity	283			283
24.0	Surety	439			439
26.0	Burglary and Theft	424			424
27.0	Boiler and Machinery	424			424
28.0	Credit	283			283
28.0	Credit Disability				-
31.0	Auto Warranties				-
31.0	Prepaid Legal				-
31.0	Bail Bonds				-
31.0	Glass				-
31.0	Title				-
31.0	Livestock				-
31.0	Industrial Extended Coverage				-
31.0	Mobile Home Multiple Peril				-
31.0	Mobile Home Physical Damage				-
31.0	Home Warranties				-
31.0	Service Warranties				-
31.0	Reinsurance				-
31.0	Other	283			283
31.0	Other				-
31.0	Other				-
	Total	13,952	-	-	13,952
Verification from Net Premiums and Loss Development by LOB		13,952	-	-	13,952

* Include loss adjustment expenses.

New Hampshire

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Net Premium and Loss Developments By Line of Business
Amounts in Whole Dollars

Annual Statement Line	Description	2011 Premiums Earned	2011 Losses Incurred*	2011 Loss Ratio	2012 Premiums Earned	2012 Losses Incurred*	2012 Loss Ratio	2013 Premiums Earned	2013 Losses Incurred*	2013 Loss Ratio
1.0	Fire	60	35	58%	340	211	62%	442	283	64%
2.1	Allied Lines	60	35	58%	340	211	62%	442	283	64%
2.2	Multiple Peril Crop	60	35	58%	340	211	62%	442	283	64%
2.3	Federal Flood	-	-	-	-	-	-	-	-	-
3.0	Farmowners Multiple Peril	120	70	58%	680	422	62%	883	565	64%
4.0	Homeowners Multiple Peril	120	70	58%	680	422	62%	883	565	64%
5.1	Commercial Multiple Peril (Non-Liability Portion)	60	35	58%	340	211	62%	442	283	64%
5.2	Commercial Multiple Peril (Liability Portion)	60	35	58%	340	211	62%	442	283	64%
6.0	Mortgage Guaranty	60	35	58%	340	211	62%	442	283	64%
8.0	Ocean Marine	60	35	58%	340	211	62%	442	283	64%
9.0	Inland Marine	60	35	58%	340	211	62%	442	283	64%
10.0	Financial Guaranty	60	35	58%	340	211	62%	442	283	64%
11.1	Medical Malpractice - Occurrence	150	87	58%	850	527	62%	1,104	707	64%
11.2	Medical Malpractice - Claims Made	60	35	58%	340	211	62%	442	283	64%
12.0	Earthquake	60	35	58%	340	211	62%	442	283	64%
13.0	Group A&H	60	35	58%	340	211	62%	442	283	64%
14.0	Credit A&H (Group & Individual)	60	35	58%	340	211	62%	442	283	64%
15.1	Collectively Renewable A&H	60	35	58%	340	211	62%	442	283	64%
15.2	Non-Cancellable A&H	60	35	58%	340	211	62%	442	283	64%
15.3	Guaranteed Renewable A&H	90	52	58%	510	316	62%	662	424	64%
15.4	Non-Renew-Stated Reasons Only A&H	-	-	-	-	-	-	-	-	-
15.5	Other Accident Only	60	35	58%	340	211	62%	442	283	64%
15.6	All Other A&H	90	52	58%	510	316	62%	662	424	64%
15.7	Federal Employees Health Benefits Program	-	-	-	-	-	-	-	-	-
16.0	Workers' Compensation	60	35	58%	340	211	62%	442	283	64%
17.1	Other Liability - Occurrence	199	115	58%	1,125	698	62%	1,461	935	64%
17.2	Other Liability - Claims Made	150	87	58%	850	527	62%	1,104	707	64%
18.1	Products Liability - Occurrence	60	35	58%	340	211	62%	442	283	64%
18.2	Products Liability - Claims Made	150	87	58%	850	527	62%	1,104	707	64%
19.1	Private Passenger Auto No-Fault (PIP)	-	-	-	-	-	-	-	-	-
19.2	Other Private Passenger Auto Liability	60	35	58%	340	211	62%	442	283	64%
19.3	Commercial Auto No-Fault (PIP)	-	-	-	-	-	-	-	-	-
19.4	Other Commercial Auto Liability	60	35	58%	340	211	62%	442	283	64%
21.1	Private Passenger Auto Phys Damage	60	35	58%	340	211	62%	442	283	64%
21.2	Commercial Auto Physical Damage	60	35	58%	340	211	62%	442	283	64%
22.0	Aircraft (All Perils)	120	70	58%	680	422	62%	883	565	64%
23.0	Fidelity	60	35	58%	340	211	62%	442	283	64%
24.0	Surety	93	54	58%	528	328	62%	686	439	64%
26.0	Burglary and Theft	90	52	58%	510	316	62%	662	424	64%
27.0	Boiler and Machinery	90	52	58%	510	316	62%	662	424	64%
28.0	Credit	60	35	58%	340	211	62%	442	283	64%
28.0	Credit Disability	-	-	-	-	-	-	-	-	-
31.0	Auto Warranties	-	-	-	-	-	-	-	-	-
31.0	Prepaid Legal	-	-	-	-	-	-	-	-	-
31.0	Bail Bonds	-	-	-	-	-	-	-	-	-
31.0	Glass	-	-	-	-	-	-	-	-	-
31.0	Title	-	-	-	-	-	-	-	-	-
31.0	Livestock	-	-	-	-	-	-	-	-	-
31.0	Industrial Extended Coverage	-	-	-	-	-	-	-	-	-
31.0	Mobile Home Multiple Peril	-	-	-	-	-	-	-	-	-
31.0	Mobile Home Physical Damage	-	-	-	-	-	-	-	-	-
31.0	Home Warranties	-	-	-	-	-	-	-	-	-
31.0	Service Warranties	-	-	-	-	-	-	-	-	-
31.0	Reinsurance	-	-	-	-	-	-	-	-	-
31.0	Other	60	35	58%	340	211	62%	442	283	64%
31.0	Other	-	-	-	-	-	-	-	-	-
31.0	Other	-	-	-	-	-	-	-	-	-
	Total	2,962	1,718	58%	16,784	10,406	62%	21,799	13,952	64%

* Include loss adjustment expenses.

New Hampshire
Year 1 2011

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Expense Allocation to Lines of Business Net of Reinsurance
Amounts in Whole Dollars

Annual Statement Line	Premiums, Losses, Expenses and Percentages To Premiums Earned for Business Net of Reinsurance	Net Premiums Written	Net Premiums Earned		Net Losses Incurred		Loss Adjustment Expenses Incurred		Commission & Brokerage Expenses Incurred		Taxes, Licenses, & Fees Incurred		Other Acquisition Expenses Incurred		All Other Expenses Incurred	
		Amount	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.0	Fire	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
2.1	Allied Lines	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
2.2	Multiple Peril Crop	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
2.3	Federal Flood	-	-	-	0	-	0	-	0	-	0	-	0	-		-
3.0	Farmowners Multiple Peril	400	120	100%	62	52%	7	6%	19	16%	2	2%	16	13%		-
4.0	Homeowners Multiple Peril	400	120	100%	62	52%	7	6%	19	16%	2	2%	16	13%		-
5.1	Commercial Multiple Peril (Non-Liability Portion)	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
5.2	Commercial Multiple Peril (Liability Portion)	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
6.0	Mortgage Guaranty	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
8.0	Ocean Marine	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
9.0	Inland Marine	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
10.0	Financial Guaranty	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
11.1	Medical Malpractice - Occurrence	500	150	100%	78	52%	9	6%	24	16%	3	2%	20	13%		-
11.2	Medical Malpractice - Claims Made	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
12.0	Earthquake	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
13.0	Group A&H	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
14.0	Credit A&H (Group & Individual)	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
15.1	Collectively Renewable A&H	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
15.2	Non-Cancellable A&H	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
15.3	Guaranteed Renewable A&H	300	90	100%	47	52%	5	6%	14	16%	2	2%	12	13%		-
15.4	Non-Renew-Stated Reasons Only A&H	-	-	-	0	-	0	-	0	-	0	-	0	-		-
15.5	Other Accident Only	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
15.6	All Other A&H	300	90	100%	47	52%	5	6%	14	16%	2	2%	12	13%		-
15.7	Federal Employees Health Benefits Program	-	-	-	0	-	0	-	0	-	0	-	0	-		-
16.0	Workers' Compensation	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
17.1	Other Liability - Occurrence	662	199	100%	103	52%	12	6%	32	16%	4	2%	26	13%		-
17.2	Other Liability - Claims Made	500	150	100%	78	52%	9	6%	24	16%	3	2%	20	13%		-
18.1	Products Liability - Occurrence	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
18.2	Products Liability - Claims Made	500	150	100%	78	52%	9	6%	24	16%	3	2%	20	13%		-
19.1	Private Passenger Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.2	Other Private Passenger Auto Liability	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
19.3	Commercial Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.4	Other Commercial Auto Liability	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
21.1	Private Passenger Auto Phys Damage	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
21.2	Commercial Auto Physical Damage	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
22.0	Aircraft (All Perils)	400	120	100%	62	52%	7	6%	19	16%	2	2%	16	13%		-
23.0	Fidelity	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
24.0	Surety	311	93	100%	48	52%	6	6%	15	16%	2	2%	12	13%		-
26.0	Burglary and Theft	300	90	100%	47	52%	5	6%	14	16%	2	2%	12	13%		-
27.0	Boiler and Machinery	300	90	100%	47	52%	5	6%	14	16%	2	2%	12	13%		-
28.0	Credit	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
28.0	Credit Disability	-	-	-		-		-		-		-		-		-
31.0	Auto Warranties	-	-	-		-		-		-		-		-		-
31.0	Prepaid Legal	-	-	-		-		-		-		-		-		-
31.0	Bail Bonds	-	-	-		-		-		-		-		-		-
31.0	Glass	-	-	-		-		-		-		-		-		-
31.0	Title	-	-	-		-		-		-		-		-		-
31.0	Livestock	-	-	-		-		-		-		-		-		-
31.0	Industrial Extended Coverage	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Multiple Peril	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Physical Damage	-	-	-		-		-		-		-		-		-
31.0	Home Warranties	-	-	-		-		-		-		-		-		-
31.0	Service Warranties	-	-	-		-		-		-		-		-		-
31.0	Reinsurance	-	-	-		-		-		-		-		-		-
31.0	Other	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
31.0	Other	-	-	-		-		-		-		-		-		-
31.0	Other	-	-	-		-		-		-		-		-		-
	Total	9,873	2,962	100%	1,540	52%	178	6%	474	16%	59	2%	385	13%	0	0%

New Hampshire
Year 2 2012

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Expense Allocation to Lines of Business Net of Reinsurance
Amounts in Whole Dollars

Annual Statement Line	Premiums, Losses, Expenses and Percentages To Premiums Earned for Business Net of Reinsurance	Net Premiums Written	Net Premiums Earned		Net Losses Incurred		Loss Adjustment Expenses Incurred		Commission & Brokerage Expenses Incurred		Taxes, Licenses, & Fees Incurred		Other Acquisition Expenses Incurred		All Other Expenses Incurred	
		Amount	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.0	Fire	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
2.1	Allied Lines	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
2.2	Multiple Peril Crop	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
2.3	Federal Flood	-	-	-	0	-	0	-	0	-	0	-	0	-		-
3.0	Farmowners Multiple Peril	800	680	100%	381	56%	41	6%	109	16%	14	2%	88	13%		-
4.0	Homeowners Multiple Peril	800	680	100%	381	56%	41	6%	109	16%	14	2%	88	13%		-
5.1	Commercial Multiple Peril (Non-Liability Portion)	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
5.2	Commercial Multiple Peril (Liability Portion)	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
6.0	Mortgage Guaranty	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
8.0	Ocean Marine	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
9.0	Inland Marine	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
10.0	Financial Guaranty	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
11.1	Medical Malpractice - Occurrence	1,000	850	100%	476	56%	51	6%	136	16%	17	2%	111	13%		-
11.2	*Medical Malpractice - Claims Made*	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
12.0	Earthquake	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
13.0	Group A&H	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
14.0	Credit A&H (Group & Individual)	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
15.1	Collectively Renewable A&H	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
15.2	Non-Cancellable A&H	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
15.3	Guaranteed Renewable A&H	600	510	100%	286	56%	31	6%	82	16%	10	2%	66	13%		-
15.4	Non-Renew-Stated Reasons Only A&H	-	-	-	0	-	0	-	0	-	0	-	0	-		-
15.5	Other Accident Only	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
15.6	All Other A&H	600	510	100%	286	56%	31	6%	82	16%	10	2%	66	13%		-
15.7	Federal Employees Health Benefits Program	-	-	-	0	-	0	-	0	-	0	-	0	-		-
16.0	Workers' Compensation	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
17.1	Other Liability - Occurrence	1,324	1,125	100%	630	56%	68	6%	180	16%	23	2%	146	13%		-
17.2	Other Liability - Claims Made	1,000	850	100%	476	56%	51	6%	136	16%	17	2%	111	13%		-
18.1	Products Liability - Occurrence	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
18.2	Products Liability - Claims Made	1,000	850	100%	476	56%	51	6%	136	16%	17	2%	111	13%		-
19.1	Private Passenger Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.2	Other Private Passenger Auto Liability	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
19.3	Commercial Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.4	Other Commercial Auto Liability	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
21.1	Private Passenger Auto Phys Damage	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
21.2	Commercial Auto Physical Damage	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
22.0	Aircraft (All Perils)	800	680	100%	381	56%	41	6%	109	16%	14	2%	88	13%		-
23.0	Fidelity	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
24.0	Surety	622	528	100%	296	56%	32	6%	85	16%	11	2%	69	13%		-
26.0	Burglary and Theft	600	510	100%	286	56%	31	6%	82	16%	10	2%	66	13%		-
27.0	Boiler and Machinery	600	510	100%	286	56%	31	6%	82	16%	10	2%	66	13%		-
28.0	Credit	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
28.0	Credit Disability	-	-	-		-		-		-		-		-		-
31.0	Auto Warranties	-	-	-		-		-		-		-		-		-
31.0	Prepaid Legal	-	-	-		-		-		-		-		-		-
31.0	Bail Bonds	-	-	-		-		-		-		-		-		-
31.0	Glass	-	-	-		-		-		-		-		-		-
31.0	Title	-	-	-		-		-		-		-		-		-
31.0	*Livestock*	-	-	-		-		-		-		-		-		-
31.0	Industrial Extended Coverage	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Multiple Peril	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Physical Damage	-	-	-		-		-		-		-		-		-
31.0	Home Warranties	-	-	-		-		-		-		-		-		-
31.0	Service Warranties	-	-	-		-		-		-		-		-		-
31.0	Reinsurance	-	-	-		-		-		-		-		-		-
31.0	Other	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
31.0	Other	-	-	-		-		-		-		-		-		-
31.0	Other	-	-	-		-		-		-		-		-		-
	Total	19,745	16,784	100%	9,398	56%	1,007	6%	2,685	16%	336	2%	2,182	13%	0	0%

New Hampshire
Year 3 2013

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Expense Allocation to Lines of Business Net of Reinsurance
Amounts in Whole Dollars

Annual Statement Line	Premiums, Losses, Expenses and Percentages To Premiums Earned for Business Net of Reinsurance	Net Premiums Written	Net Premiums Earned		Net Losses Incurred		Loss Adjustment Expenses Incurred		Commission & Brokerage Expenses Incurred		Taxes, Licenses, & Fees Incurred		Other Acquisition Expenses Incurred		All Other Expenses Incurred	
		Amount	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.0	Fire	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
2.1	Allied Lines	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
2.2	Multiple Peril Crop	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
2.3	Federal Flood	-	-	-	0	-	0	-	0	-	0	-	0	-		-
3.0	Farmowners Multiple Peril	960	883	100%	512	58%	53	6%	141	16%	18	2%	115	13%		-
4.0	Homeowners Multiple Peril	960	883	100%	512	58%	53	6%	141	16%	18	2%	115	13%		-
5.1	Commercial Multiple Peril (Non-Liability Portion)	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
5.2	Commercial Multiple Peril (Liability Portion)	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
6.0	Mortgage Guaranty	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
8.0	Ocean Marine	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
9.0	Inland Marine	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
10.0	Financial Guaranty	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
11.1	Medical Malpractice - Occurrence	1,200	1,104	100%	640	58%	66	6%	177	16%	22	2%	144	13%		-
11.2	Medical Malpractice - Claims Made	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
12.0	Earthquake	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
13.0	Group A&H	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
14.0	Credit A&H (Group & Individual)	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
15.1	Collectively Renewable A&H	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
15.2	Non-Cancellable A&H	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
15.3	Guaranteed Renewable A&H	720	662	100%	384	58%	40	6%	106	16%	13	2%	86	13%		-
15.4	Non-Renew-Stated Reasons Only A&H	-	-	-	0	-	0	-	0	-	0	-	0	-		-
15.5	Other Accident Only	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
15.6	All Other A&H	720	662	100%	384	58%	40	6%	106	16%	13	2%	86	13%		-
15.7	Federal Employees Health Benefits Program	-	-	-	0	-	0	-	0	-	0	-	0	-		-
16.0	Workers' Compensation	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
17.1	Other Liability - Occurrence	1,588	1,461	100%	848	58%	88	6%	234	16%	29	2%	190	13%		-
17.2	Other Liability - Claims Made	1,200	1,104	100%	640	58%	66	6%	177	16%	22	2%	144	13%		-
18.1	Products Liability - Occurrence	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
18.2	Products Liability - Claims Made	1,200	1,104	100%	640	58%	66	6%	177	16%	22	2%	144	13%		-
19.1	Private Passenger Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.2	Other Private Passenger Auto Liability	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
19.3	Commercial Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.4	Other Commercial Auto Liability	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
21.1	Private Passenger Auto Phys Damage	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
21.2	Commercial Auto Physical Damage	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
22.0	Aircraft (All Perils)	960	883	100%	512	58%	53	6%	141	16%	18	2%	115	13%		-
23.0	Fidelity	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
24.0	Surety	746	686	100%	398	58%	41	6%	110	16%	14	2%	89	13%		-
26.0	Burglary and Theft	720	662	100%	384	58%	40	6%	106	16%	13	2%	86	13%		-
27.0	Boiler and Machinery	720	662	100%	384	58%	40	6%	106	16%	13	2%	86	13%		-
28.0	Credit	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
28.0	Credit Disability	-	-	-		-		-		-		-		-		-
31.0	Auto Warranties	-	-	-		-		-		-		-		-		-
31.0	Prepaid Legal	-	-	-		-		-		-		-		-		-
31.0	Bail Bonds	-	-	-		-		-		-		-		-		-
31.0	Glass	-	-	-		-		-		-		-		-		-
31.0	Title	-	-	-		-		-		-		-		-		-
31.0	Livestock	-	-	-		-		-		-		-		-		-
31.0	Industrial Extended Coverage	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Multiple Peril	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Physical Damage	-	-	-		-		-		-		-		-		-
31.0	Home Warranties	-	-	-		-		-		-		-		-		-
31.0	Service Warranties	-	-	-		-		-		-		-		-		-
31.0	Reinsurance	-	-	-		-		-		-		-		-		-
31.0	Other	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
31.0	Other	-	-	-		-		-		-		-		-		-
31.0	Other	-	-	-		-		-		-		-		-		-
	Total	23,694	21,799	100%	12,643	58%	1,307	6%	3,488	16%	436	2%	2,833	13%	0	0%

New Hampshire
Year 1 2011

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Expense Allocation to Lines of Direct Business Written
Amounts in Whole Dollars

Annual Statement Line	Premiums, Losses, Expenses and Percentages To Premiums Earned for Direct Business Written	Direct Premiums Written	Direct Premiums Earned		Direct Losses Incurred		Loss Adjustment Expenses Incurred		Commission & Brokerage Expenses Incurred		Taxes, Licenses, & Fees Incurred		Other Acquisition Expenses Incurred		All Other Expenses Incurred	
		Amount	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.0	Fire	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
2.1	Allied Lines	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
2.2	Multiple Peril Crop	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
2.3	Federal Flood	0	-	-	0	-	0	-	0	-	0	-	0	-		-
3.0	Farmowners Multiple Peril	400	120	100%	62	52%	7	6%	19	16%	2	2%	16	13%		-
4.0	Homeowners Multiple Peril	400	120	100%	62	52%	7	6%	19	16%	2	2%	16	13%		-
5.1	Commercial Multiple Peril (Non-Liability Portion)	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
5.2	Commercial Multiple Peril (Liability Portion)	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
6.0	Mortgage Guaranty	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
8.0	Ocean Marine	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
9.0	Inland Marine	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
10.0	Financial Guaranty	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
11.1	Medical Malpractice - Occurrence	500	150	100%	78	52%	9	6%	24	16%	3	2%	20	13%		-
11.2	Medical Malpractice - Claims Made	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
12.0	Earthquake	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
13.0	Group A&H	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
14.0	Credit A&H (Group & Individual)	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
15.1	Collectively Renewable A&H	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
15.2	Non-Cancellable A&H	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
15.3	Guaranteed Renewable A&H	300	90	100%	47	52%	5	6%	14	16%	2	2%	12	13%		-
15.4	Non-Renew-Stated Reasons Only A&H	-	-	-	0	-	0	-	0	-	0	-	0	-		-
15.5	Other Accident Only	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
15.6	All Other A&H	300	90	100%	47	52%	5	6%	14	16%	2	2%	12	13%		-
15.7	Federal Employees Health Benefits Program	-	-	-	0	-	0	-	0	-	0	-	0	-		-
16.0	Workers' Compensation	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
17.1	Other Liability - Occurrence	662	199	100%	103	52%	12	6%	32	16%	4	2%	26	13%		-
17.2	Other Liability - Claims Made	500	150	100%	78	52%	9	6%	24	16%	3	2%	20	13%		-
18.1	Products Liability - Occurrence	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
18.2	Products Liability - Claims Made	500	150	100%	78	52%	9	6%	24	16%	3	2%	20	13%		-
19.1	Private Passenger Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.2	Other Private Passenger Auto Liability	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
19.3	Commercial Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.4	Other Commercial Auto Liability	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
21.1	Private Passenger Auto Phys Damage	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
21.2	Commercial Auto Physical Damage	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
22.0	Aircraft (All Perils)	400	120	100%	62	52%	7	6%	19	16%	2	2%	16	13%		-
23.0	Fidelity	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
24.0	Surety	311	93	100%	48	52%	6	6%	15	16%	2	2%	12	13%		-
26.0	Burglary and Theft	300	90	100%	47	52%	5	6%	14	16%	2	2%	12	13%		-
27.0	Boiler and Machinery	300	90	100%	47	52%	5	6%	14	16%	2	2%	12	13%		-
28.0	Credit	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
28.0	Credit Disability	-	-	-		-		-		-		-		-		-
31.0	Auto Warranties	-	-	-		-		-		-		-		-		-
31.0	Prepaid Legal	-	-	-		-		-		-		-		-		-
31.0	Bail Bonds	-	-	-		-		-		-		-		-		-
31.0	Glass	-	-	-		-		-		-		-		-		-
31.0	Title	-	-	-		-		-		-		-		-		-
31.0	Livestock	-	-	-		-		-		-		-		-		-
31.0	Industrial Extended Coverage	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Multiple Peril	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Physical Damage	-	-	-		-		-		-		-		-		-
31.0	Home Warranties	-	-	-		-		-		-		-		-		-
31.0	Service Warranties	-	-	-		-		-		-		-		-		-
31.0	Reinsurance	-	-	-		-		-		-		-		-		-
31.0	Other	200	60	100%	31	52%	4	6%	10	16%	1	2%	8	13%		-
31.0	Other	-	-	-		-		-		-		-		-		-
31.0	Other	-	-	-		-		-		-		-		-		-
	Total	9,873	2,962	100%	1,540	52%	178	6%	474	16%	59	2%	385	13%	0	0%
	Verification from Planned Premium Volume by LOB Year 1.	9,873	2,962													

New Hampshire
Year 2 2012

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Expense Allocation to Lines of Direct Business Written
Amounts in Whole Dollars

Annual Statement Line	Premiums, Losses, Expenses and Percentages To Premiums Earned for Direct Business Written	Direct Premiums Written	Direct Premiums Earned		Direct Losses Incurred		Loss Adjustment Expenses Incurred		Commission & Brokerage Expenses Incurred		Taxes, Licenses, & Fees Incurred		Other Acquisition Expenses Incurred		All Other Expenses Incurred	
		Amount	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.0	Fire	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
2.1	Allied Lines	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
2.2	Multiple Peril Crop	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
2.3	Federal Flood	-	-	-	0	-	0	-	0	-	0	-	0	-		-
3.0	Farmowners Multiple Peril	800	680	100%	381	56%	41	6%	109	16%	14	2%	88	13%		-
4.0	Homeowners Multiple Peril	800	680	100%	381	56%	41	6%	109	16%	14	2%	88	13%		-
5.1	Commercial Multiple Peril (Non-Liability Portion)	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
5.2	Commercial Multiple Peril (Liability Portion)	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
6.0	Mortgage Guaranty	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
8.0	Ocean Marine	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
9.0	Inland Marine	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
10.0	Financial Guaranty	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
11.1	Medical Malpractice - Occurrence	1,000	850	100%	476	56%	51	6%	136	16%	17	2%	111	13%		-
11.2	Medical Malpractice - Claims Made	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
12.0	Earthquake	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
13.0	Group A&H	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
14.0	Credit A&H (Group & Individual)	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
15.1	Collectively Renewable A&H	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
15.2	Non-Cancellable A&H	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
15.3	Guaranteed Renewable A&H	600	510	100%	286	56%	31	6%	82	16%	10	2%	66	13%		-
15.4	Non-Renew-Stated Reasons Only A&H	-	-	-	0	-	0	-	0	-	0	-	0	-		-
15.5	Other Accident Only	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
15.6	All Other A&H	600	510	100%	286	56%	31	6%	82	16%	10	2%	66	13%		-
15.7	Federal Employees Health Benefits Program	-	-	-	0	-	0	-	0	-	0	-	0	-		-
16.0	Workers' Compensation	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
17.1	Other Liability - Occurrence	1,324	1,125	100%	630	56%	68	6%	180	16%	23	2%	146	13%		-
17.2	Other Liability - Claims Made	1,000	850	100%	476	56%	51	6%	136	16%	17	2%	111	13%		-
18.1	Products Liability - Occurrence	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
18.2	Products Liability - Claims Made	1,000	850	100%	476	56%	51	6%	136	16%	17	2%	111	13%		-
19.1	Private Passenger Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.2	Other Private Passenger Auto Liability	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
19.3	Commercial Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.4	Other Commercial Auto Liability	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
21.1	Private Passenger Auto Phys Damage	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
21.2	Commercial Auto Physical Damage	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
22.0	Aircraft (All Perils)	800	680	100%	381	56%	41	6%	109	16%	14	2%	88	13%		-
23.0	Fidelity	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
24.0	Surety	622	528	100%	296	56%	32	6%	85	16%	11	2%	69	13%		-
26.0	Burglary and Theft	600	510	100%	286	56%	31	6%	82	16%	10	2%	66	13%		-
27.0	Boiler and Machinery	600	510	100%	286	56%	31	6%	82	16%	10	2%	66	13%		-
28.0	Credit	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
28.0	Credit Disability	-	-	-		-		-		-		-		-		-
31.0	Auto Warranties	-	-	-		-		-		-		-		-		-
31.0	Prepaid Legal	-	-	-		-		-		-		-		-		-
31.0	Bail Bonds	-	-	-		-		-		-		-		-		-
31.0	Glass	-	-	-		-		-		-		-		-		-
31.0	Title	-	-	-		-		-		-		-		-		-
31.0	Livestock	-	-	-		-		-		-		-		-		-
31.0	Industrial Extended Coverage	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Multiple Peril	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Physical Damage	-	-	-		-		-		-		-		-		-
31.0	Home Warranties	-	-	-		-		-		-		-		-		-
31.0	Service Warranties	-	-	-		-		-		-		-		-		-
31.0	Reinsurance	-	-	-		-		-		-		-		-		-
31.0	Other	400	340	100%	190	56%	20	6%	54	16%	7	2%	44	13%		-
31.0	Other	-	-	-		-		-		-		-		-		-
31.0	Other	-	-	-		-		-		-		-		-		-
	Total	19,745	16,784	100%	9,398	56%	1,007	6%	2,685	16%	336	2%	2,182	13%	0	0%
Verification from Planned Premium Volume by LOB Year 1.		19,745	16,784													

New Hampshire
Year 3 2013

Company Name: Safeco Surplus Lines Insurance Company
(Property & Casualty Insurance Company)
Expense Allocation to Lines of Direct Business Written
Amounts in Whole Dollars

Annual Statement Line	Premiums, Losses, Expenses and Percentages To Premiums Earned for Direct Business Written	Direct Premiums Written	Direct Premiums Earned		Direct Losses Incurred		Loss Adjustment Expenses Incurred		Commission & Brokerage Expenses Incurred		Taxes, Licenses, & Fees Incurred		Other Acquisition Expenses Incurred		All Other Expenses Incurred	
		Amount	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1.0	Fire	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
2.1	Allied Lines	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
2.2	Multiple Peril Crop	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
2.3	Federal Flood	-	-	-	0	-	0	-	0	-	0	-	0	-		-
3.0	Farmowners Multiple Peril	960	883	100%	512	58%	53	6%	141	16%	18	2%	115	13%		-
4.0	Homeowners Multiple Peril	960	883	100%	512	58%	53	6%	141	16%	18	2%	115	13%		-
5.1	Commercial Multiple Peril (Non-Liability Portion)	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
5.2	Commercial Multiple Peril (Liability Portion)	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
6.0	Mortgage Guaranty	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
8.0	Ocean Marine	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
9.0	Inland Marine	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
10.0	Financial Guaranty	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
11.1	Medical Malpractice - Occurrence	1,200	1,104	100%	640	58%	66	6%	177	16%	22	2%	144	13%		-
11.2	Medical Malpractice - Claims Made	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
12.0	Earthquake	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
13.0	Group A&H	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
14.0	Credit A&H (Group & Individual)	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
15.1	Collectively Renewable A&H	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
15.2	Non-Cancellable A&H	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
15.3	Guaranteed Renewable A&H	720	662	100%	384	58%	40	6%	106	16%	13	2%	86	13%		-
15.4	Non-Renew-Stated Reasons Only A&H	-	-	-	0	-	0	-	0	-	0	-	0	-		-
15.5	Other Accident Only	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
15.6	All Other A&H	720	662	100%	384	58%	40	6%	106	16%	13	2%	86	13%		-
15.7	Federal Employees Health Benefits Program	-	-	-	0	-	0	-	0	-	0	-	0	-		-
16.0	Workers' Compensation	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
17.1	Other Liability - Occurrence	1,588	1,461	100%	848	58%	88	6%	234	16%	29	2%	190	13%		-
17.2	Other Liability - Claims Made	1,200	1,104	100%	640	58%	66	6%	177	16%	22	2%	144	13%		-
18.1	*Products Liability - Occurrence*	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
18.2	Products Liability - Claims Made	1,200	1,104	100%	640	58%	66	6%	177	16%	22	2%	144	13%		-
19.1	Private Passenger Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.2	Other Private Passenger Auto Liability	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
19.3	Commercial Auto No-Fault (PIP)	-	-	-	0	-	0	-	0	-	0	-	0	-		-
19.4	Other Commercial Auto Liability	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
21.1	Private Passenger Auto Phys Damage	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
21.2	Commercial Auto Physical Damage	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
22.0	Aircraft (All Perils)	960	883	100%	512	58%	53	6%	141	16%	18	2%	115	13%		-
23.0	Fidelity	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
24.0	Surety	746	686	100%	398	58%	41	6%	110	16%	14	2%	89	13%		-
26.0	Burglary and Theft	720	662	100%	384	58%	40	6%	106	16%	13	2%	86	13%		-
27.0	Boiler and Machinery	720	662	100%	384	58%	40	6%	106	16%	13	2%	86	13%		-
28.0	Credit	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
28.0	Credit Disability	-	-	-		-		-		-		-		-		-
31.0	Auto Warranties	-	-	-		-		-		-		-		-		-
31.0	Prepaid Legal	-	-	-		-		-		-		-		-		-
31.0	Bail Bonds	-	-	-		-		-		-		-		-		-
31.0	Glass	-	-	-		-		-		-		-		-		-
31.0	Title	-	-	-		-		-		-		-		-		-
31.0	Livestock	-	-	-		-		-		-		-		-		-
31.0	Industrial Extended Coverage	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Multiple Peril	-	-	-		-		-		-		-		-		-
31.0	Mobile Home Physical Damage	-	-	-		-		-		-		-		-		-
31.0	Home Warranties	-	-	-		-		-		-		-		-		-
31.0	Service Warranties	-	-	-		-		-		-		-		-		-
31.0	Reinsurance	-	-	-		-		-		-		-		-		-
31.0	Other	480	442	100%	256	58%	26	6%	71	16%	9	2%	57	13%		-
31.0	Other	-	-	-		-		-		-		-		-		-
31.0	Other	-	-	-		-		-		-		-		-		-
	Total	23,694	21,799	100%	12,643	58%	1,307	6%	3,488	16%	436	2%	2,833	13%	0	0%
Verification from Planned Premium Volume by LOB Year 1.		23,694	21,799													

Narrative

Plan of Operation
Safeco Surplus Lines Insurance Company
State of New Hampshire
(Redomesticating from Washington)

Background

Safeco Surplus Lines Insurance Company (the "Company" or "SSLIC") is a Washington domiciled property and casualty insurer and a member of the Liberty Mutual Group holding company system. The Company is currently admitted in Washington and as a surplus lines carrier in forty-nine states and the District of Columbia. The Company is part of the Liberty Mutual Agency Corporation strategic business unit ("LMAC"). The companies comprising LMAC focus on the small commercial risk market regionally in the northeast states as "Peerless Insurance," nationally for personal lines as "Safeco Insurance," and also market nationally for surety as "Liberty Mutual Surety." Their respective products are sold through independent agents.

The Company participates in an intercompany reinsurance pooling agreement with Peerless Insurance Company ("PIC") under which the company cedes 100% of its underwriting activity. A.M. Best has assigned the Company a rating of "A." The Company has entered into a number of agreements with its affiliates with respect to management services, cash management, investment management, and tax sharing.

Products

LMAC companies currently write property and casualty insurance in 31 different legal entities across all 50 states and the District of Columbia. In December 2008, Liberty Mutual Group received a request from regulators to reduce our organizational complexity and responded by launching a multi-year project that will simplify our structure by reducing the number of underwriting companies and domiciliary states. By redomesticating to New Hampshire, SSLIC will join seven LMAC underwriting companies currently domiciled in the state. SSLIC will continue to primarily write surplus lines products. Note this is a change in underwriting company domicile only and will not impact our distribution model, service levels or staffing.

Competitors

Companies that would compete with the Company nationally include Travelers, Hanover, and Hartford, and regionally SSLIC's competitors are Selective and Acadia.

Sales

The Company will be represented by licensed independent insurance agents. They are recruited and appointed by the Company's marketing department. The agencies are selected based on, but not limited to, the following criteria:

- Properly licensed to conduct business

- Number of years in the business
- Agency ownership/organization
- Staff experience
- Training and education of the staff
- Premium and loss experience
- Agency fit within the territory and overall strategic direction of the Company
- Agency marketing territory and target markets
- Proper/adequate E & O coverage
- Agency perpetuation plan
- Automation capabilities
- Respect among insurance peers and within the community
- Insurance industry association memberships

The licensed agencies are compensated according to a commission schedule, including a profit sharing plan, which is based on the type of individual risk they submit to the Company and according to their binding authority. Agency sales representatives are trained individually and collectively by the underwriting, marketing, and business departments at Company facilities or in their agency offices. Agency principals are trained individually and collectively by the underwriting, marketing, and business departments in their offices, at Company offices and in group and round table meetings at selected local facilities. Training includes power point presentations, agencies' guides, brochures, pamphlets, and other materials.

The Company will enter into an agency agreement with each agency. Among other things, the agreement specifically includes controls to assure that the agencies operate in accordance with state insurance laws and regulations, federal law and Company procedures. The agreement also defines the specific duties and responsibilities of the agency and the Company.

Underwriting

Agents representing SSLIC will submit applications for new business or requests for endorsements to our underwriting department for acceptance/rejection and processing. Each risk is evaluated on its own merit according to the Company's established underwriting guidelines. The current market conditions along with the applicant's loss record, area of operations, types of equipment and number of employees will determine acceptability and premium/rating level.

All of the Company's underwriters are salaried employees. The training process begins with tutorials on our products, underwriting guidelines, and premium rating systems. The training continues with administrative handling of accounts including policy file documentation, quote handling, declination procedures, and accounting queries. The underwriters are involved in the implementation and monitoring of underwriter reports. Additionally, underwriters are encouraged to enroll in accredited Insurance and Risk Management courses.

The Company plans to conduct regular audits of its underwriting practices and procedures. LMAC management staff conducts routine audits of all LMAC companies on at least an annual basis.

Premiums are calculated with the assistance of rates provided by I.S.O. and A.A.I.S. with loss cost multipliers developed by LMAC. Through the use of actuaries, current market conditions and exposure, state filed and approved rates and premiums are predetermined for utilization and are located in the Company manuals and rating system.

Premiums are collected from the insured in two ways:

- The insured is billed directly by the company and can elect to pay the entire amount or pay in installments. The agent is paid the full commission up front according to a monthly commission statement.
- The agent collects the premium from the insured and remits the monies, excluding the commissions, to the Company.

Reinsurance, as detailed elsewhere in the application, is purchased at a corporate treaty level for the book of business. Facultative reinsurance will also be utilized for specific risks.

Claims

Claims will be adjusted and paid under the supervision of the Company's claim department by:

- Independent agents representing the Company with limited first party claims settlement authority for those claims not involving coverage or liability issues.
- Independent adjusting firms used only to assist in claim investigations and not participating in reserve and payment activities. Independent adjuster firms are generally billed on a time and expense basis.
- Company-employed adjusters who handle the vast majority of claims for the Company. All are properly licensed adjusters who are salaried employees trained and supervised by the Company's claims manager.

Oversight is provided and large claim losses are handled with the assistance of LMAC's corporate claims unit in Keene, New Hampshire.

Claim reserves will be set by our staff adjusters at the time a claim file is created. Reserves are regularly reviewed and modified as needed, depending on the facts of each claim.

The Company does not pay any claim representative a fee which is in any way contingent upon the amount of settlement of such claims.

Investments

The Company has entered into an investment management agreement with Liberty Mutual Group Asset Management Inc., as have its affiliates. Investments are reviewed then accepted or denied by the same professionals who manage the investments of the Liberty Mutual Group.

Structure of the Liberty Mutual Group

In 2001, Liberty Mutual Insurance Company reorganized into a stock insurance company as part of an overall conversion to a mutual holding company structure. Liberty Mutual Insurance Company formed, as its ultimate parent, Liberty Mutual Holding Company Inc, a Massachusetts mutual holding company. Liberty Mutual Holding Company Inc., the ultimate parent of the Company, owns 100% of the stock of LMHC Massachusetts Holdings Inc. LMHC Massachusetts Holdings, Inc. owns 100% of the stock of Liberty Mutual Group Inc. Liberty Mutual Group Inc. owns 100% of the stock of Liberty Mutual Insurance Company.

Liberty Mutual Insurance Company owns 100% of the stock of Liberty Insurance Holdings, Inc. Liberty Insurance Holdings, Inc. owns 100% of the stock of Liberty Mutual Agency Corporation (formerly known as LIH US P&C Corporation). Liberty Mutual Agency Corporation owns 100% of the stock of Safeco Corporation. Safeco Corporation owns 100% of the stock of Safeco Insurance Company of America, which in turn, owns 100% of the stock of SSLIC.

#7

EDMUND C. KENEALY
Senior Vice President & General Counsel
Liberty Mutual Agency Corporation
175 Berkeley Street - Mail Stop 06E
Boston, MA 02116
Telephone: (617) 574-5968
Fax: (617) 574-5783
Edmund.Kenealy@LibertyMutual.com

May 11, 2011

Via Overnight Delivery

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

Re: 2010 Annual Holding Company Registration Statement
First National Insurance Company of America, NAIC# 24724
General Insurance Company of America, NAIC# 24732
Safeco Insurance Company of America, NAIC# 24740
Safeco Surplus Lines Insurance Company, NAIC# 11100

Dear Sir or Madam:

Enclosed please find the 2010 Annual Holding Company Registration Statement for the above-referenced entities.

Should you have any questions, please do not hesitate to contact me at the number noted above.

Very truly yours,

Edmund C. Kenealy

Enclosures

2010 Form B
Insurance Holding Company System
Annual Registration Statement

Filed with the
State of Washington
Office of the Insurance Commissioner
By

SAFECO INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24740

On Behalf of itself and

FIRST NATIONAL INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24724

GENERAL INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24732

SAFECO SURPLUS LINES INSURANCE COMPANY
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 11100

Dated: May 11, 2011

Name, Address and Telephone Number of Individual to whom
Notices and Correspondence Regarding This Statement Should Be Addressed:

Edmund C. Kenealy
Senior Vice President and General Counsel
Liberty Mutual Agency Corporation
175 Berkeley Street
Boston, MA 02116
Telephone: 617-574-5968
Facsimile: 617-574-5783
edmund.kenealy@libertymutual.com

ITEM 1. IDENTITY AND CONTROL OF REGISTRANTS

The names, home office addresses and principal executive offices of the domestic insurers to which this Registration Statement relates are:

Safeco Insurance Company of America (SICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

First National Insurance Company of America (FNICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

General Insurance Company of America (GICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

Safeco Surplus Lines Insurance Company (SSLIC)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

The dates on which each registrant became part of an insurance holding company system are as follows:

SICA 1953	GICA 1929
FNICA 1929	SSLIC 1984

Together hereinafter referred to as the "Registrants."

The Direct ownership of SICA and GICA rests with Safeco Corporation. As of March 30, 2010, the direct ownership of FNICA rests with Safeco Insurance Company of Illinois. The direct ownership of SSLIC rests with SICA.

ITEM 2. ORGANIZATIONAL CHART

A chart presenting the identities of and interrelationships among all affiliated persons within the holding company system is attached hereto as **Exhibit A**. Such chart indicates the jurisdiction of domicile of each person specified therein. Unless otherwise indicated on such chart or herein, control is maintained by the ownership or control of voting shares, and each parent shown owns one hundred percent (100%) of the outstanding shares of its direct subsidiaries.

ITEM 3. THE ULTIMATE CONTROLLING PERSON

(a) The ultimate controlling person in the holding company system is Liberty Mutual Holding Company Inc. (LMHC).

(b) Home office address: 175 Berkeley Street, Boston, MA 02116.

(c) Principal executive office address: 175 Berkeley Street, Boston, MA 02116.

(d) LMHC is a mutual holding company.

(e) LMHC is a holding company with subsidiaries principally engaged in property and casualty insurance.

(f) Because LMHC is a mutual holding company, its members are entitled to vote at meetings of the company. No such member is entitled to cast 10% or more of the votes. LMHC has issued no voting securities.

(g) Not applicable.

ITEM 4. BIOGRAPHICAL INFORMATION

A schedule of Directors and Executive Officers of the ultimate controlling person and biographical affidavits are attached as **Exhibit B** and made part of this filing.

ITEM 5. TRANSACTIONS, RELATIONSHIPS AND AGREEMENTS

(a) Loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the Registrant or of the Registrant by its affiliates.

SICA, FNICA, GICA and SSLIC are parties to an Intercompany Short-term Borrowing Agreement with Safeco Insurance Company of America (SICA) dated November 1, 2007. No funds were exchanged under the Intercompany Short-term Borrowing Agreement during 2010.

(b) Purchases, sales or exchanges of assets

Effective March 30, 2010, the Office of the Insurance Commissioner approved the Form A Exemption Request whereby FNICA became a wholly-owned subsidiary of Safeco Insurance Company of Illinois (SICIL) as a result of the transfer of 100% of the issued and outstanding stock of FNICA from Safeco Corporation to SICIL. The transfer of stock was completed as of March 30, 2010.

(c) Transactions not in the ordinary course of business.

None.

(d) Guarantees or understandings for the benefit of an affiliate which result in an actual contingent exposure of the Registrant's assets to liability, other than insurance contracts entered into in the ordinary course of the Registrant's business.

None.

(e) All management and service contracts and all cost sharing arrangements.

Services Agreement and Amendments 1 – 6

A Services Agreement (Services Agreement) whereby Peerless Insurance Company provides management services to certain affiliates became effective on January 1, 1999.

Amendment No. 7 to the Services Agreement

Effective January 1, 2009, FNICA, GICA, SICA and SSLIC were added to the Services Agreement via Amendment No. 7. The Services Agreement allows for consolidation of services across the Agency Markets Regional Companies insurance companies. Amendment No. 7 also revised Section 12, Indemnification, of the Agreement to remove gross negligence as a standard for triggering the Service Provider's indemnification obligations and replacing it with a negligence standard. Amendment No. 7 to the Services Agreement was filed with the Department on or about September 24, 2008 and was not disapproved within the statutory time frame.

Effective January 1, 2011, the Services Agreement with Peerless Insurance Company was terminated pursuant to a Termination Amendment.

Management Services Agreement

Effective January 1, 2009, FNICA, GICA, SICA and SSLIC entered into Management Services Agreements with LMIC. Other members of the Agency Markets strategic business unit are parties to similar Management Services Agreements with LMIC. The Management Services Agreements were filed with the Department on or about September 24, 2008 and were not disapproved within the statutory time frame.

Effective January 1, 2011, the Management Services Agreement with LMIC was terminated pursuant to a Termination Amendment.

Management Services Agreeement

SICA, FNICA, GICA and SSLIC each entered into a Management Services Agreement ("MSA") with Peerless Insurance Company effective on January 1, 2011. The agreement was filed with the Department on May 18, 2010 and was not disapproved within the statutory timeframe.

Investment Management Agreements

FNICA, GICA, SICA and SSLIC are parties to Investment Management Agreements with Liberty Mutual Insurance Company (LMIC). The Investment Management Agreement was filed with the Department on or about September 24, 2008 and was not disapproved within the statutory time frame. The Investment Management Agreement went into effect on September 22, 2008. The Investment Management Agreement specifies the services to be performed by LMIC, the authority granted to LMIC , the investment policy and guidelines, and the compensation to be paid. The Investment Management Agreements also contain customary provisions on termination, amendment, choice of law, and assignment.

Effective January 1, 2010, the Investment Management Agreements between the Registrants and LMIC were terminated.

Effective January 1, 2010, GICA and SICA entered into Amended and Restated Investment Management Agreements with LMIA which amended and restated the Investment Management agreement effective on September 22, 2008 . The Amended and Restated Investment Management Agreement was filed with the Department on or about December 31, 2009 and was not disapproved within the statutory timeframe.

Effective January 1, 2010, the Registrants entered into Investment Management Agreements with Liberty Mutual Group, Inc. The Investment Management Agreements were filed with the Department on or about December 31, 2009 and were not disapproved within the statutory timeframe.

Cash Management Agreement

FNICA, GICA, SICA and SSLIC are parties to Cash Management Agreements with LMIA. The Cash Management Agreements were filed with the Department on or about September 24, 2008 and were not disapproved within the statutory time frame. The Cash Management Agreement went into effect September 22, 2008. LMIA provides short-term investment and cost management services. The purpose of the Cash Management Agreements is to achieve an efficient and cost-effective way for FNICA, GICA, SICA and SSLIC to obtain short-term investment and cost management services. The Cash Management Agreements specify the services to be performed by LMIA, the authority granted to LMIA and contains customary provisions on termination, amendment, choice of law, and assignment.

Effective January 1, 2010, the Registrants entered into Amended and Restated Cash Management Agreements with LMIA. The Amended and Restated Cash Management Agreements were filed with the Department on or about December 31, 2009 and were not disapproved within the statutory time frame.

(f) Reinsurance Agreements

Amended and Restated Reinsurance Pooling Agreement

The Amended and Restated Reinsurance Pooling Agreement went into effect on January 1, 2007.

Endorsement Number 2 to the Amended and Restated Reinsurance Pooling Agreement, effective January 1, 2009, added newly-affiliated parties, including SICA, FNICA, GICA and SSLIC, and adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto. Endorsement Number 2 was filed with the Department on or about October 28, 2008 and approved on December 5, 2008.

Endorsement Number 3 to the Amended and Restated Reinsurance Pooling Agreement, effective January 1, 2010, removes certain companies as parties to the Pooling Agreement and reflects the change in domicile of certain of the companies that is a result of their redomestication. Endorsement Number 3 also adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto. Endorsement Number 3 was filed with the Department on or about October 29, 2009 and approved on December 31, 2010.

SICA, FNICA, GICA, SSLIC are parties to the Termination Endorsement to the Amended and Restated Reinsurance Pooling Agreement, effective July 1, 2010, removing Montgomery Mutual Insurance Company as a party to the Pooling Agreement. A Form D filing for the Termination Endorsement was not filed with the Washington Department of Insurance as it did not meet the threshold for filing.

(g) Dividends and other distributions to shareholders.

On February 16, 2010, FNICA, GICA and SICA declared the following dividends to their sole stockholder of record.

Entity	Total Dividend
FNICA	$40,000,000
GICA	$156,000,000
SICA	$425,000,000

These dividends were made in a combination of cash and securities. The notice filing was reviewed by the Department and approval was obtained on March 19, 2010. The dividends were paid on March 29, 2010.

On June 30, 2010, GICA and SICA declared the following dividends to their sole stockholder of record.

Entity	Total Dividend
GICA	$50,000,000
SICA	$328,000,000

The dividends will be paid in a combination of cash and/or securities. The notice filing for each was reviewed by the Department and approval obtained on July 30, 2010. All the dividends are extraordinary and are payable on or after August 1, 2010. The dividends were distributed on August 13, 2010.

(h) Consolidated tax allocation agreements.

Federal Tax Sharing Agreement
Subsidiaries of Liberty Mutual Holding Company Inc. (LMHC) are parties to a consolidated tax allocation agreement pursuant to which they join in the filing of LMHC's consolidated U.S. federal income tax return.

Amendment No. 4 to the Federal Tax Sharing Agreement
Amendment No. 4 added FNICA, GICA, SICA and SSLIC as parties to the Federal Tax Sharing Agreement. Amendment No. 4 was filed with the Department on or about September 24, 2008 and was not disapproved within the statutory time frame. Having recently received all requisite state regulatory approvals, Amendment No. 4 went into effect September 22, 2008.

(i) Any pledge of the insurer's stock, including stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance holding company system.

None.

ITEM 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

There is no litigation or administrative proceedings relative to any types listed in the laws or regulations.

ITEM 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

Transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions whose purpose is to avoid statutory threshold amounts and the review that might otherwise occur.

ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS

The 2010 Financial Statement for Liberty Mutual Holding Company Inc. is attached hereto as **Exhibit C.**

ITEM 9. FORM C

Form C - Summary of Registration Statement is attached hereto.

[Remainder of this page intentionally left blank]

SIGNATURE

Pursuant to the requirements of section 6, chapter 462, Laws of 1993, the Registrants have caused this Statement to be duly signed on their respective behalves in the City of Boston and the Commonwealth of Massachusetts on the 11th day of May, 2011.

SAFECO INSURANCE COMPANY OF AMERICA

By: _____
Edmund C. Kenealy, Assistant Secretary

Attest:

_____

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Statement dated May 11, 2011, on behalf of Safeco Insurance Company of America, that he is the Assistant Secretary of said company, and that he has the authority to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof and that the facts therein set forth are true to the best of his knowledge, information and belief.

_____
Edmund C. Kenealy, Assistant Secretary

2010 Form C
Insurance Holding Company System
Summary of Changes to Annual Registration Statement

Filed with the
State of Washington
Office of the Insurance Commissioner
By

SAFECO INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24740

On Behalf of itself and

FIRST NATIONAL INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24724

GENERAL INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24732

SAFECO SURPLUS LINES INSURANCE COMPANY
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 11100

Dated: May 11, 2011

Name, Address and Telephone Number of Individual to whom
Notices and Correspondence Regarding This Statement Should Be Addressed:

Edmund C. Kenealy
Senior Vice President and General Counsel
Liberty Mutual Agency Corporation
175 Berkeley Street
Boston, MA 02116
Telephone: 617-574-5968
Facsimile: 617-574-5783
edmund.kenealy@libertymutual.com

ITEM 1. IDENTITY AND CONTROL OF REGISTRANTS

The names, home office addresses and principal executive offices of the domestic insurers to which this Registration Statement relates are:

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Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

First National Insurance Company of America (FNICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

General Insurance Company of America (GICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

Safeco Surplus Lines Insurance Company (SSLIC)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

The dates on which each registrant became part of an insurance holding company system are as follows:

SICA 1953	GICA 1929
FNICA 1929	SSLIC 1984

Together hereinafter referred to as the "Registrants."

The Direct ownership of SICA and GICA rests with Safeco Corporation. As of March 30, 2010, the direct ownership of FNICA rests with Safeco Insurance Company of Illinois. The direct ownership of SSLIC rests with SICA.

ITEM 2. ORGANIZATIONAL CHART

A chart presenting the identities of and interrelationships among all affiliated persons within the holding company system is attached hereto as **Exhibit A**. Such chart indicates the jurisdiction of domicile of each person specified therein. Unless otherwise indicated on such chart or herein, control is maintained by the ownership or control of voting shares, and each parent shown owns one hundred percent (100%) of the outstanding shares of its direct subsidiaries.

ITEM 4. BIOGRAPHICAL INFORMATION

A schedule of Directors and Executive Officers of the ultimate controlling person and biographical affidavits are attached as **Exhibit B** and made part of this filing.

ITEM 5. TRANSACTIONS, RELATIONSHIPS AND AGREEMENTS

(b) Purchases, sales or exchanges of assets

Effective March 30, 2010, the Office of the Insurance Commissioner approved the Form A Exemption Request whereby FNICA became a wholly-owned subsidiary of Safeco Insurance Company of Illinois (SICIL) as a result of the transfer of 100% of the issued and outstanding stock of FNICA from Safeco Corporation to SICIL. The transfer of stock was completed as of March 30, 2010.

(e) All management and service contracts and all cost sharing arrangements.

Effective January 1, 2011, the Services Agreement with Peerless Insurance Company was terminated pursuant to a Termination Amendment.

Effective January 1, 2011, the Management Services Agreement with LMIC was terminated pursuant to a Termination Amendment.

Management Services Agreeement
SICA, FNICA, GICA and SSLIC each entered into a Management Services Agreement ("MSA") with Peerless Insurance Company effective on January 1, 2011. The agreement was filed with the Department on May 18, 2010 and was not disapproved within the statutory timeframe.

Investment Management Agreements
Effective January 1, 2010, the Investment Management Agreements between the Registrants and LMIC were terminated.

Effective January 1, 2010, GICA and SICA entered into Amended and Restated Investment Management Agreements with LMIA which amended and restated the Investment Management agreement effective on September 22, 2008 . The Amended and Restated Investment Management Agreement was filed with the Department on or about December 31, 2009 and was not disapproved within the statutory timeframe. Effective January 1, 2010, the Registrants entered into Investment Management Agreements with Liberty Mutual Group, Inc. The Investment Management Agreements were filed with the Department on or about December 31, 2009 and were not disapproved within the statutory timeframe.

Cash Management Agreement
Effective January 1, 2010, the Registrants entered into Amended and Restated Cash Management Agreements with LMIA. The Amended and Restated Cash Management Agreements were filed with the Department on or about December 31, 2009 and were not disapproved within the statutory time frame.

(f) Reinsurance Agreements

Amended and Restated Reinsurance Pooling Agreement
Endorsement Number 3 to the Amended and Restated Reinsurance Pooling Agreement, effective January 1, 2010, removes certain companies as parties to the Pooling Agreement and reflects the change in domicile of certain of the companies that is a result of their redomestication. Endorsement Number 3 also adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto. Endorsement Number 3 was filed with the Department on or about October 29, 2009 and approved on December 31, 2010.

SICA, FNICA, GICA, SSLIC are parties to the Termination Endorsement to the Amended and Restated Reinsurance Pooling Agreement, effective July 1, 2010, removing Montgomery Mutual Insurance Company as a party to the Pooling Agreement. A Form D filing for the Termination Endorsement was not filed with the Washington Department of Insurance as it did not meet the threshold for filing.

(g) Dividends and other distributions to shareholders.

On February 16, 2010, FNICA, GICA and SICA declared the following dividends to their sole stockholder of record.

Entity	Total Dividend
FNICA	$40,000,000
GICA	$156,000,000
SICA	$425,000,000

These dividends were made in a combination of cash and securities. The notice filing was reviewed by the Department and approval obtained on March 19, 2010. The dividends were paid on or about March 29, 2010.

On June 30, 2010, GICA and SICA declared the following dividends to their sole stockholder of record.

Entity	Total Dividend
GICA	$50,000,000
SICA	$328,000,000

The dividends will be paid in a combination of cash and/or securities. The notice filing for each was reviewed by the Department and approval obtained on July 30, 2010. All the dividends are extraordinary and are payable on or after August 1, 2010. The dividends were distributed on August 13, 2010.

ITEM 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

There is no litigation or administrative proceedings relative to any types listed in the laws or regulations.

ITEM 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

Transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions whose purpose is to avoid statutory threshold amounts and the review that might otherwise occur.

ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS

The 2010 Financial Statement for Liberty Mutual Holding Company Inc. is attached hereto as **Exhibit C**.

[Remainder of this page intentionally left blank]

SIGNATURE

Pursuant to the requirements of section 6, chapter 462, Laws of 1993, the Registrants have caused this Statement to be duly signed on their respective behalves in the City of Boston and the Commonwealth of Massachusetts on the 11th day of May, 2011.

SAFECO INSURANCE COMPANY OF AMERICA

By: _____
Edmund C. Kenealy, Assistant Secretary

Attest:

_____

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Statement dated May 11, 2011, on behalf of Safeco Insurance Company of America, that he is the Assistant Secretary of said company, and that he has the authority to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof and that the facts therein set forth are true to the best of his knowledge, information and belief.

_____
Edmund C. Kenealy, Assistant Secretary

UPS CampusShip: View/Print Label

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2. **Fold the printed label at the solid line below.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.

3. **GETTING YOUR SHIPMENT TO UPS**
   Customers without a Daily Pickup
   Schedule a same day or future day Pickup to have a UPS driver pickup all your CampusShip packages.
   Hand the package to any UPS driver in your area.
   Take your package to any location of The UPS Store®, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot® or Staples®) or Authorized Shipping Outlet near you. Items sent via UPS Return Services℠ (including via Ground) are also accepted at Drop Boxes.
   To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations.

   Customers with a Daily Pickup
   Your driver will pickup your shipment(s) as usual.

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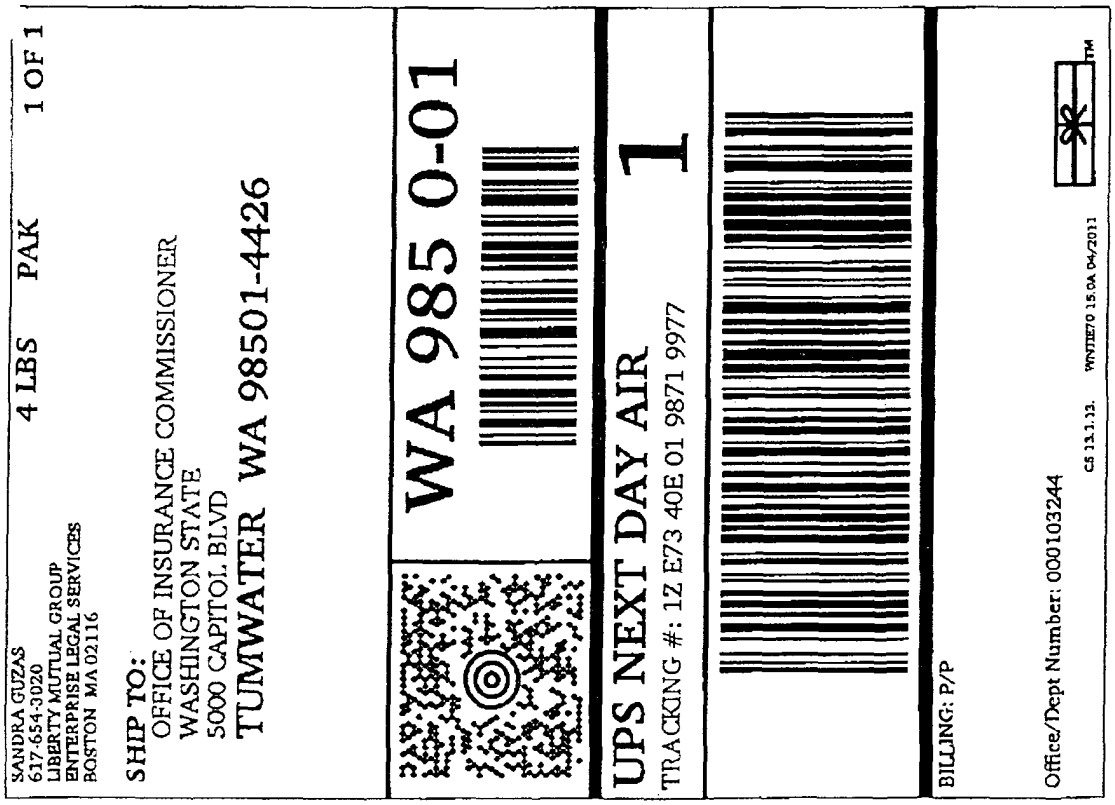


Exhibit A

EXHIBIT A (ITEM 2)

ORGANIZATIONAL CHART

LIBERTY MUTUAL GROUP

The following chart presents the identities of and interrelationships among all affiliated persons within the insurance holding company system, excluding those which do not meet the materiality threshold.

Control of the following persons is maintained other than by the ownership or control of voting securities:

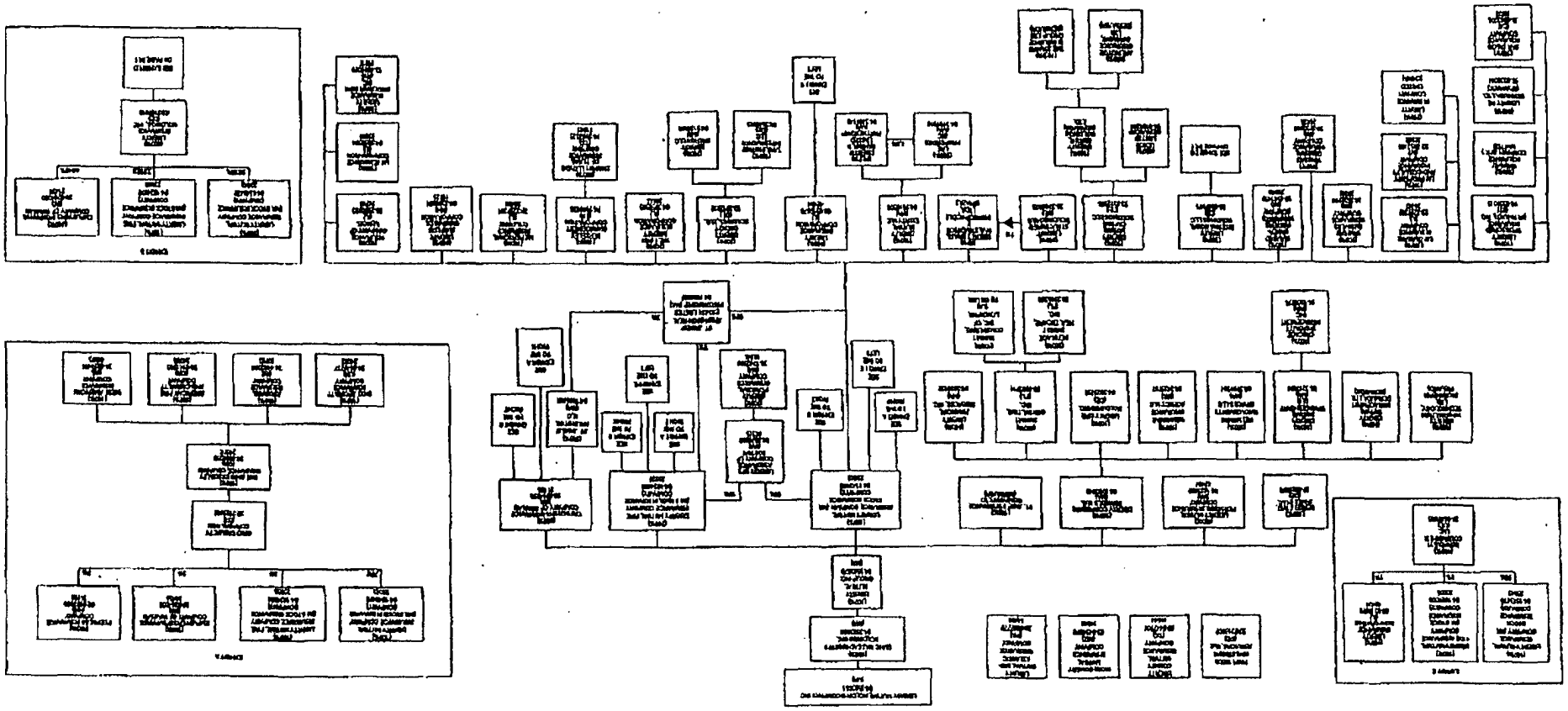
1. Montgomery Mutual Insurance Company
   Liberty Mutual Mid-Atlantic Insurance Company
   Liberty County Mutual Insurance Company
   In each case, control is maintained by having officers and employees of Liberty Mutual Insurance Company or an affiliate constitute a majority of such company's board of directors.

2. National Insurance Association
   Control is maintained by ownership of the voting securities of its attorney-in-fact.

3. Liberty Lloyds of Texas Insurance Company
   America First Lloyd's Insurance Company
   American States Lloyds Insurance Company
   Safeco Lloyds Insurance Company
   In each case, control is maintained by ownership of the voting securities of its attorney-in-fact and by virtue of the fact that the underwriters at the Lloyds plan company are employees of Liberty Mutual Insurance Company or an affiliate.

Each person specified in the chart is a corporation except as follows:
America First Lloyd's Insurance Company, a Lloyds plan company
American States Lloyds Insurance Company, a Lloyds plan company
Berkeley/Columbus III LLC, a limited liability company
Berkeley/St. James II LLC, a limited liability company
Helmsman Insurance Agency LLC, a limited liability company
Helmsman Management Services LLC, a limited liability company
High Yield Investment Advisors, LLC, a limited liability company
Liberty Corporate Services LLC, a limited liability company
Liberty Energy Holdings, LLC, a limited liability company
Liberty Energy, LLC, a limited liability company
Liberty International Asia Pacific Holdings, LLC, a limited liability company
Liberty International (Spain) Holdings, LLC, a limited liability company
Liberty International Holdings LLC, a limited liability company
Liberty International Latin America Holdings, LLC, a limited liability company
Liberty Lloyds of Texas Insurance Company, a Lloyds plan company
Liberty Mutual Captive Holdings LLC, a limited liability company

Liberty Mutual Equity LLC, a limited liability company
Liberty Mutual Managed Care LLC, a limited liability company
Liberty Spain Insurance Group LLC, a limited liability company
Liberty/Sanibel II Limited Partnership, a limited partnership
Liberty Structured Holdings LLC, a limited liability company
National Insurance Association, an association operating as a reciprocal underwriter
Safeco Lloyds Insurance Company, a Lloyds plan company
St. James/Arlington LLC, a limited liability company
St. James/Arlington Real Estate Limited Partnership, a limited partnership
Tara Energy Investments LLC, a limited liability company



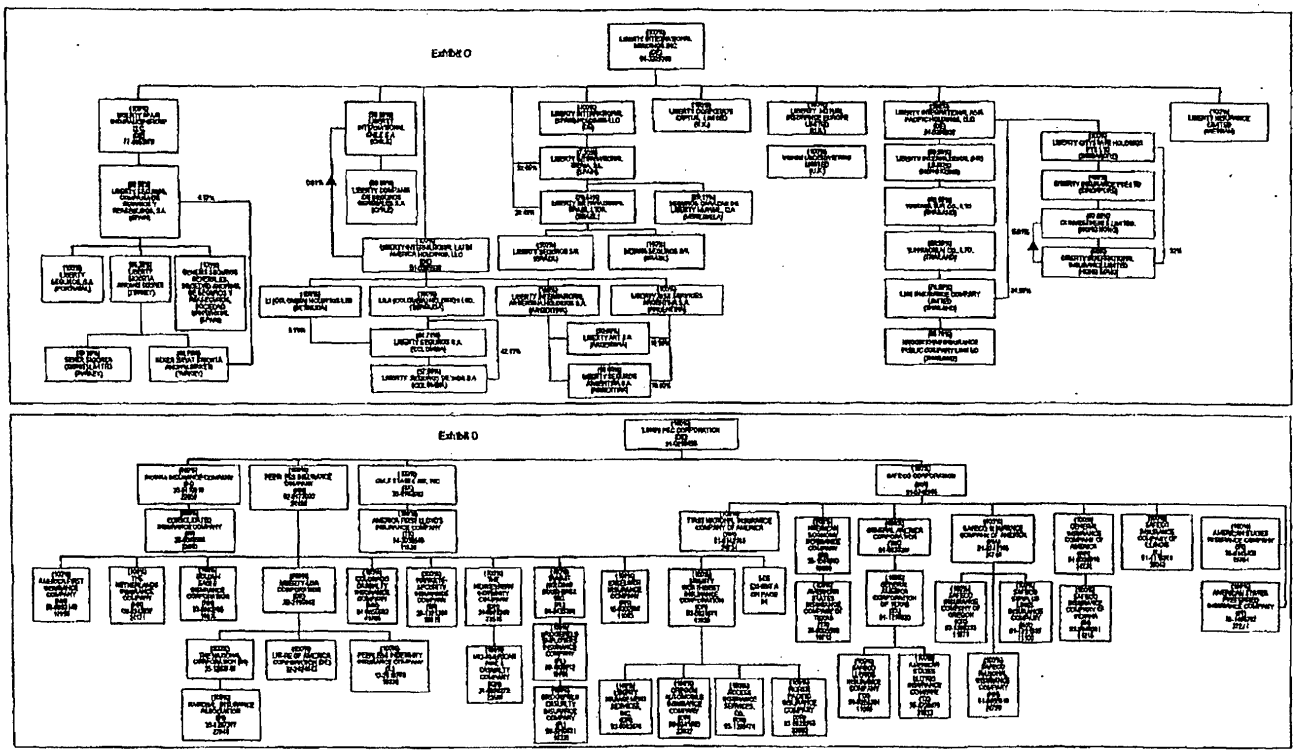
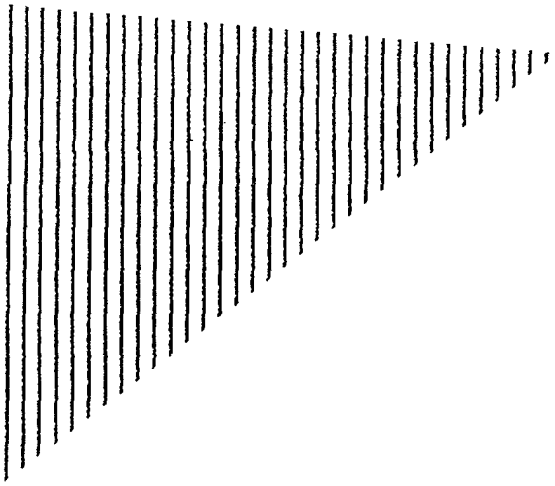


Exhibit O
Exhibit O

BIOS ON FILE

Exhibit C

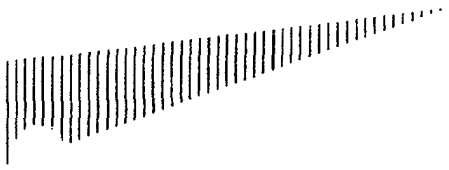


AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Liberty Mutual Holding Company Inc.
December 31, 2009 and 2008 and each of the
Three Years in the Period Ended December 31, 2009

Ernst & Young LLP

ERNST & YOUNG



Ernst & Young LLP
200 Clarendon Street
Boston, Massachusetts 02116-5072
Tel: 617 266 2000
Fax: 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, 2009 and 2008, 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, 2009. 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, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, 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 and for the discounting of the long-term indemnity portion of workers compensation claims. In 2008, the Company changed its method of accounting and reporting for deferred compensation and postretirement benefit aspects of split dollar life insurance arrangements and, in 2007, changed its method of accounting and reporting for defined benefit pension and other postretirement plans.

Ernst + Young LLP

March 5, 2010

Liberty Mutual Holding Company Inc.

Consolidated Statements of Income

(dollars in millions)

	Years Ended December 31,		
	2009	2008	2007
Revenues			
Premiums earned	$ 27,791	$ 25,524	$ 21,887
Net investment income	2,482	2,880	2,885
Fee and other revenues	795	781	744
Net realized investment gains (losses)	26	(330)	436
Total revenues	31,094	28,855	25,952
Claims, Benefits and Expenses			
Benefits, claims and claim adjustment expenses	20,188	18,894	16,118
Insurance operating costs and expenses	4,317	4,105	3,863
Amortization of deferred policy acquisition costs	4,692	3,989	3,281
Interest expense	483	411	320
Interest credited to policyholders	204	203	198
Total claims, benefits and expenses	29,884	27,602	23,780
Income before income tax expense	1,210	1,253	2,172
Income tax expense	187	140	671
Net income	$ 1,023	$ 1,113	$ 1,501

Net Realized Investment Gains (Losses)

Other-than-temporary impairment losses:	2009	2008	2007
Total other-than-temporary impairment losses (Note 1)	$ (244)	$ (800)	$ (47)
Change in portion of loss recognized in other comprehensive income	13	-	-
Other-than-temporary impairment losses	(231)	(800)	(47)
Other net realized investment gains	257	470	483
Net realized investment gains (losses)	$ 26	$ (330)	$ 436

See accompanying notes to the audited consolidated financial statements.

Exhibit B

Liberty Mutual Holding Company Inc.

Consolidated Balance Sheets

(dollars in millions)

	December 31, 2009	December 31, 2008
Assets:		
Investments		
Fixed maturities, available for sale, at fair value (amortized cost of $54,789 and $49,902)	$ 56,439	$ 47,731
Equity securities, available for sale, at fair value (cost of $1,077 and $1,279)	1,188	1,184
Short-term investments	575	1,193
Mortgage loans	1,121	1,090
Other investments	2,619	2,729
Total investments	61,942	53,927
Cash and cash equivalents	4,847	5,848
Premium and other receivables (net of allowance of $121 and $136)	7,629	7,834
Reinsurance recoverables (net of allowance of $434 and $344)	14,749	15,163
Deferred income taxes (net of valuation allowance of $160 and $131)	1,691	3,035
Deferred acquisition costs and acquired in-force policy intangibles	2,636	2,541
Goodwill	4,748	4,645
Prepaid reinsurance premiums	1,317	1,565
Separate account assets	3,557	3,062
Other assets	6,359	6,419
Total assets	$ 109,475	$ 104,039
Liabilities:		
Unpaid claims and claim adjustment expenses and future policy benefits:		
Property and casualty	$ 48,355	$ 48,311
Life	6,586	6,258
Other policyholder funds and benefits payable	3,300	3,031
Unearned premiums	13,224	12,944
Funds held under reinsurance treaties	1,819	1,855
Short-term and current maturities of long-term debt	305	-
Long-term debt	5,635	6,089
Separate account liabilities	3,557	3,062
Other liabilities	12,180	12,086
Total liabilities	94,961	93,636
Policyholders' equity:		
Unassigned equity	14,014	12,963
Accumulated other comprehensive income (loss)	500	(2,560)
Total policyholders' equity	14,514	10,403
Total liabilities and policyholders' equity	$ 109,475	$ 104,039

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, 2007	$ 10,092	$ 803	$ 10,895
Cumulative effect of adoption of ASC 740 at January 1, 2007	11		11
Cumulative effect of accounting change (Note 1)	287	-	287
Comprehensive income			
Net income	1,501	-	1,501
Other comprehensive income, net of taxes:			
Unrealized gains on securities	-	213	213
Less: reclassification adjustment for gains			-
and losses included in net income	-	(283)	(283)
Minimum pension liability adjustment	-	23	23
Foreign currency translation and other adjustments	-	277	277
Other comprehensive income, net of taxes	-	230	230
Total comprehensive income			1,731
Cumulative effect of adoption of ASC 715 at December 31, 2007 (Note 1)		(288)	(288)
Balance, December 31, 2007	$ 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 loss, 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

See accompanying notes to the audited consolidated financial statements.

Liberty Mutual Holding Company Inc.

Consolidated Statements of Cash Flows

(dollars in millions)

	Years Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net income	$ 1,023	$ 1,113	$ 1,501
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	350	313	260
Realized investment (gains) losses	(26)	330	(436)
Undistributed private equity investment losses (gains)	423	5	(324)
Premium, other receivables, and reinsurance recoverables	526	572	743
Deferred policy acquisition costs	(131)	(16)	(126)
Liabilities for insurance reserves	197	1,775	2,304
Taxes payable, net of deferred	(173)	(220)	247
Other, net	298	(1,127)	(127)
Total adjustments	1,464	1,632	2,541
Net cash provided by operating activities	2,487	2,745	4,042
Cash flows from investing activities:			
Purchases of investments	(18,874)	(13,668)	(19,719)
Sales and maturities of investments	14,928	18,257	18,405
Property and equipment purchased, net	(355)	(143)	(259)
Payment for purchase of companies, net of cash acquired	-	(5,414)	(2,700)
Other investing activities	173	(185)	(430)
Net cash used in investing activities	(4,128)	(1,153)	(4,703)
Cash flows from financing activities:			
Net activity in policyholder accounts	122	62	34
Debt financing, net	(84)	1,121	889
Net security lending activity and other financing actitivites	621	(65)	(602)
Net cash provided by financing activities	659	1,118	321
Effect of exchange rate changes on cash	(19)	(61)	27
Net (decrease) increase in cash and cash equivalents	(1,001)	2,649	(313)
Cash and cash equivalents, beginning of year	5,848	3,199	3,512
Cash and cash equivalents, end of year	$ 4,847	$ 5,848	$ 3,199
Supplemental disclosure of cash flow information:			
Income taxes paid	$ 366	$ 310	$ 563

See accompanying notes to the audited consolidated financial statements.

(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 2008 and 2007 consolidated financial statements to conform with the 2009 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 expense reserves, including asbestos and environmental reserves and associated reinsurance recoverables and loss sensitive premiums receivable; (2) allowance for uncollectible reinsurance and policyholder receivables; (3) fair value determination and other than temporary impairments of the investment portfolio; (4) deferred acquisition costs; (5) the valuation of goodwill and intangible assets; and (6) valuation allowance on deferred taxes. 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: Agency Markets, International, Personal Markets, and Commercial Markets.

The Agency Markets business unit, with $11,928 of revenues in 2009, 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; Liberty Mutual Surety (nationwide contract and commercial surety bonds); and Summit, (mono-line workers compensation in the Southeast, primarily Florida).

The Company's International business unit, with $7,589 of revenues in 2009, provides insurance products and services through local businesses outside the United States, which sell personal and small commercial lines products, 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 $7,001 of revenues in 2009, writes U.S. property and casualty insurance covering personal risks, primarily automobile and homeowners, as well as life and annuity products. Products are distributed through licensed captive sales representatives, telesales counselors, third-party producers, and the Internet.

The Commercial Markets business unit, with $6,028 of revenues in 2009, is organized into separate marketing and underwriting groups focusing on a particular customer base or product grouping to provide tailored products and services that specifically address customers' needs. The Commercial Markets business unit includes National Market, Middle Market, Liberty Mutual Property, Group Benefits, and Other Markets. Other Markets include Liberty Mutual Reinsurance and state-mandated involuntary market workers compensation and automobile assigned risk plans. The Commercial Markets coverages include workers compensation, commercial automobile, general liability, including product liability, commercial multiple peril and fire, group disability and life insurance, property, and a variety of other coverages. Commercial Markets is also a servicing carrier for workers compensation involuntary market pools. In January 2009, the Company established Liberty Mutual Middle Market, a new market segment that combined the Business Market and Wausau Insurance market segments, distributing products through independent agents and brokers. Note 2 contains more detail on this transaction.

Adoption of New Accounting Standards

Effective January 1, 2009, the Company adopted new guidance for accounting for other-than-temporary impairments, as codified in 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, 2009, the Company adopted new guidance for determining whether a market is inactive, and if so, whether a transaction in that market is distressed. The new guidance is now part of ASC 820, *Fair Value Measurements and Disclosures*. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

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).

Effective December 31, 2007, the Company adopted the guidance related to accounting for defined benefit pension and other postretirement plans as codified in ASC 715, *Compensation – Retirement Plans.* This guidance requires the Company to (a) recognize the funded status of its pension, supplemental pension and postretirement benefit plans on the consolidated balance sheet as an asset or liability, measured as the difference between plan assets at fair value and the benefit obligation as of the employer's fiscal year end, with a corresponding adjustment to accumulated other comprehensive income ("AOCI," a component of policyholders' equity), net of tax; and to (b) recognize as a component of AOCI, net of tax, actuarial gains or losses or prior service cost or credit that arise during the period but are not recognized as a component of net periodic benefit cost. These amounts will be subsequently recognized in the income statement pursuant to the Company's historical accounting policy for amortizing such amounts with a corresponding offset to AOCI. The guidance related to measuring plan assets and benefit obligations, as of the date of fiscal year-end statement of financial position, and in determining net periodic benefit cost continues to apply. The adoption of this guidance as of December 31, 2007 resulted in a decrease in other assets of $245, an increase in deferred tax assets of $155, an increase in other liabilities of $198, and a decrease in AOCI of $288 (net of tax). The adoption of this guidance did not affect the Company's results of operations or liquidity as it did not affect the determination of net periodic benefit costs.

Future Adoption of New Accounting Standards

In June 2009, the FASB issued revised guidance on the accounting for variable interests. The revised guidance, as codified in ASC 810, *Consolidations*, reflects the elimination of the concept of a qualifying special-purpose entity and replaces the quantitative-based risks and rewards calculation of the previous guidance for determining which company, if any, has a controlling financial interest in a variable interest entity. The revised guidance requires an analysis of whether a company has (1) the power to direct the activities of an entity that most significantly impact the entity's economic performance and (2) the obligation to absorb the losses that could potentially be significant to the entity or the right to receive benefits from the entity that could potentially be significant to the entity. An entity is required to be re-evaluated as a variable interest entity when the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights to direct the activities that most significantly impact the entity's economic performance. Additional disclosures are required about a company's involvement in variable interest entities and an ongoing assessment of whether a company is the primary beneficiary. Additionally, in February 2010, the FASB issued Accounting Standards Update (ASU) 2010-10, *Amendments for Certain Investment Funds*, which defers the revised consolidation requirements for a reporting entity's interest in an entity (1) that has all the attributes of an investment company or (2) for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies and amends the previous provisions for assessing whether fees paid to a legal entity's decision maker or service provider are variable interests. The Company is adopting this guidance effective January 1, 2010, and the adoption will not have a material impact on the Company.

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 history 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. 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.

Limited partnerships and other alternative investments 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, which approximates cost where market value data is unavailable for the underlying investment.

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 & Acquired Policy In-Force Intangibles

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, annuity, 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.

As a result of the Company's acquisitions of the Ohio Casualty Corporation and Safeco Corporation, the Company recognized intangible assets equal to the fair value of the acquired in-force policies. Amortization of these assets occurred over the remaining policy term and were fully amortized as of December 31, 2009.

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 2009 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.

In 2009, the Company changed its method of accounting for the discounting of the long-term indemnity portion of workers compensation claims from tabular discount rates based on insurance regulations as approved by the respective jurisdictions to risk-free discount rates determined by reference to the U.S. Treasury yield curve. The weighted average discount rates were 5.5%, 5.7% and 5.9% for 2009, 2008. and 2007, respectively. The Company believes that the use of a risk-free discount rate is more reflective of market rates being earned on the assets supporting the respective liabilities and is therefore preferable to use rather than the imposed regulatory discount rates. The Company applied this change in method by retrospective application to the prior years' financial statements.

The cumulative effect of the change in the method of accounting resulted in an increase in the opening balance of unassigned equity as of January 1, 2007 of $287, net of tax. As of and for the year ended December 31, 2009, the accounting change resulted in increases in reinsurance recoverables (net), deferred taxes (net), unpaid claims and claim adjustment expense – property and casualty, other liabilities, and benefits, claims and claim adjustment expense of $25, $12, $48, $12, and $35, respectively, and decreases in unassigned equity, income tax expense and net income of $23, $12 and $23, respectively. As of and for the year ended December 31, 2008, the accounting change resulted in the following changes to previously reported balances

(as a result of retrospective application of the accounting change): decreases in reinsurance recoverables (net), deferred taxes (net), unpaid claims and claim adjustment expense – property and casualty, other liabilities, income tax expense, and net income of $146, $131, $416. $104, $15 and $27, respectively, and increases in unassigned equity and benefits, claims and claims adjustment expense of $243 and $42, respectively. For the year ended December 31, 2007, the accounting change resulted in the following changes to previously reported balances (as a result of retrospective application of the accounting change): an increase in benefits, claims and claims adjustment expense of $26 and decreases in income tax expense and net income of $9 and $17, respectively. The held discounted reserves on these unpaid workers compensation claims, net of all reinsurance, as of December 31, 2009 and 2008 were $1,974 and $1,935, respectively.

The held discounted reserves on unpaid asbestos structured settlement claims as of December 31, 2009 and 2008 were $118 and $145, respectively.

Relating to future policy benefits, the discounting of the disability claims is based on the 1987 Commissioners Group Disability Table (CGDT) at annual discount rates varying from 4.5% to 7.0% in both 2009 and 2008. Unpaid disability claims and claim adjustment expenses as of December 31, 2009 and 2008, include liabilities at discounted values of $1,030 and $933, 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 5.8% and 6.0% for 2009, 2008, and 2007. Implied credited interest rates for foreign structured settlement contracts in force were between 2.5% and 6.0% in 2009, 2008, and 2007. Credited rates for domestic universal life contracts in force were between 3.5% and 6.3% in 2009, 2008, and 2007. Credited rates for foreign universal life contracts in force were between 1.3% and 6.0% in 2009, 2008, and 2007. 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 2009, 2008, and 2007), 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 underlying contractual obligations.

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%, 3%, and 4% of domestic property-casualty insurance premiums written for the years ended December 31, 2009, 2008, and 2007, 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 34%, 37% and 39% of ordinary life insurance in force for the years ended December 31, 2009, 2008, and 2007, respectively. Participating policies approximate 23%, 30%, and 33% of premium for the years ended December 31, 2009, 2008, and 2007, respectively.

Long-Term Incentive and Performance Based Incentive Plans

The Company maintains short- 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 various 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 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 translated at historical rates. Gains and losses from balance sheet translation 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, 2009, 2008, and 2007 were $(1), $16, and $(6), 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.

Service Revenues and Expenses

Service revenues consist primarily of fees generated from processing business for involuntary assigned risk pools, self insured customers, and risk retention groups and are earned on a pro-rata basis over the term of the related policies and are included in fee and other revenues in the consolidated statements of income.

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, 2009, 2008, and 2007 are as follows:

	2009	2008	2007
Unrealized gains (losses) on securities	$1,115	$(1,457)	$574
Foreign currency translation and other adjustments	269	51	456
Pension liability funded status	(856)	(1,154)	(285)
Cumulative effect of adoption of ASC 320 at January 1, 2009	(28)	-	-
Accumulated other comprehensive income (loss)	$500	$(2,560)	$745

(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 results of operations for the acquired business are included in the financial statements subsequent to September 22, 2008. In 2008, net income for Safeco subsequent to acquisition was $74. The operations of Safeco were merged into the Agency Markets strategic business unit. The Company believes that this acquisition significantly strengthens Agency Markets and expands its independent agency distribution.

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.

The opening balance sheet was as follows:

Assets:	
Total investments	$8,600
Cash and cash equivalents	971
Premium and other receivables	1,071
Reinsurance recoverables	427
Goodwill	2,683
Other assets	1,732
Total assets	$15,484
Liabilities:	
Unpaid claims and claim adjustment expenses	$5,314
Unearned premiums	2,301
Long-term debt	505
Other liabilities	1,120
Total liabilities	$9,240

In 2009, refinements to the purchase accounting were completed, resulting in a net increase to goodwill of $51, principally attributed to unpaid claims and claim adjustment expenses, reinsurance, and tax adjustments.

Intangible Assets

	Carrying Value December 31, 2009	Carrying Value December 31, 2008	Period (Years)	Method
Agency relationship	$564	$605	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 [2]	17	4	10	Present Value Mid-year Convention
Total intangible assets[1] [3]	$873	$901		

(1) The above table excludes the acquired in-force policy intangible, which is included in deferred acquisition costs and acquired in-force policy intangibles on the consolidated balance sheet. See Note 4.

(2) In addition to amortization, as of December 31, 2009, the above table reflects a purchase accounting adjustment to other intangibles of $10.

(3) Net of accumulated amortization of $47 and $9 as of December 31, 2009 and 2008, respectively.

For the years ended December 31, 2009 and 2008, the Company recognized $38 and $9, 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, 2010 through 2014 is $42, $42, $43, $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 costs incurred for the years ended December 31, 2009 and 2008, were $65 and $103, respectively, of which $42 and $70, 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. $77 and $62 of the costs were paid in 2009 and 2008, respectively.

Indiana Seguros, S.A.

On January 9, 2008, the Company, through its Brazilian subsidiary, Liberty International Brazil Ltda., acquired Indiana Seguros, S.A., a writer of auto insurance in Brazil for $143. Goodwill recognized from the transaction was $103. The results of operations of Indiana Seguros, S.A. are included in the Company's financial statements subsequent to January 9, 2008. In 2008, net income for Indiana Seguros, S.A., subsequent to acquisition was $8.

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 results of operations for the acquired business are included in the financial statements subsequent to August 24, 2007. In 2007, net income for Ohio Casualty subsequent to acquisition was $57. The operations of Ohio Casualty were merged into the Agency Markets 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.

The opening balance sheet was as follows:

Assets:	
Total investments	$4,176
Cash and cash equivalents	105
Premium and other receivables	396
Reinsurance recoverables	584
Goodwill	1,054
Other assets	608
Total assets	$6,923
Liabilities:	
Unpaid claims and claim adjustment expenses	$2,698
Unearned premiums	698
Funds held under reinsurance treaties	113
Long-term debt	207
Other liabilities	427
Total liabilities	$4,143

Intangible Assets

	Carrying Value December 31, 2009	Carrying Value December 31, 2008	Period (Years)	Method
Agency relationship	$132	$140	20	Straight-line
Non-compete agreements	-	1	2	Straight-line
Trademarks	33	33	Not subject to amortization	Not subject to amortization
State licenses	22	22	Not subject to amortization	Not subject to amortization
Total intangible assets[1] [2] [3]	$187	$196		

(1) The above table excludes the acquired in-force policy intangible, which is included in deferred acquisition costs and acquired in-force policy intangibles on the consolidated balance sheet. See Note 4.

(2) In addition to amortization, the December 31, 2008 agency relationship amount reflects a purchase accounting adjustment of $87.

(3) Net of accumulated amortization of $22 and $13 as of December 31, 2009 and 2008, respectively.

For the years ended December 31, 2009 and 2008, the Company recognized $9 and $8, 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, 2010 through 2014, estimated amortization is $8.

Integration Activities

As part of the Ohio Casualty acquisition, management conducted integration efforts, resulting in employment reductions and contract terminations. Total integration costs incurred for the years ended December 31, 2008 and 2007, were $(1) and $38, respectively, of which $0 and $26, 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. $8, $18 and $11 of the costs were paid in 2009, 2008, and 2007, respectively.

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.

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.

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.

(3) INVESTMENTS

Components of Net Investment Income

	Years Ended December 31,		
	2009	2008	2007
Taxable interest income	$2,301	$2,349	$2,211
Tax-exempt interest income	623	472	342
Dividends	41	98	83
Limited partnerships and limited liability companies	(411)	4	345
Commercial mortgage loans	68	58	27
Other investment income	9	27	7
Gross investment income	2,631	3,008	3,015
Investment expenses	(149)	(128)	(130)
Net investment income	$2,482	$2,880	$2,885

Components of Net Realized Investment Gains (Losses)

	Years Ended December 31,		
	2009	2008	2007
Fixed maturities			
Gross realized gains	$173	$109	$124
Gross realized losses	(259)	(436)	(156)
Equities			
Gross realized gains	146	341	199
Gross realized losses	(64)	(801)	(48)
Other			
Gross realized gains	84	469	338
Gross realized losses	(54)	(12)	(21)
Net realized investment gains (losses)	$26	$(330)	$436

As of December 31, 2009, other-than-temporary impairments recognized through accumulated other comprehensive income were $30.

During the years ended December 31, 2009, 2008, and 2007, proceeds from sales of fixed maturities available for sale were $4,859, $7,013, and $8,006, respectively. The gross realized gains and (losses) on such sales totaled $145 and $(67) in 2009, $85 and $(122) in 2008, and $60 and $(81) in 2007.

Components of Change in Net Unrealized Investment Gains (Losses)

	2009	2008	2007
Fixed maturities	$3,864	$(2,257)	$(35)
Equities	206	(962)	(88)
Other	18	(5)	3
Adjustments to deferred policy acquisition costs	(169)	145	33
Net change in unrealized investment gains (losses)	3,919	(3,079)	(87)
Deferred income tax (expense) benefit	(1,347)	1,048	17
Net change in unrealized investment gains (losses), net of tax	$2,572	$(2,031)	$(70)

Available for Sale Investments

The gross unrealized gains and losses and fair values of available for sale investments as of December 31, 2009 and 2008, are as follows:

December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$2,324	$149	$(8)	$2,465
Residential mortgage and ABS securities	10,725	404	(140)	10,989
Commercial mortgage and ABS securities	2,163	46	(49)	2,160
Other mortgage and ABS securities	1,849	80	(27)	1,902
U.S. state and municipal	14,910	716	(116)	15,510
Corporate and other	19,134	933	(384)	19,683
Foreign government securities	3,684	128	(82)	3,730
Total fixed maturities	54,789	2,456	(806)	56,439
Common stock	525	196	(33)	688
Preferred stock	552	34	(86)	500
Total equity securities	1,077	230	(119)	1,188
Total securities available for sale	$55,866	$2,686	$(925)	$57,627

December 31, 2008	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$2,105	$272	$(2)	$2,375
Residential mortgage and ABS securities	8,406	268	(232)	8,442
Commercial mortgage and ABS securities	2,242	6	(270)	1,978
Other mortgage and ABS securities	1,617	26	(63)	1,580
U.S. state and municipal	14,277	143	(702)	13,718
Corporate and other	18,637	236	(1,866)	17,007
Foreign government securities	2,618	123	(110)	2,631
Total fixed maturities	49,902	1,074	(3,245)	47,731
Common stock	589	186	(81)	694
Preferred stock	690	29	(229)	490
Total equity securities	1,279	215	(310)	1,184
Total securities available for sale	$51,181	$1,289	$(3,555)	$48,915

Of the $688 and $694 of common stock as of December 31, 2009 and 2008, respectively, $275 and $173, respectively, related to securities associated with non-guaranteed unit linked products where the policyholder bears the investment risk.

As of December 31, 2009 and 2008, securities carried at $4,051 and $3,701, respectively, were on deposit with regulatory authorities as required by law.

As of December 31, 2009 and 2008, the fair values of fixed maturities loaned were approximately $1,547 and $771, respectively. Cash and short-term investments received as collateral in connection with the loaned securities were approximately $1,352 and $682 as of December 31, 2009 and 2008, respectively. Other investments received as collateral in connection with the loaned securities was approximately $247 and $119 as of December 31, 2009 and 2008, respectively.

The amortized cost and fair value of fixed maturities as of December 31, 2009, by contractual maturity are as follows:

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$2,515	$2,556
Over one year through five years	12,171	12,678
Over five years through ten years	10,256	10,633
Over ten years	15,110	15,521
Mortgage and asset-backed securities of government and corporate agencies	14,737	15,051
Total fixed maturities	$54,789	$56,439

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.

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		Greater Than 12 Months	
	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	$(2)	$10
Residential mortgage and ABS securities	(17)	1,190	(123)	425
Commercial mortgage and ABS securities	(2)	266	(47)	464
Other mortgage and ABS securities	(7)	303	(20)	48
U.S. state and municipal	(36)	1,215	(80)	591
Corporate and other	(31)	1,395	(353)	2,607
Foreign government securities	(49)	884	(33)	150
Common stock	(3)	34	(30)	132
Preferred stock	-	-	(86)	351
Total	$(151)	$5,673	$(774)	$4,778

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, 2008, that are not deemed to be other-than-temporarily impaired.

	Less Than 12 Months		Greater Than 12 Months	
	Unrealized Losses	Fair Value of Investments with Unrealized Losses	Unrealized Losses	Fair Value of Investments with Unrealized Losses
U.S. government and agency securities	$(1)	$25	$(1)	$9
Residential mortgage and ABS securities	(180)	582	(52)	218
Commercial mortgage and ABS securities	(192)	1,396	(78)	454
Other mortgage and ABS securities	(50)	394	(13)	57
U.S. state and municipal	(491)	7,287	(211)	1,311
Corporate and other	(831)	7,168	(1,035)	4,322
Foreign government securities	(35)	116	(75)	300
Common stock	(60)	238	(21)	28
Preferred stock	(29)	159	(200)	233
Total	$(1,869)	$17,365	$(1,686)	$6,932

The above table for 2009 includes $159 of unrealized losses related to securities issued and guaranteed by the United States government, its agencies, government sponsored enterprises and state and municipal governments. Included in the $774 of unrealized losses greater than twelve months were $421 of unrealized losses on securities that had been in an unrealized position of 10% or greater for more than twelve months. Unrealized losses as of December 31, 2009 decreased by $2,630 from December 31, 2008, primarily due to a decrease in credit spreads. The Company monitors the difference between the amortized cost and estimated fair value of investments to ascertain whether declines in value are temporary in nature. Based on that evaluation and the Company's intent not to sell these investments and given that it is not more likely than not that the Company will be required to sell these investments before an anticipated recovery in value, the Company views the decline in fair value of these investments as being temporary.

More than 78% 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 95% of these holdings remain rated AAA. The commercial mortgage backed securities portfolio is well diversified and of high quality with 95% rated AA or above.

As of December 31, 2009, no single issuer, excluding U.S. Treasuries, agency securities and mortgage-backed securities, accounted for more than 1% of invested assets.

Variable Interest Entities

The Company invests in energy, private equity and real estate limited partnerships and other entities subject to variable interest entity (VIE) analysis under the VIE subsections of ASC 810. 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 to and the extent of the Company's variable interest in the VIE. The Company has determined that it is the primary beneficiary of two VIEs in the energy investment sector, and as such, these VIEs have been consolidated in the Company's 2009, 2008, and 2007 financial statements. The carrying value of assets and liabilities, and the Company's maximum exposure to loss of the consolidated VIEs is immaterial to the Company. VIEs in which the Company is not the primary beneficiary but holds a variable interest, are accounted for under the equity method in accordance with ASC 323.

The Company has variable interests in VIEs for which it is not the primary beneficiary. 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 $87 and $88 and the Company's maximum exposure to loss of was $99 and $104 for the years ending December 31, 2009 and 2008, 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, 2009 and 2008, the carrying values of commercial mortgage loans were $1,121 and $1,090 respectively. The carrying values reflect allowances of $6 and $1 as of December 31, 2009 and 2008, 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, 2009, the average total loan size was $2, and the average loan participation size was $1. The number of loans in the portfolio increased from 2,257 as of December 31, 2008, to 2,469 as of December 31, 2009. Approximately 91% 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 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 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 expired in January 2009, resulting in realized gains of $25 for the year ended December 31, 2009.

As part of the acquisition of Safeco, the Company acquired an interest rate swap contract hedging Safeco Corporation debt that was terminated on October 1, 2008, and the Company recorded a gain of $6 on the contract.

(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,		
	2009	2008	2007
Balance at beginning of year	$2,541	$2,045	$1,710
Acquisition costs deferred	4,787	3,991	3,455
Acquired in-force policy intangibles [1]	-	494	161
Amortization charged to income	(4,692)	(3,989)	(3,281)
Balance at end of year	$2,636	$2,541	$2,045

[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. on January 9, 2008. For 2007, the acquired in-force policy intangible was recognized in conjunction with the Company's purchase of Ohio Casualty on August 24, 2007.

(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. Between comprehensive studies, the Company monitors asbestos activity to determine whether or not any adjustment to reserves is warranted. The Company also completed its annual study on the environmental claims liability, resulting in immaterial adjustments to held reserves.

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.

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, 2009, 2008, and 2007. Acquisition activity in 2009 and 2008 relates to the purchase of Safeco, and acquisition activity in 2007 relates to the purchase of Ohio Casualty.

	2009	2008	2007
Gross Asbestos:			
January 1 reserves	$2,539	$2,526	$2,541
Acquisitions	67	224	53
Incurred activity	384	146	413
Paid activity	325	357	481
Ending reserves	$2,665	$2,539	$2,526
Net Asbestos:			
January 1 reserves	$812	$761	$872
Acquisitions	64	182	39
Incurred activity	314	18	90
Paid activity	193	149	240
Ending reserves	997	812	761
Allowance for reinsurance on unpaid losses[1]	174	89	87
Total unpaid losses including allowance for unpaid reinsurance	$1,171	$901	$848

[1]In 2009, the increase to the allowance for reinsurance on unpaid losses is primarily due to the completion of the third quarter asbestos study.

Included in gross asbestos incurred for 2009, 2008, and 2007 are significant 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 $0, $47, and $56 in 2009, 2008, and 2007, respectively. All 2008 and 2007 gross paid losses are recoverable from Vantage.

	2009	2008	2007
Gross Environmental:			
January 1 reserves	$620	$621	$585
Acquisitions	(25)	95	56
Incurred activity	50	13	57
Paid activity	118	109	77
Ending reserves	$527	$620	$621
Net Environmental:			
January 1 reserves	$495	$486	$414
Acquisitions	(25)	84	56
Incurred activity	4	(5)	64
Paid activity	65	70	48
Ending reserves	$409	$495	$486

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, $1, and $1 in 2009, 2008, and 2007 respectively. All 2008 and 2007 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); incurred but not reported ("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.

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, 2009, 2008, and 2007 were $883, $1,580, and $379, 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:

	2009	2008	2007
Balance as of January 1	$48,311	$42,531	$38,113
Less: unpaid reinsurance recoverables [1]	12,423	12,429	12,411
Net balance as of January 1	35,888	30,102	25,702
Balance attributable to dispositions and acquisitions	37	4,918	2,133
Incurred attributable to:			
Current year	19,603	18,623	15,106
Prior years:			
Asbestos and environmental	312	6	147
All other	(999)	(1,081)	(256)
Discount accretion	154	167	110
Total incurred	19,070	17,715	15,107
Paid attributable to:			
Current year	9,583	9,064	7,176
Prior years	9,385	7,567	5,969
Total paid	18,968	16,631	13,145
Amortization of deferred retroactive reinsurance gain	74	82	83
Net adjustment due to foreign exchange	202	(298)	222
Add: unpaid reinsurance recoverables [1]	12,052	12,423	12,429
Balance as of December 31	$48,355	$48,311	$42,531

[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 $2,067, $2,111, and $2,166 as of December 31, 2009, 2008, and 2007, respectively.

Incurred attributable to prior years, excluding asbestos and environmental, includes $74, $82, and $83 of amortization of deferred retroactive gain in the years ended December 31, 2009, 2008, and 2007, respectively. 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 LHU reinsurance and workers compensation lines of business. In 2007, incurred attributable to prior years, excluding asbestos and environmental and amortization of deferred retroactive gain, is due to favorable trends in personal auto and commercial multiple peril, partially offset by reserve increase for workers compensation. This development in workers compensation is composed of unfavorable development caused by higher than expected severity, partially offset by favorable development due to the impact of Florida reform.

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, 2009 and 2008, the Company held $4,384 and $4,612, respectively, of unpaid claims and claim adjustment expenses related to experience-rated contracts. Premiums receivable included accrued retrospective and unbilled audit premiums of $495 and $566 as of December 31, 2009 and 2008, respectively. For the years ended December 31, 2009, 2008, and 2007, the Company recognized a decrease in premium income of $85, $77, and $105, respectively, relating to prior years.

Unpaid claims and claim adjustment expenses are recorded net of anticipated salvage and subrogation of $994 and $956 as of December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, the reserve for unpaid claim reserves was reduced by $4,784 and $4,690, respectively, for large dollar deductibles. Large dollar deductibles billed and recoverable were $228 and $231 as of December 31, 2009 and 2008, 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:

	2009		2008		2007	
	Written	Earned	Written	Earned	Written	Earned
Direct	$31,647	$31,441	$28,635	$28,309	$24,844	$24,250
Assumed	1,606	1,657	1,640	1,642	1,320	1,375
Ceded[1]	4,995	5,307	4,808	4,427	3,626	3,738
Net premiums	$28,258	$27,791	$25,467	$25,524	$22,538	$21,887

[1] The Company, through its domestic insurance subsidiaries, entered into homeowners quota share reinsurance contracts on a written premium basis effective December 31, 2009, ceding 30.0% of its Personal Markets' homeowners premium and effective December 31, 2008, ceding 31.725% of total U.S. homeowners premium.

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, 2009.

S&P Rating	Reinsurance Recoverables	Collateral Held	Net Recoverables[2]
AAA	$1,055	$648	$407
AA+, AA, AA-	1,702	590	1,189
A+, A, A-	6,430	1,511	5,242
BBB+, BBB, BBB-	11	2	9
BB+ or below	5	-	5
Involuntary pools	3,033	6	3,027
Voluntary pools	377	69	308
Other [1]	2,570	2,948	710
Gross recoverables	15,183	5,774	10,897
Less: allowance	434	-	-
Net recoverables	$14,749	$5,774	$10,897

[1] Includes $963 and $1,607 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 $1,725 and $1,995 as of December 31, 2009 and 2008, 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 $1,499, $499, $482, and $413, respectively, as of December 31, 2009, 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, 2009 and 2008, deferred gains related to these reinsurance arrangements were $592 and $620, 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, 2009, 2008, and 2007 was $117, $115, and $114, respectively. Deferred gain amortization was $72, $77, and $57 for the years ended December 31, 2009, 2008, and 2007, respectively. Reinsurance recoverables related to these transactions including experience related profit accruals were $2,019 and $2,060 as of December 31, 2009 and 2008, 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. Activity related to

each of these retroactive and prospective contracts was immaterial in 2009, 2008, and 2007. The retroactive portion of the aggregate stop loss program is included in the preceding paragraph.

In 2007, the Company entered into 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 provide 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 $1,757 for 2010. 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.

(8) DEBT OUTSTANDING

Debt outstanding as of December 31, 2009 and 2008 includes the following:

Short-term and current maturities of long-term debt:

	2009	2008
Commercial paper	$ -	$ -
Revolving credit facilities	4	-
Current maturities of long-term debt	301	-
Total short-term and current maturities of long-term debt	$305	$ -

Long-term debt:

	2009	2008
4.875% Notes, due 2010	$ -	$300
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	-
6.70% Notes, due 2016	249	250
7.00% Junior Subordinated Notes, due 2067[1]	300	300
8.50% Surplus Notes, due 2025	140	150
7.875% Surplus Notes, due 2026	227	250
7.625% Notes, due 2028	3	3
7.00% Notes, due 2034	231	250
6.50% Notes, due 2035	471	500
7.50% Notes, due 2036	440	500
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	500
	5,684	6,142
Unamortized discount	(49)	(53)
Total long-term debt excluding current maturities	$5,635	$6,089

[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.

Short-term and current maturities of long-term debt

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. To date, no funds have been borrowed under the facility. In connection with the new facility, LMGI terminated its $250 three-year unsecured revolving credit facility and its two revolving credit facilities totaling $750.

The Company places commercial paper through a program issued by LMGI and guaranteed by Liberty Mutual Insurance Company ("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.

On September 1, 2009, LMIC renewed its existing $750, 364-day committed repurchase agreement facility for general corporate purposes. To date, no funds have been borrowed under the facility.

On March 11, 2009, LMIC became a member of the Federal Home Loan Bank of Boston. 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, 2009, $4 was outstanding under the facility.

Long-term debt excluding current maturities

On December 10, 2009, Berkeley/St. James Real Estate LLC, a wholly-owned subsidiary 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.

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.

On December 29, 2008, LMGI exchanged $281 of the outstanding $300 Safeco 4.875% Senior Notes due 2010 for a like principal amount of newly issued LMGI 4.875% Senior Notes due 2010. LMGI exchanged $187 of the outstanding $204 Safeco 7.25% Senior Notes due 2012 for a like principal amount of newly issued LMGI 7.25% Senior Notes due 2012. LMGI exchanged $180 of the outstanding $200 Ohio Casualty 7.30% Senior Notes due 2014 for a like principal amount of newly issued LMGI 7.30% Senior Notes due 2014. The above transactions were not deemed to be substantial modifications to the Safeco and Ohio Casualty Senior Notes. Safeco and Ohio Casualty received and accepted the requisite consents to enable each to execute a supplemental indenture governing the Safeco and Ohio Casualty Senior Notes that remain outstanding. The supplemental indenture eliminated substantially all restrictive covenants and eliminated or modified certain events of default.

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.

On May 29, 2008, LMGI issued Series C junior subordinated notes (the "Series C Notes") with a face amount of $1,250. The Series C Notes are scheduled for redemption on June 15, 2058, with a final maturity of June 15, 2088. LMGI may redeem the Series C Notes in whole or in part, on June 15, 2038, and on each interest payment date thereafter at their principal amount plus accrued and unpaid interest to the date of redemption, or prior to June 15, 2038, (i) in whole or in part at any time at their principal amount or, if greater, a make-whole price, or (ii) in certain circumstances, in whole at their principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a special event make-whole price. Interest is payable semi-annually at a fixed rate of 10.75% up to, but excluding, the final fixed rate interest payment date. In the event the Series C Notes are not redeemed on or before the final fixed rate interest payment date, interest will accrue at an annual rate of three-month LIBOR plus 7.12%, payable quarterly in arrears. LMGI has the right to defer interest payments on the Series C Notes for a period up to ten years. Interest compounds during periods of deferral. In connection with the issuance of the Series C Notes, LMGI entered into a Replacement Capital Covenant ("RCC"). As part of the RCC, LMGI agreed that it will not repay, redeem, decease or purchase the Notes on or before the relevant RCC termination date unless, subject to certain limitations, it has received proceeds from the sale of specified capital securities. The RCC will terminate upon the occurrence of certain events, including an acceleration of the Notes, and may not be enforced by the holders of the Series C Notes. The RCC is for the benefit of holders of the specified series of LMGI's indebtedness (initially LMGI's 7.50% senior notes due 2036).

On March 7, 2007, LMGI issued junior subordinated notes (the "Notes") with a face amount of $1,000, consisting of $700 Series A junior subordinated notes (the "Series A Notes") and $300 Series B junior subordinated notes (the "Series B Notes"). The Notes are scheduled for redemption on March 15, 2037; the Series A notes have a par value call date and final fixed rate interest payment date of March 15, 2037, and a final maturity date of March 7, 2087; and the Series B notes have a par value call date and final fixed rate interest payment date of March 15, 2017, and a final maturity date of March 7, 2067. LMGI may redeem (a) the Series B Notes in whole or in part, on March 15, 2017, and on each interest payment date thereafter at their principal amount plus accrued and unpaid interest to the date of redemption, or (b) prior to March 15, 2037, for the Series A Notes or March 15, 2017, for the Series B Notes, (i) in whole or in part at any time at their principal amount or, if greater, a make-whole price, or (ii) in certain circumstances, in whole at their principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a special event make-whole price. Interest is payable semi-annually at a fixed rate of 7.800% for the Series A Notes and 7.000% for the Series B Notes up to, but excluding, the final fixed rate interest payment date. In the event the Notes are not redeemed on or before the final fixed rate interest payment date, interest will accrue at an annual rate of three-month LIBOR plus 3.576% for the Series A Notes and three-month LIBOR plus 2.905% for the Series B Notes, payable quarterly in arrears. LMGI has the right to defer interest payments on the Notes for a period up to ten years. Interest compounds during periods of deferral. In connection with the issuance of the Notes, LMGI entered into an RCC. As part of the RCC, LMGI agreed that it will not repay, redeem, defease or purchase the Notes on or before the relevant RCC termination date unless, subject to certain limitations, it has received proceeds from the sale of specified capital securities. The RCC will terminate upon the occurrence of certain events, including an acceleration of the Notes, and may not be enforced by the holders of the Series A Notes or the Series B Notes. The RCC is for the benefit of holders of the specified series of LMGI's indebtedness (initially LMGI's 7.50% senior notes due 2036).

Capital lease obligations as of December 31, 2009 and 2008, were $105 and $149, respectively, and are included in other liabilities in the accompanying consolidated balance sheets. Amortization of the lease obligation was $49 and $17 for the years ended December 31, 2009 and 2008, respectively. In 2008, the Company entered into an arrangement to sell and leaseback certain furniture and equipment. The weighted average interest rate on the lease is 4.88%. The transactions are accounted for as capital leases. As of December 31, 2009, the Company's amortization of the lease obligation under the sale-leaseback agreement through maturity is approximately $15 for 2010, $16 for 2011, $17 for 2012, $17 for 2013, and $1 for 2014.

Interest
The Company paid $468, $406, and $299 of interest in 2009, 2008, and 2007, respectively.

(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,	2009	2008	2007
Current tax expense (benefit):			
United States Federal	$143	$220	$411
United States Federal benefit of net operating losses	(27)	-	-
State	6	1	-
Foreign	112	117	100
Total current tax expense	234	338	511
Deferred tax expense (benefit):			
United States Federal	(79)	(241)	130
Foreign	32	43	30
Total deferred tax (benefit) expense	(47)	(198)	160
Total Federal, state and foreign income tax expense	$187	$140	$671

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,	2009	2008	2007
Expected Federal income tax expense	$423	$439	$760
Tax effect of:			
Nontaxable investment income	(191)	(155)	(110)
Change in valuation allowance	4	15	-
Goodwill	(15)	(13)	(15)
Tax litigation	(1)	(76)	(19)
Revision to estimates	-	(24)	3
State	6	1	-
Foreign	(27)	(84)	(22)
Other	(12)	37	74
Actual income tax expense	$187	$140	$671

The significant components of the deferred income tax assets and liabilities as of December 31, are summarized as follows:

	2009	2008
Deferred tax assets:		
Unpaid claims discount	$601	$615
Unearned premium reserves	724	721
Net operating losses	172	266
Employee benefits	930	1,011
Retroactive reinsurance deferred gain	217	225
Credits	133	83
Net unrealized losses and other – than –temporary impairments	-	880
Other	907	581
	3,684	4,382
Less: valuation allowance	(160)	(131)
Total deferred tax assets	3,524	4,251
Deferred tax liabilities:		
Deferred acquisition costs	694	665
Net unrealized gains	471	-
Intangibles	297	392
Other	371	159
Total deferred tax liabilities	1,833	1,216
Net deferred tax assets	$1,691	$3,035

The increase in the valuation allowance is primarily due to foreign currency translation adjustments. 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 net operating loss carry forwards of $492, alternative minimum tax credit carry forwards of $51, and foreign tax credit carry forwards of $68 as of December 31, 2009. 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:

2010	$3
2011	14
2012	24
2013	29
2014	38
Thereafter	384
Total	$492

The foreign tax credits will begin to expire, if not utilized, in 2013 and the alternative minimum tax credits do not expire.

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, 2009, unremitted earnings of foreign subsidiaries were $1,372. 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.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance as of January 1, 2007[1]	$ 194
Additions based on tax positions related to the current year	1
Additions for tax positions of prior years	34
Reductions for tax positions of prior years	(12)
Settlement	(11)
Increases in unrecognized tax benefits acquired or assumed in a business combination	15
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

[1] The beginning balance has been adjusted to remove anticipated tax recoverables.

Included in the tabular rollforward of unrecognized tax benefits is interest in the amount of $85 and $72 as of December 31, 2009 and 2008, respectively.

Included in the December 31, 2009 balances above are $119 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, 2009, 2008, and 2007, the Company recognized approximately $18, $8, and $10 in interest and penalties. The Company had approximately $82 and $66 of interest and penalties accrued as of December 31, 2009 and 2008, 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 Standard and Poor's 500 Index. As of December 31, 2009 and 2008, assets of the plans totaling $3,393 and $2,893, 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 2009, 2008, and 2007, 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 profitability. In 2009, 2008, and 2007, the Company made matching contributions of $162, $156, and $128, respectively, including the supplemental defined contribution plans. The increases in 2009 and 2008 were primarily due to the Safeco and Ohio Casualty acquisitions.

Compensation expense related to the Company's long-term and short-term incentive compensation plans was $434, $387, and $557 for the years ended December 31, 2009, 2008, and 2007, respectively.

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, 2009 and 2008, and consolidated statements of income for the years ended December 31, 2009, 2008, and 2007.

	Pension		Supplemental Pension		Postretirement	
	2009	2008	2009	2008	2009	2008
Change in benefit obligations:						
Benefit obligation at beginning of year	$4,634	$3,839	$324	$238	$781	$554
Service costs	200	142	12	10	28	22
Interest costs	278	251	19	15	46	40
Amendments	-	-	-	-	10	-
Actuarial (gains) losses	(32)	425	(2)	69	(31)	56
Currency exchange rate change	11	(32)	-	(1)	-	(1)
Acquisitions	-	164	-	11	-	80
Benefits paid	(185)	(156)	(25)	(18)	(31)	(33)
Employee contributions	1	1	-	-	-	-
Other	-	-	-	-	-	63
Benefit obligations at end of year	$4,907	$4,634	$328	$324	$803	$781
Accumulated benefit obligations	$4,251	$4,029	$283	$278	$803	$781
Change in plan assets:						
Fair value of plan assets at beginning of year	$3,141	$3,696	$ -	$ -	$3	$17
Actual return on plan assets	472	(542)	-	-	-	(2)
Currency exchange rate change	10	(22)	-	-	-	-
Acquisitions	-	158	-	-	-	-
Employer contribution	201	5	-	-	-	21
Benefits paid	(185)	(156)	-	-	(3)	(33)
Other	1	2	-	-	-	-
Fair value of plan assets at end of year	$3,640	$3,141	$ -	$ -	$ -	$3
Funded status of Plan	$(1,267)	$(1,493)	$(328)	$(324)	$(803)	$(778)

	Pension		Supplemental Pension		Postretirement	
	2009	2008	2009	2008	2009	2008
Amounts recognized in the Statement of Financial Position:						
Noncurrent assets	$3	$3	$-	$-	$-	$-
Current liabilities	(35)	(1)	(14)	(21)	(37)	(31)
Noncurrent liabilities	(1,235)	(1,495)	(314)	(303)	(766)	(747)
Net liability at end of year	**$(1,267)**	**$(1,493)**	**$(328)**	**$(324)**	**$(803)**	**$(778)**
Amounts recognized in Accumulated Other Comprehensive Loss (Income):						
Net loss (gain)	$1,272	$1,581	$124	$136	$(46)	$(13)
Prior service costs	34	40	6	8	(16)	(29)
Net transition (asset) liability	(8)	(12)	-	-	60	68
Total	**$1,298**	**$1,609**	**$130**	**$144**	**$(2)**	**$26**
Other changes in Plan assets and projected benefit obligation recognized in Other Comprehensive (Income) Loss:						
Net actuarial (gain) loss	$(253)	$1,234	$(2)	$69	$(30)	$59
Currency exchange rate change	1	(1)	-	-	-	-
Amortization of net actuarial (gain) loss	(58)	(11)	(10)	(5)	(2)	2
Prior service costs	-	-	-	-	10	-
Amortization of prior service cost	(6)	(6)	(2)	(3)	3	3
Amortization of transition obligation	5	5	-	-	(9)	(9)
Total	**$(311)**	**$1,221**	**$(14)**	**$61**	**$(28)**	**$55**

The amounts recognized in accumulated other comprehensive (income) loss in 2009 include a $68 deferred tax 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 2010 fiscal year are $78, $8, and $(6), respectively for pension and supplemental plans and $1, $(2), and $9, respectively, for retiree welfare plans.

The net benefit costs for the years ended December 31, 2009, 2008, and 2007, include the following components:

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**

December 31, 2007	Pension	Supplemental Pension	Postretirement
Components of net periodic benefit costs:			
Service costs	$148	$8	$19
Interest costs	213	13	31
Expected return on plan assets	(231)	-	(1)
Amortization of unrecognized:			
Net loss	36	4	-
Prior service cost	4	3	(3)
Net transition (assets) obligation	(5)	-	9
Net periodic benefit costs	**$165**	**$28**	**$55**

The measurement date used to determine pension and other postretirement measurements is December 31, 2009.

Weighted-average actuarial assumptions for benefit obligations are set forth in the following table:

December 31,	2009	2008
Pension		
Discount rate	6.15%	6.00%
Rate of compensation increase	4.70%	4.70%
Supplemental Pension		
Discount rate	6.15%	6.00%
Rate of compensation increase	4.90%	4.90%
Postretirement		
Discount rate	6.15%	6.00%

Weighted-average actuarial assumptions for net periodic benefit costs are set forth in the following table:

December 31,	2009	2008	2007
Pension			
Discount rate	6.00%	6.50%	6.00%
Expected return on plan assets	6.75%	7.50%	7.50%
Rate of compensation increase	4.70%	4.70%	4.70%
Supplemental Pension			
Discount rate	6.00%	6.50%	6.00%
Rate of compensation increase	4.90%	4.90%	4.90%
Postretirement			
Discount rate	6.00%	6.50%	6.00%
Expected return on plan assets	7.15%	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. In 2009, the yield curve was developed from a December 31, 2009 Hewitt Top Quartile Yield Curve. 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. The equivalent single discount rate was then rounded to the nearest 5 basis points. In 2008 and 2007, the yield curve was developed from the December 31, 2008 and 2007 Citigroup Pension Discount Curve. 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. The equivalent single discount rate was then rounded to the nearest 25 basis points.

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 8.0% in 2010 graded down to 5.5% in 2016. 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	$ 89	($69)
Effect on total service and interest costs	$11	($8)

Plan Assets

The assets of the domestic Plan represent 93% of the total Plan assets as of December 31, 2009. 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:

Bonds - 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.

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 percent to U.S. partnerships and 20 percent 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.

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	$-	$-
Bonds:				
U.S. government and agencies	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)				
	European Equities	Private Equity	Real Estate	Other Equities	Total
Beginning balance as of December 31, 2008	$2	$95	$2	$4	$103
Actual return on plan assets:					
Relating to assets still held at the reporting date	-	(15)	-	-	(15)
Relating to assets sold during the year	-	5	-	-	5
Purchases, sales & settlements	1	(2)	-	-	(1)
Transfers in/(out) of Level 3	-	-	-	-	-
Balance as of December 31, 2009	$3	$83	$2	$4	$92

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 $201 to the qualified plans, and directly funded $25 to retirees in the supplemental pension plans in 2009. In addition, the Company directly funded $28 to the postretirement benefit plans in 2009.

The Company expects to contribute approximately $241 to the qualified plans, and directly fund $14 to retirees in the supplemental pension plans in 2010. In addition, the Company expects to directly fund $42 to the postretirement benefit plans gross of the Medicare Subsidy in 2010.

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
2010[1]	$326	$14	$42	$(5)
2011	178	12	44	(5)
2012	186	77	45	(6)
2013	197	14	46	(7)
2014	211	17	48	(7)
2015-2019	1,343	112	268	(47)

[1] The increase in the 2010 pension benefit payment amount is driven by the expected final distributions from the Safeco Cash Balance Plan.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820 establishes a framework for measuring fair value and disclosures about fair value measurements. It provides guidance on how to measure fair value when required under existing accounting standards and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels ("Level 1, 2 and 3"). Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets the Company has the ability to access at the measurement date. Level 2 inputs are observable inputs, other than quoted prices included in Level 1, for the asset or liability. Level 3 inputs are unobservable inputs reflecting the Company's estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Certain derivatives recorded at fair value are impacted by the application of this guidance. The Company has variable annuity contracts containing embedded derivatives.

The hierarchy requires the use of market observable information when available for assessing fair value. The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2009 and 2008 along with a brief description of the valuation technique for each type of asset and liability:

	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)

	As of December 31, 2008			
Assets, at Fair Value	Level 1	Level 2	Level 3	Total
Fixed maturities, available for sale	$1,052	$45,782	$ 897	$47,731
Equity securities, available for sale	582	492	110	1,184
Short-term investments	54	1,066	73	1,193
Other investments	-	98	62	160
Separate account assets	1,582	1,292	188	3,062
Other assets	18	51	27	96
Total assets	$3,288	$48,781	$1,357	$53,426
Liabilities, at Fair Value				
Life insurance obligations	$ -	$ -	$(223)	$ (223)
Total liabilities	$ -	$ -	$(223)	$ (223)

Fixed maturities and short-term investments are recorded at fair value in the Company's financial statements. In instances where there are quoted prices in active markets for identical instruments, as is the case within the U.S. Treasury market, these securities are categorized as Level 1 of the fair value hierarchy. For securities where the fair value of fixed income securities are estimated using recently executed transactions, market price quotations, bond spreads, or models that have inputs from published interest rate yield curves, these securities are generally categorized as Level 2 of the hierarchy. Additionally, in some instances where fixed maturity securities use significant inputs that are unobservable, they are categorized as Level 3 of the hierarchy.

Equity and trading securities are recorded at fair value in the Company's financial statements. The fair value of common stocks are generally based on quoted prices in active markets. As such, common stocks are generally categorized as Level 1 of the fair value hierarchy. The fair value of preferred stocks are generally determined by quoted prices for similar instruments in active markets, hence they are categorized as Level 2 of the fair value hierarchy. Additionally, in some instances where equity securities use significant inputs that are unobservable, they are categorized as Level 3 of the hierarchy.

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.

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 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 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.

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, 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)

	Balance January 1, 2008	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Purchases, (Sales) and (Maturities)	Transfer in and/ or out of Level 3	Balance December 31, 2008
Fixed maturities	$ 825	$ (9)	$(48)	$ 70	$59	$ 897
Equity securities	43	(3)	(13)	82	1	110
Short-term investments	70	-	(19)	22	-	73
Other investments	41	12	7	2	-	62
Separate account assets	172	35	(4)	(17)	2	188
Other assets	13	12	-	2	-	27
Total assets	$1,164	$ 47	$(77)	$161	$62	$1,357
Life insurance obligations	$(105)	$(151)	$ -	$ 33	$ -	$(223)
Total liabilities	$(105)	$(151)	$ -	$ 33	$ -	$(223)

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, 2009 and 2008.

For the years ended December 31, 2009, 2008, and 2007, there were impairments of $22, $29, and $40, 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 fair values and carrying values of the Company's financial instruments excluded from ASC 820 as of December 31, 2009 and 2008, are as follows:

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Other investments	$2,493	$2,493	$2,569	$2,569
Mortgage loans	1,121	1,062	1,090	1,054
Cash and cash equivalents	4,847	4,847	5,848	5,848
Individual and group annuities	2,079	2,280	1,963	1,998
Debt	5,940	5,728	6,089	3,956

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, which approximates cost, where market value data is unavailable for the underlying investment.

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, 2009 and 2008. Also included are variable investment-type insurance contracts, for which carrying value approximates fair value as of December 31, 2009 and 2008.

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, 2009 and 2008.

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.

Until recently, the Company has been in various insurance coverage disputes with Armstrong World Industries ("Armstrong") for over twenty years relating to asbestos liabilities and insurance covering the period of 1973 to 1981. In October 2009, Liberty Mutual executed a settlement agreement with the Armstrong World Industries Asbestos Personal Injury Trust (the "Trust"), as successor to certain of Armstrong's rights under certain of the Liberty Mutual insurance policies, to resolve all disputes regarding Liberty Mutual's alleged coverage obligations with respect to asbestos bodily injury claims, including but not limited to all actions pending in the United States District Court for the Eastern District of Pennsylvania, and related civil actions more recently filed in state court in Illinois, for a payment of $300. The parties also agreed to a further contingent payment of $115 payable no earlier than the first day of the sixth year anniversary of the "effective date" of the agreement, only if a certain aggregate value of qualified claims has been accepted by the Trust by that time or within a two year period thereafter. The settlement, which has been finalized and is effective, affords Liberty Mutual the full benefits and protections of the Section 524(g) channeling injunction issued to Armstrong in the bankruptcy proceedings which concluded in 2006. Armstrong, the Trust Advisory Committee, and the Futures Representative, in addition to the Trust, have all concurred in the settlement.

The Company leases certain office facilities and equipment under operating leases expiring in various years through 2024. Rental expense amounted to $280, $224, and $215 for the years ended December 31, 2009, 2008, and 2007, 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 $28, $30, and $35 for the years ended December 31, 2009, 2008, and 2007, 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
2010	$180	$1	$30	$151
2011	154	1	23	132
2012	112	1	20	93
2013	74	1	20	55
2014	60	1	16	45
2015 – 2034	115	21	35	101
2035 – 2054	-	20	-	20
2055 – 2102	-	94	-	94
Total	$695	$140	$144	$691

As of December 31, 2009, the Company had unfunded capital commitments related to traditional private equity partnerships of $1,104, other partnerships (primarily energy) of $952, and real estate partnerships of $596.

As of December 31, 2009, the Company had commitments to purchase various mortgage-backed securities settling in 2010, at a cost of $222 with a fair value of $221, which are included as fixed maturities in the consolidated balance sheets.

As of December 31, 2009, the Company had $648 of undrawn letters of credit outstanding secured by assets of $947.

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, 2009 and 2008, the liability balance was $291 and $313, respectively. As of December 31, 2009 and 2008, included in other assets were $12 and $10, 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 $1,627, 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. $176 is held in trust as of December 31, 2009. 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 $14,704 and $12,330 as of December 31, 2009 and 2008, 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. 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 and adequate to its financial needs. 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 2010 that may be made prior to regulatory approval is $1,464.

(14) SUBSEQUENT EVENTS

Management has assessed material subsequent events through March 5, 2010, the date the financial statements were available to be issued.

Effective January 1, 2010, the Company's Venezuelan operations began applying hyper-inflationary accounting, utilizing the U.S. dollar as the functional currency, which had no impact on consolidated policyholders' equity at January 1, 2010. However, on January 8, 2010, the Venezuelan government devalued its currency, announcing that the fixed official exchange rate would be changed to a dual exchange rate system. This dual exchange rate system for the fixed official exchange rate includes a 2.60 Bolivar Fuertes (BsF) rate to 1 U.S. dollar for food and other items as mandated by the Venezuelan government, and a 4.30 BsF to 1 U.S dollar rate for all other items. While it is expected that the devaluation will reduce net written premium and claims and claim adjustment expense reserves in 2010, the anticipated impact to consolidated policyholders' equity is not expected to be material. Had the devaluation occurred effective January 1, 2009, net written premium and claims and claim adjustment expense reserves would have been reduced by $825 and $232, respectively.

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is made and entered into this 1st day of January 2011, by and between Peerless Insurance Company ("PIC"), a New Hampshire stock insurance company and Safeco Surplus Lines Insurance Company ("SSLIC"), a Washington company.

I. Performance of Services. PIC agrees, to the extent requested by SSLIC, to perform such services (collectively, "services") for SSLIC as SSLIC determines to be reasonably necessary or desirable in the conduct of its operations; provided, however, that PIC may, in its sole discretion, decline to provide any of the services contemplated in this Agreement if providing the requested services would interfere with PIC's ability to meet its obligations to its policyholders or would otherwise adversely affect PIC. All services provided under this Agreement shall comply with all applicable state laws and regulations governing SSLIC, including all laws and regulations relating to review of SSLIC's books and records. As may be necessary for the performance of PIC's services under this Agreement, PIC shall have the authority to negotiate or conclude contracts on behalf of SSLIC or bind SSLIC to any such contracts.

The listing of the following services to be performed under this Agreement is not intended to limit the performance of other services that may be provided by PIC to or on behalf of SSLIC, as may be agreed to by the parties from time to time:

A. Insurance. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide risk underwriting, claims processing, claims adjustments, policyholder services, contract management and administration.

B. Accounting, actuarial, risk management, financial, tax and auditing. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide SSLIC with such financial and accounting services as may be desirable, including but not limited to:

1. Preparation and maintenance of annual and quarterly financial statements and other reports providing information required by the state of domicile and other states in which SSLIC is transacting business, the maintenance of necessary and proper records and books of account with respect to the business of SSLIC, and the maintenance and compilation of all data required for the preparation of tax returns.

2. Assistance to SSLIC in connection with the examination or audit of the books, records, affairs and activities of SSLIC by governmental, insurance or taxing authorities having regulatory or taxing authority with respect to the operations of SSLIC, or by any firm of certified public accounts appointed by SSLIC to audit its books, records and accounts.

3. Assistance to SSLIC with treasury and accounts payable functions as may be determined between the parties, including but not limited to payment of taxes on premiums, fees for licensing, advertising, losses, claims and any other expenses incurred in the conduct of the insurance business. SSLIC shall certify to PIC the names and specimen signatures of

all officers or employees of SSLIC who are authorized to sign instructions on its behalf. PIC shall have the right to require that all instructions made in connection with this Agreement meet its satisfaction as to content, form and authenticity.

Nothing in this Agreement shall be construed to alter the fact that SSLIC's books records and accounts are owned by SSLIC; and SSLIC shall have the right to inspect, or authorize others to inspect, its books, records and accounts.

C. Purchasing, payroll, human resources and employee benefits. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide SSLIC with such services involving purchasing (including but not limited to access to group purchasing contracts and fleet management services), payroll processing, human resources, and employee relations and/or benefits as may be permissible and desirable.

D. Marketing and Strategic Support. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide marketing and advertising services, communications services, coordinate the development of corporate plans and provide consulting and other services as may permissible and desirable.

E. Information Technology and Support. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC shall provide the technology infrastructure, information technology systems, software, data center management, business continuity planning, network management services, monitoring, management/oversight, and software support services to SSLIC and shall provide trouble-shooting functions on behalf of SSLIC.

F. Policy Administration and Production. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC may perform all policy production, print and mail activities on SSLIC's behalf for all the states in which SSLIC currently operates and in which it may operate in the future.

G. Real Estate Management. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC may handle all matters and issues relating to SSLIC's real estate purchases, sales, licenses, leases and lease-backs.

H. Legal and Compliance. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC may provide legal and compliance services, including but not limited to corporate secretarial, litigation management services, complex and emerging risks services, to or on behalf of SSLIC.

I. General Administration. Providing all personnel, facilities, equipment (including fleet vehicles and furniture), data processing programs, materials and supplies necessary or desirable for the performance of the services contemplated in this Agreement.

J. Miscellaneous. Subject to the direction and control of SSLIC's Board of Directors and responsible officers, PIC may perform such other services on behalf of SSLIC as are reasonable and consistent with the efficient operation of companies within an insurance

holding company system and offered by PIC or its affiliates to other members within its system.

K. Reinsurance. Reinsurance services, including but not limited to (i) agreement to reinsurance policy and/or contract wordings and endorsements to existing policies; (ii) processing of reinsurance policy cancellations, nonrenewals and endorsements and other amendatory addenda; (iii) collection of premiums due under reinsurance policies or contracts, audits and remittances; (iv) negotiation and purchase of reinsurance coverage; (v) administration of letters of credit and other arrangements for the provision of security; and (vi) administration of reinsurance contracts.

L. Maintenance and Property Rights of Records. PIC shall maintain accurate and complete records as related to this Agreement. Each of the Parties shall retain the rights to access such records upon request.

II. Charges. SSLIC shall reimburse PIC for the reasonable cost of performing any of the services provided pursuant to this Agreement. Charges for such services shall include direct expenses and directly allocable expenses allocated to SSLIC by PIC in conformity with customary insurance accounting practices consistently applied. The method of expense allocations under this Agreement shall be consistent with the principles stated in the Statement of Statutory Accounting Principles No. 70, "Allocation of Expenses."

III. Accounts and Disbursements. Amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

IV. Confidentiality. PIC and SSLIC are prohibited from disclosing or communicating to any other person, not a party to this Agreement, any confidential or proprietary information or trade secrets relating to the parties' respective business or relating to any affiliate or agency of any party to this agreement, including business methods and techniques, research data, marketing and sales information, customer lists, know-how and any other information concerning the business operations of any party of this Agreement, or any such party's affiliates and subsidiaries, unless the disclosure of communication of such information has been consented to in writing by the party whose confidential and propriety information or trade secrets is to be released. Confidential and proprietary information shall not include (a) information generally known to the public, (b) information known to PIC or SSLIC to be non-confidential from other, third party, sources prior to the execution of this Agreement, and (c) information required to be disclosed by law or a state or federal governmental agency having authority over the business of PIC or SSLIC, but only for the limited purpose of such disclosure.

V. Standards for Performance of Delegated Administrative and Management Functions.

A. At all times during the term of this Agreement, PIC shall perform all delegated administrative and management functions at a level that is at least equal to its standards for performing such functions on behalf of its own insurance operations. In addition, all delegated administrative and management functions shall be performed in accordance with,

and subject to, at all times, the relevant and applicable state (or federal) insurance laws and regulations to which SSLIC's insurance operations are, or may be, subject.

B. In the event that PIC receives a notice from any governmental agency, board, bureau, commission or public authority of any type, of any alleged violation of any state or federal insurance law, such notice shall immediately be forwarded to SSLIC. PIC shall cooperate in responding to any such governmental notice as such notice relates to its rendering of services under this Agreement.

VI. Term and Termination.

A. Term. This Agreement shall be effective as of the 1st day of January 2011 and shall continue in full force and effect until terminated by mutual agreement of the parties or otherwise in accordance with subsection B, below. In the event that this Agreement is required to be approved by any state Department of Insurance, any request for such approval shall seek an effective date that mirrors the date expressed above.

B. Termination.

1. Termination without Cause. This Agreement may be terminated, in whole or in relevant parts, as appropriate, by SSLIC or PIC, without case, upon ninety (90) days prior written notice. The terminating party shall provide the applicable state Department(s) of Insurance with written notification of any whole or partial termination of this Agreement, as may be appropriate, in accordance with state law requirements.

2. Termination with Cause. This Agreement may be terminated immediately, in relevant parts, as appropriate, by SSLIC or PIC, for the following reasons:

(a) Material failure by PIC to perform the services delegated in accordance with the standards set forth in this Agreement; provided, however, that upon notification by SSLIC that the services so delegated are not being performed in an appropriate or satisfactory manner, PIC shall have thirty (30) days in which to cure the deficiency. In the event the deficiency is not cured to the satisfaction of SSLIC, SSLIC may immediately terminate this Agreement.

(b) nonpayment of costs by a delegating party to the party performing the services so delegated.

(c) The suspension, revocation or other restriction on the insurance license of either SSLIC or PIC.

(d) The insolvency, voluntary or involuntary bankruptcy, reorganization or liquidation of either SSLIC or PIC.

(e) In the event of (i) the acquisition of SSLIC by a third party from PIC; or (ii) any other change in control with causes PIC to no longer maintain a majority on the Board of Directors of SSLIC, then this

Agreement shall terminate with respect to SSLIC as of the effective date of the change of control.

C. Effect of Termination. In the event that this Agreement is terminated, with, or without, cause, in whole or in part, as appropriate, the relevant services shall continue to be provided by PIC until alternate arrangements reasonably can be made by SSLIC (the "Transition Services"); provided, however, that the Transition Services shall not be required to be provided for a period of time extending beyond ninety (90) days from the effective date of termination, unless otherwise agreed to by parties. In the event that this Agreement is terminated, in whole or in part, as appropriate, for any reason other than those relating to change of control as described in Section VI.B.2(e), above, all such Transition Services shall continue to be compensated for on a cost basis. In the event that this Agreement is terminated for reasons specified in Section VI.B.2(e), above, all such Transition Services shall be compensated for at the then-prevailing market rate for the provision of such services.

VII. Indemnification.

A. PIC Indemnification of SSLIC. PIC shall indemnify, defend and hold harmless SSLIC from and against any expenses, damages, liability, actions, costs or other claims, including but not limited to reasonable attorney's fees and associated costs, incurred by SSLIC either (i) as a result of the failure of PIC or any subcontractor appointed by PIC to comply with any law or administrative regulation, only if such failure is the result of willful neglect or negligence, or (ii) as a result of, or in connection with, PIC's breach of any duty or obligation hereunder or the breach of any duty or obligation of any subcontractor appointed by PIC if such breach is the result of willful neglect or negligence. SSLIC may set off against any amount due PIC any amount due to SSLIC, pursuant to this or any other agreement to which the parties to this indemnification are also parties.

B. SSLIC's Indemnification of PIC. SSLIC shall indemnify PIC and hold PIC harmless from all actions, liabilities, costs and expenses arising out of or in any way related to PIC's services under this Agreement, unless directly related to PIC's willful neglect or negligence.

VIII. No Waiver. The parties hereto agree that no indulgence or acceptance of any delinquent or partial payment or ratification after the fact of any violation or breach of any provision of this Agreement by any party hereto shall be construed as a waiver of any party's rights hereunder.

IX. Notices. Any notice required to be given pursuant to any provision of this Agreement shall be in writing and shall be sent to the parties at their respective last known address by first class mail, postage prepaid, by overnight delivery service, or by confirmed facsimile transmission.

X. Severability. If any provision of this Agreement is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if that provision had not been included.

XI. Amendment. This Agreement may only be amended upon the written agreement of both parties hereto.

XII. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be considered an original, but all of which together, shall be considered one and the same.

XIII. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire (without application of the conflict of laws principles thereof).

XIV. Successors and Assigns. No assignment of this Agreement, including by operation of Law, may be made by any party to this Agreement without the prior written consent of the other party hereto. Notwithstanding the foregoing, the PIC has full discretion to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize any of its affiliates to provide services under this Agreement, provided that PIC will be fully accountable for any acts or omissions of an affiliate pursuant to such arrangement, as if such acts or omissions were its own.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement under seal as of the day and year first above written.

Peerless Insurance Company

By: Michael J. Fallon
Its: Chief Financial Officer and Treasurer

Safeco Surplus Lines Insurance Company

By: Michael J. Fallon
Its: Chief Financial Officer and Treasurer

INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (this "Agreement") is made and entered into this 1st day of July, 2011 by and between Safeco Surplus Lines Insurance Company (the "Company"), a Washington stock insurance company and Liberty Mutual Group Asset Management Inc. (the "Advisor"), a Delaware corporation.

WHEREAS, the Company desires to enter into a contract for the purpose of appointing the Advisor to manage the assets of its investment portfolios in accordance with the terms hereof; and

WHEREAS, the Advisor is willing to manage the assets of the Company's investment portfolios in accordance with the terms hereof;

NOW, THEREFORE, the Company and the Advisor hereby agree as follows:

1. **Appointment**. The Company hereby authorizes and appoints the Advisor as its investment advisor and, as its agent and attorney-in-fact, to exercise the investment discretion set forth below with respect to the assets of the Company's investment portfolios, including those accounts managed by other investment managers (collectively, the "Investment Portfolios") and the cash, securities or other property contained therein from time to time. The Company hereby authorizes and appoints the Advisor, as its agent and attorney-in-fact, to (i) execute all documentation on the Company's behalf necessary to open additional accounts in the Company's name, including any custodial or safekeeping arrangements, to facilitate investments made within the investment discretion set forth in the Investment Guidelines, as defined below or to otherwise meet the Company's regulatory requirements, and (ii) to execute all documentation on the Company's behalf, to facilitate investment in securities for the Company's Investment Portfolios.

2. **Scope of Authorization for Investment Discretion**. The Advisor shall manage the Company's Investment Portfolios in accordance with the investment policy and guidelines set forth on Appendices A and B respectively (such guidelines, the "Investment Guidelines"), as such may be amended from time-to-time by written agreement between the parties hereto. In connection therewith, the Advisor shall have full power to supervise and direct the investment and reinvestment of the cash, securities and other assets and to engage in such transactions on behalf of the Company as the Advisor may deem appropriate, in the Advisor's absolute discretion and without prior consultation with the Company, subject only to this Agreement and the Investment Guidelines. The Company hereby acknowledges that the Advisor need not seek approval prior to engaging in any transaction where such transaction complies with the terms and conditions of the Investment Guidelines. The Company acknowledges that performance objectives referred to in Appendices A and B are intended as goals and not as an assurance or guarantee of performance.

The cash and assets of the Company shall be held by third-party custodian(s) that have agreed to act as custodian(s) for the Company in accordance with the Advisor's instructions. The Advisor shall at no time maintain physical control of the Company's assets, and the Advisor shall not be liable for any act or omission of the custodian(s). The Advisor may give instructions to the custodian(s), in writing or orally. The Company shall instruct the custodian to provide the Advisor with such periodic reports concerning the status of any Company account as the Advisor may reasonably request from time to time.

In performing its duties under this Agreement, the Advisor will act in the interests of the Company, except as otherwise provided herein. The Advisor will not deal with the assets in the

Company's Account in its own interest or for its own account and, in particular, will not, without prior written consent of the Company, as principal, sell assets to, purchase assets from, or borrow money or other property from the Company's Account.

Without limiting the foregoing, the Company hereby authorizes the Advisor:

(a) to act as the Company's agent and attorney-in-fact with respect to the Company's Investment Portfolios and to have complete discretionary control over the composition of the Investment Portfolios, including the power to make such acquisitions and disposals of investments as the Advisor considers appropriate, but always in accordance with the Investment Guidelines;

(b) to issue to brokers instructions to buy or to sell or otherwise trade in or deal with any asset in the Investment Portfolios;

(c) to instruct any custodian regarding the purchase, receipt, delivery, exchange, deposit, care and safekeeping of any asset in the Investment Portfolios and to deliver any security or other asset sold, exchanged or otherwise disposed of from the Investment Portfolios;

(d) to pay any fee incurred on behalf of the Company in providing services under this Agreement, including commission expenses, attendant Securities and Exchange Commission transaction fees and National Association of Insurance Commissioners transaction fees which shall be paid from the Investment Portfolios in the conventional manner;

(e) to delegate any of its responsibilities, duties and authority set forth herein to, or otherwise to utilize the investment management services of, any of its affiliates provided that the Advisor will be fully accountable for any acts or omissions of an affiliate pursuant to such an arrangement, as if such acts or omissions were its own;

(f) to delegate any of its investment functions, responsibilities, duties and authorities set forth herein to, or otherwise to utilize the investment management services of, any third party, subject to the provisions and requirements of Advisor's Sub Adviser Policy;

(g) to place any securities on deposit with any governmental authority as may be necessary or desirable to comply with applicable law, and to substitute other securities in their place;

(h) to perform any other act necessary or desirable to enable the Advisor to carry out its obligations under this Agreement; and

(i) unless directed otherwise by the Company, to vote proxies on behalf of the Investment Portfolios, solicited by or with respect to the issuers of securities in which the assets of the Investment Portfolios may be invested, pursuant to proxy voting guidelines maintained by the Advisor.

3. **Reports and Compliance**. Advisor shall promptly furnish to or place at the disposal of the Company, as appropriate, such information, reports, evaluations, analysis, and opinions as the Company may, at any time or from time to time, reasonably request. Additionally, Advisor shall furnish such information, reports and evaluations as the Company may from time to time reasonably request which may be necessary or appropriate in order to enable the Company to maintain oversight over the Investment Portfolios and assure compliance with the Investment Guidelines.

4. **Fees**. The Advisor shall be entitled to compensation for its services hereunder as set forth in Appendix C attached hereto, and which is made part of this Agreement. Commission expenses and attendant Securities and Exchange Commission transaction fees resulting from transactions executed on behalf of the Company shall be paid from the Investment Portfolios' assets. Fees owed to any sub adviser shall be charged directly to the Company. Compensation amounts owing between the parties shall be billed on a monthly basis and payments of amounts owing shall be made within 45 days after the end of the month.

5. **Limits on Advisor Responsibility**.

(a) The Advisor shall not be responsible for the solvency of or the performance of the obligations of any third party bank, clearing organization, broker, intermediary, nominee or agent appointed or employed by the Advisor in good faith for the performance of its duties but the Advisor shall assign to the Company such rights (if any) as the Advisor may have against such person in the event of the insolvency of any of the above or its failure properly to perform such obligations and shall give, without further compensation, such assistance as the Company may reasonably require to exercise such rights.

(b) The Advisor shall be fully protected in acting and relying upon any written advice, certificate, notice, instruction, request or other paper or document which the Advisor in good faith believes to be genuine and to have been signed or presented by an authorized person or other proper party or parties, and may assume that any person purporting to give such written advice or other paper or document has been duly authorized to do so unless contrary instructions have been delivered to the Advisor by the Company.

(c) The Advisor shall not be liable to the Company for any acts or omissions by the Advisor, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting negligence, willful misconduct or fraud on the part of the Advisor, including its employees. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 5 shall not be construed to provide for the exculpation of the Advisor or any affiliate from any liability to the extent that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 5 to the fullest extent permitted by law.

(d) The Company shall reimburse and indemnify the Advisor for, and hold it harmless against, any loss, liability or expense, including, without limit, reasonable counsel fees, incurred on the part of the Advisor arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement unless such loss, liability or expense is the result of acts or omissions by the Advisor constituting negligence, willful misconduct or fraud; provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Company may have under applicable securities or other laws.

6. **Representations and Agreements.**

(a) The Advisor represents to and agrees with the Company that:

(1) the terms of this Agreement do not violate any obligation by which the Advisor is bound, whether arising by contract, operation of law or regulation, or otherwise;

(2) this Agreement has been duly authorized, executed and delivered by the Advisor and constitutes a legal, valid and binding agreement of the Advisor enforceable in accordance with its terms, and the Advisor has full power and authority to enter into this Agreement and to perform its duties hereunder;

(3) it shall maintain at all times during the term of this Agreement competent personnel to perform the duties required of it hereunder, and the Advisor's expenses in connection therewith shall be borne by the Advisor; and

(4) the representations and warranties contained herein shall continue and remain in effect during the term of this Agreement, and, if at any time during the term of this Agreement any event occurred which would make any of these foregoing representations untrue, incomplete or inaccurate in any respect, the Advisor will promptly notify the Company of such event.

(b) The Company represents to and agrees with the Advisor that:

(1) the terms of this Agreement do not violate any obligation by which the Company is bound, whether arising by contract, operation of law or regulation, or otherwise;

(2) the Company is the sole owner of the assets covered hereby and such assets are free and clear of any and all liens and restrictions on their transfer or sale, except for applicable transfer restrictions under various securities laws;

(3) this Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding agreement of the Company enforceable in accordance with its terms, and the Company has full power and authority to enter into this Agreement and to perform its duties hereunder;

(4) the Investment Portfolios are not subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(5) it is not a "Benefit Plan Investor," as defined under ERISA;

(6) the Company will deliver or cause to be delivered to the Advisor in writing, all the information, documents and instruments that the Advisor may reasonably request in order to perform its duties hereunder; and

(7) the representations and warranties contained herein shall continue and remain in effect during the term of this Agreement, and, if at any time during the term of this Agreement any event occurred which would make any of these foregoing representations untrue, incomplete or inaccurate in any respect, the Company will promptly notify the Advisor of such event.

7. **Acknowledgements and Consents.** The Company acknowledges that:

(a) the Advisor may place orders for the execution of transactions with or through such brokers, dealers or banks as the Advisor may select in its sole discretion. In selecting such broker, Advisor will give primary consideration to obtaining the most favorable price and efficient execution. The Advisor may consider, in addition, the financial stability and reputation of brokers and dealers and the brokerage and research services (as those terms are defined in Section 28(e) of the Securities and Exchange Act of 1934, as amended) provided by brokers and dealers that may benefit the Company. The Advisor may, and is authorized to, consistent with its duty of best execution and in compliance with all applicable securities laws, pay a commission

for executing a transaction which may be greater than the amount of the commission another broker or dealer might have charged for effecting that transaction, provided that the Advisor determines in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided. Subject to the foregoing, the Company acknowledges that such research services rendered may be useful in providing services to clients other than the Company, and that not all such information will necessarily be used by the Advisor in connection with rendering services to the Company. The Company understands and agrees that it will not direct brokerage, and that the choice of brokers is in the Advisor's sole discretion;

(b) (i) the Advisor acts as adviser to other clients and may give advice, and take action, with respect to any of those clients which may differ from the advice given, or the time or nature of action taken, with respect to the Company's Account; (ii) where there is a limited supply of a security that is appropriate for multiple client accounts, the Advisor will use its best efforts to allocate or rotate investment opportunities in a fair and equitable manner, and the Company acknowledges that the Advisor cannot assure, and assumes no responsibility for, equality among all accounts and customers; (iii) affiliates of the Advisor and officers, directors and employees of the Advisor and such affiliates of the Advisor may engage in transactions, or cause or advise other customers to engage in transactions, which may differ from or be identical to transactions engaged in by the Advisor for the Investment Portfolios and the Company acknowledges that the Advisor and affiliates of the Advisor and officers, directors and employees of the Advisor and such affiliates of the Advisor may at any time acquire, increase, decrease or dispose of positions in securities or other assets which are, at the same time being acquired, held or disposed of for the Company's Account; and (iv) the Advisor shall not have any obligation to recommend any transaction or initiate the purchase or sale of any security or other asset for the Investment Portfolios which any of such affiliates or any of the officers, directors or employees of Advisor or such affiliates may engage in for their own accounts or the account of any other customer, except as otherwise required by applicable law;

(c) from time to time the Advisor may determine, in its reasonable judgment, to sell a security for the Company that certain of the Advisor's investment advisory clients or the clients of its affiliated broker-dealer wishes to buy, or buy a security that certain of the Advisor's investment advisory clients or the clients of its affiliated broker-dealer wishes to sell. Such an agency-cross transaction could result in the payment of fees to the Advisor by both the Company and such other client. By execution of this agreement, the Company authorizes and grants consent to the Advisor to participate in agency-cross transactions involving the Investment Portfolios. The Company may revoke its consent at any time by written notice to the Advisor; and

(d) the Advisor may aggregate sales and purchase orders for the Company's Account with similar orders being made concurrently for other accounts managed by the Advisor, if in the Advisor's reasonable judgment such aggregation shall result in an overall economic benefit to the Company's Account, taking into consideration the selling or purchase price, brokerage commission and other expenses; in such case the actual prices applicable to the transaction will be averaged among the accounts for which the transaction is effected, including the Company's Account.

8. **Termination**. This Agreement may be terminated by the Advisor upon 180 days written notice to the Company, and terminated by the Company at any time upon written notice to the Advisor, termination effective upon receipt of such notice by the Advisor (the "Termination Date"). Upon termination, the Advisor shall have no further investment management responsibility for assets in the Account, but shall have reasonable time, not to exceed 90 days, to

transfer assets to a custodian of the Company's selection. The fee payable to the Advisor pursuant hereto will be prorated to the Termination Date and any unearned portion of prepaid fees will be refunded to the Company.

9. **Enforceability**. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

10. **Assignment**. No assignment of this Agreement, including by operation of law, may be made by any party to this Agreement without the consent of the other parties hereto. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns. For purposes of this provision, an "assignment" shall include an assignment as such term is defined by the Investment Advisers Act of 1940 and the rules and regulations thereunder.

11. **Arbitration**. Any controversy or claim arising out of or relating to this Agreement, or the breach of the same, shall be settled by arbitration in accordance with the rules of the American Arbitration Association, or another nationally recognized arbitration association mutually agreed upon by the parties hereto. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction. All arbitration expenses shall be borne equally by the Advisor and the Company. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 11 do not constitute a waiver of any right provided by any applicable law, including the right to choose the forum, whether arbitration or adjudication, in which to seek resolution of disputes.

12. **Governing Law**. This Agreement shall be construed in accordance with applicable federal law and, to the extent not preempted, the laws of The Commonwealth of Massachusetts without regard to its conflict of laws principles.

13. **Counterparts and Facsimile**. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same instrument.

14. **Entire Agreement/Amendment; Headings**. This Agreement, including the Appendices hereto, constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all previous agreements, promises, representations, understandings and negotiations, whether written or oral, between the parties with respect to the subject matter hereof. This Agreement, including the Appendices hereto, may not be amended except in writing signed by each of the parties hereto. The headings in this Agreement have been inserted for convenience of reference only and shall in no way affect the meaning or interpretation of this Agreement.

15. **Status of Investment Advisor**. The Advisor shall for all purposes be an independent contractor and not an agent or employee of the Company, nor shall anything herein be construed as making the Company a partner or co-venturer with the Advisor or any of its affiliates or other clients. The Advisor shall have no authority to act for, represent, bind or obligate the Company, except as specifically provided herein.

16. **Form ADV**. The Company acknowledges that it has received and reviewed a copy of the Advisor's "Brochure" that is required to be provided under Rule 204-3 under the Investment Advisers Act of 1940.

IN WITNESS WHEREOF, the parties hereto have caused this Investment Management Agreement to be executed as of the date set forth above.

Safeco Surplus Lines Insurance Company

By: _____

Name: Michael J. Fallon
Title: Chief Financial Officer, Vice President and Treasurer

Liberty Mutual Group Asset Management Inc.

By: _____

Name: A. Alexander Fontanes
Title: President and Chief Executive Officer

Appendix A

STATEMENT OF INVESTMENT POLICY

The investment policy of the Company, like that of the other portfolios managed for the accounts of Liberty Mutual Insurance Group ("LMIG"), has been formulated with two basic tenets in mind. First, as a property and casualty insurance company, the primary purpose of the investment portfolio is to support the company's insurance operations and to be consistent with the company's objectives for long-term financial strength in order to meet its obligations to policyholders. Second, as an insurance company, the preponderance of risk assumed should be in the underwriting of the company's insurance products, not in the investment of its assets. Within these broad risk parameters, management of the portfolio will focus on maximizing the long-term after-tax total rate of return on invested assets through disciplined asset allocation and security selection, balanced with the need for the portfolio to produce investment income, stable cash flow, and sufficient liquidity. Asset management should also provide safety through adequate diversification of risk, the preservation of principal, and the avoidance of unacceptable levels of asset/liability mismatches. Within this context, individual investment decisions will be based on fundamental economic, financial, credit and security analysis/selection combined with relative value considerations among securities and market sectors. The specific terms and conditions of individual securities and the specific asset's fit within the total portfolio framework will be evaluated prior to investment. The overall policy will be managed through adherence to a set of broadly defined policy guidelines designed to give the Advisor discretion in meeting portfolio objectives. This investment policy and the investment guidelines, all of which will be reviewed on a periodic basis in conjunction with changing regulatory and business requirements, are subject to the final approval of the Company's Board of Directors or a duly appointed and authorized committee thereof.

The ongoing implementation of the investment policy will be the responsibility of the Advisor through the authority granted by the Company's Board of Directors. The Advisor consists of the same group of investment professionals responsible for managing the other insurance companies investment assets of LMIG, currently totaling over $50.0 billion. As such, the implementation and maintenance of the investment policy will occur within the same basic framework, as LMIG's other portfolios and adjusted, when and where appropriate, to accommodate the specific requirements of the Company. All investment related decisions and transactions will be implemented by those individuals with proven abilities to do so effectively and that have been granted that authority by the Company's Board of Directors through the Chief Investment Officer of LMIG. All investment transactions will be reported to the Board at the regularly scheduled meetings.

Appendix B

INVESTMENT GUIDELINES

The investments will be managed on a fully discretionary basis, subject to the guidelines and constraints described below and in a manner consistent with the overall policy framework. Table 1 below presents broad policy guidelines as to the percent of total long-term assets that may be invested in any particular asset category. The level of exposure within the established range will be governed by the fundamental long-term outlook for total returns within the given asset category in relation to assessed risk combined with shorter-term tactical or technical issues. The Advisor may invest up to ten percent of invested assets in assets not falling within the investments authorized below provided that the investment is permitted under applicable state regulations and the transaction is reported to the Board of Directors of the Company or the authorized committee thereof at its next regularly scheduled meeting.

Table 1
Asset Category Guidelines

Asset Category	Maximum % of Invested Assets or Surplus	Limits Within Asset Category
Debt Obligations:		
U.S Government / Agency - Any Direct Obligations & Guaranteed Issues Carrying Full Faith and Credit (Includes Small Business Administration ("SBA's") and Government National Mortgage Association ("GNMA") Pass-Throughs and Commercial Mortgage Obligations ("CMOs")	Up to 100% of invested assets	None
U.S. Agencies & Government Sponsored Enterprises – Any Direct Obligations & Guaranteed Issues (Excluding Mortgage Backed Securities ("MBS") & CMOs Which are Not Full Faith & Credit	Up to 50% of invested assets	15% of invested assets per issuer
MBS & CMO of U.S. Agencies & Government Sponsored Enterprises	Up to 35% of invested assets	20% of invested assets for FNMA and 20% for FHLMC
Non-Agency / Non-Government Sponsored Enterprise Asset Based Securities ("ABS"), Commercial Mortgage Backed Securities ("CMBS") & Commercial Mortgage Loans	Up to 25% of invested assets	2% of invested assets per deal
Municipal Obligations	Up to 65% of invested assets	5% of invested assets per issuer
Corporates:		
Investment Grade (includes foreign Governments)	Up to 60% of invested assets	5% of invested assets per issuer

Noninvestment Grade (includes foreign governments)	Lesser of 10% of invested assets or 50% of surplus	0.5% of investment assets per issuer (at time of purchase) or 2% of invested assets per issuer (if due to downgrade)
Equities:		
Public Common Securities	Lesser of 10% of invested assets or 50% of surplus	2% of invested assets per issuer
Preferred Securities/Direct Investment	Up to 10% of invested assets	2% of invested assets per issuer
Limited Partnerships, LLC's or other investment fund vehicle.	Lesser of 10% of invested assets or 50% of surplus	None
Short-Term Obligations:		
Cash Equivalents or Short-Terms	Up to 100% of invested assets	None

Notwithstanding anything herein to the contrary, the portfolio will at all times be maintained in compliance with the statutes of the Company's state of domicile.

Exposure to all categories with surplus restriction will not exceed 50% of surplus.

Maturity Constraints: The duration of the Company holdings of debt obligations will be managed commensurate with the general terms of its liabilities.

Credit Quality: The overall credit quality of the Company holdings of debt obligations will not be below BBB.

Concentration Benefits: If the Company can achieve a specific monetary, regulatory, or other benefit by concentrating assets above the amounts given in these guidelines, then, if consistent with state law, the Company may exceed these guidelines upon approval by the Company's Chief Investment Officer.

OTHER AUTHORIZED INVESTMENT PRACTICES

1. Reverse repurchase-agreements may be entered into for purposes of liquidity management and yield enhancement to the degree that the total amount outstanding does not exceed 25% of portfolio assets and the original term does not exceed 90 days. Such reverse repurchase agreements will be executed in a manner consistent with standard industry practices regarding the pledging of collateral, marking-to-market, et cetera.

2. Lending of portfolio securities will be permitted in any amount up to 40% of portfolio assets and subject to constraints and provisions as may be agreed upon in a securities lending agreement with an agent of the portfolio manager's choice or may be conducted directly by the portfolio manager. In any event, all securities lending activities will be conducted in accordance with the guidelines outlined in Addendum A, attached hereto.

3. Mortgage-Backed Securities dollar rolls will be permitted in an amount up to 25% of total holdings of eligible mortgage-backed securities.

In no event shall the aggregate amount of reverse repurchase agreements, securities lending transactions, and mortgage-backed securities dollar rolls exceed 40% of the portfolio at the time any commitments are made.

Addendum A

Securities Lending Program

The proposed lending program would be structured along the following lines:

-Lending Activity will remain secondary to the active management of the company's portfolios reflecting its role as an enhancement to portfolio income rather than an alternative investment strategy.

-Lending will be subject to the following constraints:

(1) No more than 40% of total assets holdings will be on loan at any point in time.
(2) Combined securities lending, dollar-roll, and reverse repurchase activity will not exceed 40% of total holdings.

-Exposure to any single borrower from securities lending, excluding repurchase agreements done as collateral investments will be limited to 5% of total asset holdings.

-Collateral investments other than repurchase agreements and short-term bank obligations will be restricted to security types in which the portfolios would normally invest. In addition, leveraged MBS (mortgage backed securities) products (e.g. IO's, PO's, Inverse Floaters, etc.) will be excluded as repurchase collateral.

-Collateral investments will be limited to U.S. dollar-denominated obligations. Investments of cash collateral may be made in issuers having a split short-term rating, provided that no portion of the rating is below A2/P2. Foreign issuers will be limited to banks with the further restrictions that these issuers must carry a minimum single "A" long-term rating.

-Letter of Credit will not be taken as collateral.

-Lending activity and Collateral reports will be generated on a weekly basis.

Appendix C

to

Investment Management Agreement

by and among

Safeco Surplus Lines Insurance Company

and

Liberty Mutual Group Asset Management Inc.

Compensation

Advisor shall receive a monthly management fee calculated as follows:

> {(the market value under US GAAP of all cash and securities in the Company Account on the first day of each month plus the market value under US GAAP of all cash and securities in the Company Account on the last day of that same month) divided by two} times .00015.

For the purposes of the above calculations, the market value of the securities shall be determined as of the close of business on the first and last days of each month and all cash and securities in a sub advisory account that is being charged a separate management fee shall be excluded. Fees owed to any sub adviser shall be charged directly to the Company.

Company shall be responsible for all custody related charges and wire transfer fees originating from the custody account.

CASH MANAGEMENT AGREEMENT

Dated as of January 1, 2010

This Amended and Restated Cash Management Agreement, is effective as of the date first written above, by and between Safeco Surplus Lines Insurance Company (the "Principal"), and Liberty Mutual Investment Advisors LLC (the "Manager") and supersedes the prior agreement between the parties dated September 22nd, 2008.

Background

The Manager, a Massachusetts limited liability company, is an indirect subsidiary of Liberty Mutual Holding Company Inc. (the "Ultimate Parent Company") and was formed for the purpose of making, holding and administering short-term investments maturing in 365 days or less of purchase ("Short-Term Obligations").

The purpose of this Agreement is to provide for the terms and conditions under which the Manager will make, hold and administer certain investments in Short-Term Obligations for and on behalf of the Principal for and on behalf of the Principal and other Participants (as hereinafter defined) in accordance with applicable investment restrictions and the Washington Insurance Code.

Statement of Agreement

In consideration of their mutual promises, the Principal and the Manager hereby agree as follows.

1. Investment Account. The Manager shall maintain an investment account or accounts in the Manager's name (the "Account") on behalf of the Principal, any other participating insurer affiliated with the Principal and/or the Ultimate Parent Company, an insurance subsidiary or affiliate of the Principal and/or the Ultimate Parent Company or a pension plan or profit-sharing plan of the Principal, its insurance subsidiaries or affiliates, (collectively, the "Participants"), and shall hold therein all debt obligations, accounts or deposits permitted by the Washington Insurance Code as more fully described on Exhibit A, as may be amended from time to time, and attached hereto and incorporated herein (collectively, "Investments"), deposited in or purchased or otherwise acquired for and on behalf of the Principal and the Participants from time to time pursuant to the terms and conditions of this Agreement. All Investments in the Account shall be Short-Term Obligations.

2. Ownership of Investments. All Investments held or acquired for the Account whether or not commingled, intermingled or jointly acquired for the Principal and one or more Participants, shall for all purposes continue to be the property of the Principal and the Participants. The Principal shall have an undivided interest in such Investments with the Participants. Proportionate Share shall mean the Principal's share of the Investments in the Account determined on any day by dividing the value of Principal's contribution to the Account by the current value on such day of the Investments in the Account ("Proportionate Share"). The Principal's ownership interest in the Investments and the Account shall be evidenced by book-entries maintained by the Manager. The underlying assets of the Account are held solely for the benefit of each Principal.

3. Authority of Manager. The Principal hereby authorizes the Manager, upon the terms and subject to the conditions of this Agreement, to engage in any of the following activities:

   a) To sell, purchase, transfer or otherwise acquire or dispose of, whether through brokerage transactions or otherwise, investments for the Account;

   b) To collect and credit to the Account all dividends, interest and other income on the Investments;

   c) To collect and credit to the Account all proceeds from the sale, redemption or other disposition of the Investments;

   d) To reinvest any dividends or interest earned by the Principal in additional shares of the Investments on behalf of the Principal;

   e) To hold in the Account all funds deposited with the Manager and Investments purchased with such funds on behalf of Principal and the Participants. The Account shall be established with a "qualified bank" as defined below:

      (i) A national bank, state bank or trust company that at all times is no less than adequately capitalized as determined by standards adopted by United States banking regulators and that either is regulated by state banking laws or is a member of the Federal Reserve System; or

      (ii) A bank or trust company incorporated or organized under the laws of a country other than the United States that is regulated as a bank or trust company by that country's government or an agency thereof and that at all times is no less than adequately capitalized as determined by the standards adopted by international banking authorities; and

   f) To arrange for the automatic investment of any and all cash in the Account in Short-Term Obligations.

4. Duties of the Manager. Upon the terms and subject to the conditions of this Agreement, the Manager shall perform the following duties:

   a) Notify the Principal in writing, promptly upon the opening of the Account, of the name and address of the qualified bank at which the Account is established, and the manner in which the funds are maintained;

   b) At all times hold all funds and other Investments in the Account;

   c) Furnish or ensure that the qualified bank furnishes to the Principal statements of investment income earned of and for the Account during each fiscal quarter, the amount of the Principal's Proportionate Share at the end of such period, the

amount of each Investment at the end of such period, and each transaction effected for the Account during such period; and

d) Keep, compile, maintain and provide for inspection detailed accounting records of cash receipts and disbursements that reflects the Proportionate Share of the Principal and the Participants in the Investments, a complete and accurate description of each Investment of the Principal in the Account including the amount, interest rate, and maturity date, if any, of each of the Investments and other records that on a daily basis allow third parties to verify each participant's Investments in the Account.

5. Standard of Care. In performing its duties under this Agreement, the Manager will act in the interests of the Principal and the Participants except as otherwise provided herein. The Manager will not deal with the assets in the Account in its own interest or for its own account and, in particular, will not, without prior written consent of the Principal, as principal, sell assets to, purchase assets from, or borrow money or other property from the Account. In addition, the Manager, without prior written consent from the Principal, will not, acting as broker for another person, effect any sale or purchase of any security for the Account. The Manager shall not be liable to the Principal for any acts or omissions by the Manager, its employees and agents under and in connection with this Agreement, except by reason of acts or omission constituting negligence, willful misconduct or fraud on the part of the Manager, including its employees. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 5 shall not be construed to provide for the exculpation of the Manager or any affiliate from any liability to the extent that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 5 to the fullest extent permitted by law.

6. Withdrawals.

a) Principal may withdraw all or any portion of its Proportionate Share from the Account on demand, without penalty or other assessment on any business day and settlement of funds must occur within a reasonable and customary period after a withdrawal, not to exceed ten (10) business days.

b) Upon termination of this Agreement as provided in Section 16 hereof, the Manager shall withdraw from the Account, Principal's Proportionate Share of all Investments held in the Account minus the Principal's Proportionate Share of all management fees and Account Expenses (as defined in Section 14) and deliver and pay over the same to the Principal without penalty or assessment on any business day.

c) At the Discretion of the Manager, Principal's Proportionate Share shall be distributed as follows:

(i) In cash, earnings on the Principal's Proportionate Share will be credited daily and paid on the second business day of the following month;

(ii) In kind, the Principal's Proportionate Share of the Investments in the

Account;

(iii) In a combination of cash and in-kind distributions of the Principal's Proportionate Share of the Investments in the Account.

7. Authority to Commingle Investments. The Principal understands and agrees that the Manager may from time to time act as agent: for the Parent Company, as a Participant, and other Participants under the terms and subject to the conditions of Cash Management Agreements which are substantially identical to this Agreement. The Principal expressly authorizes the Manager to intermingle or commingle the Investments held in the Account with the Investments held on behalf of one or more Participants and to jointly hold or jointly purchase, sell, transfer or otherwise acquire or dispose of Investments on behalf of Principal and one or more Participants.

8. Limited Authority. The Manager shall have only such authority to purchase, sell, transfer or otherwise acquire or dispose of Investments for the Account of the Principal and the Participants as is specifically provided for in this Agreement. Specifically, and without limitation of the foregoing sentence, the Manager shall not have (a) except as set forth in Section 7 above, the authority to commingle any investments in the Account with the general assets of the Manager or any other person, (b) the duty to advise the Principal or its representatives as to the value of any Investment (except to the extent expressly provided herein) or the advisability of acquiring or disposing of any Investment or to provide analysis of any Investment to the Principal or its representatives, (c) the authority to acquire Investments issued, assumed, guaranteed or insured by the Principal or any affiliate of the Principal, (d) the authority to borrow or incur indebtedness for borrowed money, except for securities lending and reverse repurchase transactions, as defined in Washington law that meet the requirements of the Washington Insurance Code, (e) the authority to permit the aggregate value of Investments then loaned or sold to, purchased from or invested in any one business entity to exceed ten (10%) percent of the total assets in the Account, nor (f) the authority to exceed the aggregate limitations for authorized investments by Principal set forth in the Washington Insurance Code. For purposes of this Agreement, "business entity" means a corporation, limited liability company, association, partnership, joint stock company, joint venture, mutual fund trust, or other similar form of business organization whether organized as for-profit or not-for-profit.

9. Acknowledgements and Consents. The Principal acknowledges that:

a) the Manager may place orders for the execution of transactions with or through such brokers, dealers or banks as the Manager may select in its sole discretion. In selecting such broker, Manager will give primary consideration to obtaining the most favorable price and efficient execution. The Manager may consider, in addition, the financial stability and reputation of brokers and dealers and the brokerage and research services (as those terms are defined in Section 28(e) of the Securities and Exchange Act of 1934, as amended) provided by brokers and dealers that may benefit the Principal. The Manager may, and is authorized to, consistent with its duty of best execution and in compliance with all applicable securities laws, pay a commission for executing a transaction which may be greater than the amount of the commission another broker or dealer might have charged for effecting that transaction, provided that the Manager determines in

good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided. Subject to the foregoing, the Principal acknowledges that such research services rendered may be useful in providing services to clients other than the Principal, and that not all such information will necessarily be used by the Manager in connection with rendering services to the Principal. The Principal understands and agrees that it will not direct brokerage, and that the choice of brokers is in the Manager's sole discretion;

(b) the Manager acts as adviser to other clients and consequently:

(i) may give advice, and take action, with respect to any of those clients which may differ from the advice given, or the time or nature of action taken, with respect to the Account;

(ii) where there is a limited supply of a security, the Manager will use its best efforts to allocate or rotate investment opportunities in a fair and equitable manner, and the Principal acknowledges that the Manager cannot assure, and assumes no responsibility for, equality among all accounts and customers;

(iii) affiliates of the Manager and officers, directors and employees of the Manager and such affiliates of the Manager may engage in transactions, or cause or advise other customers to engage in transactions, which may differ from or be identical to transactions engaged in by the Manager for the Account and the Principal acknowledges that the Manager and affiliates of the Manager and officers, directors and employees of the Manager and such affiliates of the Manager may at any time acquire, increase, decrease or dispose of positions in securities or other assets which are, at the same time being acquired, held or disposed of for the Account; and

(iv) the Manager shall not have any obligation to recommend any transaction or initiate the purchase or sale of any Investment for the Account which any of such affiliates or any of the officers, directors or employees of Manager or such affiliates may engage in for their own accounts or the account of any other customer, except as otherwise required by applicable law;

(c) the Manager may aggregate sales and purchase orders for the Account with similar orders being made concurrently for other accounts managed by the Manager, if in the Manager's reasonable judgment such aggregation shall result in an overall economic benefit to the Account, taking into consideration the selling or purchase price, brokerage commission and other expenses; in such case the actual prices applicable to the transaction will be averaged among the accounts for which the transaction is effected, including the Account; and

(d) in order that the negotiability or transferability of the Investments shall not be limited and notwithstanding the provisions of Section 8 of this Agreement, the Principal acknowledges that every person or entity dealing with the Manager shall

be justified and protected in relying upon the authority of the Manager to act for and on behalf of the Principal and the Participants in the purchase, sale, transfer or other acquisition or disposition of Investments and shall not be required to ascertain whether the approval or direction of the Principal or its representatives has been obtained.

10. Manager Representations. The Manager represents to and agrees with the Principal that the terms of this Agreement do not violate any obligation by which the Manager is bound, whether arising by contract, operation of law or regulation, or otherwise, and that this Agreement has been duly authorized, executed and delivered by the Manager and constitutes a legal, valid and binding agreement of the Manager enforceable in accordance with its terms, and the Manager has full power and authority to enter into this Agreement and to perform its duties hereunder.

11. Principal Representations. The Principal represents to and agrees with the Manager that:

(a) the terms of this Agreement do not violate any obligation by which the Principal is bound, whether arising by contract, operation of law or regulation, or otherwise;

(b) the Principal is the sole owner of the assets covered hereby and such assets are free and clear of any and all liens and restrictions on their transfer or sale, except for applicable transfer restrictions under various securities laws;

(c) this Agreement has been duly authorized, executed and delivered by the Principal and constitutes a legal, valid and binding agreement of the Principal enforceable in accordance with its terms, and the Principal has full power and authority to enter into this Agreement and to perform its duties hereunder;

(d) the Principal is not subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(e) it is not a "Benefit Plan Investor," as defined under ERISA;

(f) it is a "qualified purchaser" within the meaning given to such term in the Investment Company Act of 1940, as amended,

(g) the representations and warranties contained herein shall continue and remain in effect during the term of this Agreement, and, if at any time during the term of this Agreement any event occurred which would make any of these foregoing representations untrue, incomplete or inaccurate in any respect, the Principal will promptly notify the Manager of such event.

12. Insurance Department Examination. The Principal and the Manager understand and agree that the Washington Department of Insurance, or such other insurance departments of those states in which the Principal is licensed to transact business, shall be entitled to inspect the records of the Manager relating to the Principal's Investments in the Account.

13. Insolvency. In the event of the insolvency, bankruptcy or receivership of the Principal, all or any portion of the Principal's Proportionate Share of the Account may be withdrawn

by the trustee, receiver, conservator or other successor in interest of the Principal under the terms of this Agreement.

14. Compensation and Reimbursement of Manager. The Manager shall receive a quarterly management fee (the "Management Fee") calculated as follows:

> {(the market value under US GAAP of all cash and securities in the Account on the first day of each calendar quarter plus the market value under US GAAP of all cash and securities in the Account on the last day of that same calendar quarter) divided by two} times .00045.

The Principal shall pay its Proportionate Share of the Management Fee and its Proportionate Share of all reasonable costs and expenses incurred by the Manager in performing its obligations under this Agreement, including but not limited to commissions, transaction fees and custodial fees for the Account (the "Account Expenses"). The Principal's Proportionate Share of the Management Fee, along with its Proportionate Share of any related Account Expenses, shall be billed to the Principal on a quarterly basis, or in such other manner as mutually agreed to by the Manager and Principal in writing. Compensation amounts owing between the parties shall be settled between the parties on a quarterly basis and payments of amounts owing shall be made within 45 days after the end of the calendar quarter.

15. Indemnification of Manager. The Principal shall indemnify the Manager and hold the Manager harmless from and against all actions, claims, demands, liabilities, losses, damages or expenses of whatever kind, including without limitation, attorneys' fees, sustained or incurred by the Manager or any of its nominees in carrying out its authority or duties under this Agreement, unless resulting from its negligence or willful misconduct, provided, however, that nothing contained herein shall constitute a waiver or limitation of any rights which the Principal may have under applicable securities or other laws.

16. Termination of Agreement. This Agreement may be terminated: (i) at the end of any business day by the Principal upon prior written notice to the Manager; or (ii) at any time by the Manager upon one hundred and eighty (180) days' written notice to the Principal. In either event, Principal's Proportionate Share shall be disbursed as set forth in Section 6 above.

17. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach of the same, shall be settled by arbitration in accordance with the rules of the American Arbitration Association, or another nationally recognized arbitration association mutually agreed upon by the parties hereto. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction. All arbitration expenses shall be borne equally by the Manager and the Principal. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 17 do not constitute a waiver of any right provided by any applicable law, including the right to choose the forum, whether arbitration or adjudication, in which to seek resolution of disputes.

18. No Partnership Created. Nothing herein contained shall constitute the Principal as a

partner of the Manager or as a partner of the Participants.

19. Governing Law. This Agreement will be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the State of Washington.

20. Assignment of Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto, their successors and assigns; provided, however, that this Agreement shall not be assignable by the Principal to any entity or person without the consent of the Manager; except, however, that this Agreement shall not be assignable by the Principal to any other entity or person or enure to any successor of the Principal that is not an insurance entity. Should any successor of the Principal be a non-insurance entity, this Agreement shall terminate and the Principal's Proportionate Share shall be disbursed to such valid successor as set forth in Section 6 herein.

21. Complete Agreement, Waivers, Amendments, Etc. This Agreement supersedes all prior agreements relating to the subject matter hereof and constitutes the complete agreement of the Principal and Manager with respect to the subject matter hereof. No waiver of any rights under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from any breach or failure to perform will be deemed to be a waiver of any future such right or of any other right arising under this Agreement. No amendment to the terms and conditions of this Agreement shall be deemed effective unless it shall be in writing and signed by each of the parties hereto.

22. Enforceability. If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and the Agreement shall be construed and enforced as if such provisions had not been included.

23. Headings. Section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.

24. Notice. Notices required or permitted hereunder will be in writing and shall be mailed, hand-delivered or telefaxed to the addresses given below or to such other addresses as the parties may hereafter specify, and will be deemed given:

    a) When delivered to an authorized officer of either party;

    b) Three days after mailing by prepaid first class to an authorized officer of either party; or

    c) When a telefax is confirmed in writing as being received by the party receiving notification.

25. Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

This Agreement was executed in duplicate originals by the Principal and Manager as of the date first written above.

("Principal")
SAFECO SURPLUS LINES INSURANCE COMPANY

By: Michael J. Fallon
Its: Vice President, Chief Financial Officer and Treasurer

("Manager")
LIBERTY MUTUAL INVESTMENT ADVISORS LLC

By: A. Alexander Fontanes
Its: Vice President

Exhibit A
PERMITTED INVESTMENTS

Investments will be made in short-term obligations maturing within 365 days or less of purchase. Investments shall be limited to those eligible under the general laws concerning the investment of insurance company assets in Washington, including:

- Obligations issued or guaranteed by the United States Government or by any of its agencies or instrumentalities.

- Commercial Bank Obligations, such as Certificates of Deposit, Banker's Acceptances of U.S. Banks which have total assets in excess of $500 million, and the obligations of the 50 largest foreign banks in terms in assets with branches or agencies in the United States that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.

- Certificates of Deposit issued by Savings Associations which have assets in excess of $500 million and which are members of the Federal Deposit Insurance Corporation that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized an recognized by the Securities Valuation Office and have:

    i) A remaining maturity of 365 days or less or a put that entitles the holder to receive the principal amount of the obligation which put may be exercised through maturity at specified intervals not exceeding 365 days; or

    ii) A remaining maturity of 365 days or less and a floating interest rate that resets no less frequently than quarterly on the basis of a current short-term index (federal funds, prime rate, treasury bills, London InterBank Offered Rate (LIBOR) or (commercial paper) and is subject to no maximum limit, if the obligations do not have an interest rate that varies inversely to market interest rate changes;

- Commercial Paper (including asset-backed commercial paper) rated one or two by the Securities Valuation Office or that have a rating, equivalent to a Securities Valuation Office rating of one or two made by a nationally recognized statistical rating organization recognized by the Securities Valuation Office.

- Corporate or Taxable Obligations, maturing in 365 days or less at the time of purchase, with the three highest, investment grades assigned by Standard & Poor's Corporation (AAA, AA, or A) or Moody's Investors Service, Inc. (Aaa, Aa, or A).

- Repurchase Agreements may be made by the Manager in respect to any of the securities described above.

- All Investments shall be restricted to United States dollar denomination.

- Excluded from Investments shall be initial offerings and public offerings.

- Obligations issued or guaranteed by the Govt. of Canada or securities which are of substantially the same kind, class and investment grades as U.S. securities outlined in this policy that are rated one or two by the Securities Valuation Office of the NAIC or that have a rating equivalent to a Securities Valuation Office rating of one or two made by a statistical rating organization that is nationally recognized and recognized by the Securities Valuation Office.

- Government money market mutual funds or Class 1 Exempt funds which (a) invest only in obligations issued, guaranteed or insured by the United States or collateralized repurchased agreements composed of these obligations and (b) are qualified for investment without a reserve under the Purposes and Procedures Manual of the Securities Valuation Office or any successor publication.

AMENDED AND RESTATED
REINSURANCE POOLING AGREEMENT

AGREEMENT originally effective 12:01 a.m. 1st day of January 1996, as amended , January 1, 1999; January 1, 2001, August 12, 2002, January 1, 2003 , January 1, 2005 (the "January 1, 1996 Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"); Excelsior Insurance Company, a New Hampshire insurer ("EIC"); Indiana Insurance Company, an Indiana insurer ("IIC"); Consolidated Insurance Company, an Indiana insurer ("CIC"); America First Insurance Company, a New Hampshire ("AFIC"); and Peerless Indemnity Insurance Company (formerly Atlas Assurance Company of America, an Illinois insurer ("PIIC"); America First Lloyd's Insurance Company, a Texas Lloyd's insurer ("AFLIC"); Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a Colorado insurer ("CCIC"), Golden Eagle Insurance Corporation, a California insurer ("GEIC"), Liberty Mutual Mid-Atlantic Insurance Company (formerly Merchants and Business Men's Mutual Insurance Company), a Pennsylvania insurer ("LMMAIC"), The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Globe American Casualty Company, an Ohio insurer ("GACC"), American Ambassador Casualty Company, an Illinois insurer ("AACC"), and Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC") (collectively, referred to herein as the "COMPANIES") on the one part and Peerless Insurance Company, a New Hampshire insurer, ("PIC"); on the other part (hereinafter and together with COMPANIES called the "Parties").

THE RECITALS

A. THE PARTIES are affiliated under common ownership or control within Liberty Mutual Group.

B. THE PARTIES desire to consolidate, restate and amend the January 1, 1996 Agreement as of January 1, 2007 for the continuation of the pooling arrangement for the sharing of premium, losses and expenses under this Amended and Restated Reinsurance Pooling Agreement ("Agreement") in order to obtain more economical operations and more uniform underwriting results.

Accordingly, the Parties hereto, intending to be legally bound herby, mutually covenant and agree as follows:

ARTICLE I - DEFINITIONS

Section 101. The following terms as used herein mean:

(A) "Expenses" shall include unallocated loss adjustment expense.

(B) "Dividends" to policyholders shall be treated as expenses.

(C) "Losses" shall include allocated loss adjustment expenses.

(D) "Net Expenses" means gross expenses less ceding commission allowances under reinsurance contracts, which inure to the benefit of this Agreement.

(E) "Net Losses" shall mean gross losses less salvage, subrogation and reinsurance recoveries, which inure to the benefit of this Agreement.

(F) "Net Unearned Premiums" means gross unearned premiums, less unearned reinsurance premiums effected by the COMPANIES or PIC, as the case may be.

(G) "Net Written Premiums" means gross premiums, less reinsurance premiums effected by the COMPANIES or PIC, as the case may be, and less return premiums and cancellations.

(H) "Ultimate Net Liability" means the sum or sums each party pays, or becomes liable to pay (1) in settlement of claims or suits, or (2) in satisfaction of judgments under policies of insurance or reinsurance issued by the parties hereto.

ARTICLE II - SCOPE OF AGREEMENT

Section 201. This Agreement applies only to that portion of any insurance or reinsurance which the Parties hereto retain net for their own account; and, in calculating the amount of any loss hereunder, only loss or losses in respect of that portion of any insurance or reinsurance which the Parties hereto retain net for their own account shall be included. Nothing, however, in this section shall be construed as meaning that Losses are not recoverable hereunder until the Ultimate Net Liability has been ascertained.

Section 202. Each party to this Agreement has the right to obtain additional reinsurance ("Other Reinsurance"), whether treaty or facultative, on the risks covered under this Agreement. Except as otherwise agreed to between a COMPANY and PIC, each of the COMPANIES hereby assigns, transfers and sets over to PIC all Other Reinsurance obtained by such party, together with all rights, privileges, claims, interests and title therein and all such Other Reinsurance shall be reflected solely on the financial statements of PIC. The collectible proceeds from Other Reinsurance obtained by PIC shall inure to the benefit of this Agreement. All Other Reinsurance obtained by the COMPANIES shall apply before this Agreement, and the collectible proceeds from such Other Reinsurance shall inure to the benefit of this Agreement. The obligations of each assuming COMPANY under this Agreement shall apply without regard to any amounts of Other Reinsurance which are determined to be uncollectible.

ARTICLE III - COMPANIES CEDE TO PIC

Section 301. Losses Covered: The COMPANIES hereby cede and PIC hereby assumes 100% (one hundred percent) of the COMPANIES' Ultimate Net Liability for Net

Losses payable while this Agreement is in force.

Section 302. Reinsurance Premium: Premium to PIC for reinsurance provided in Section 301 shall be 100% (one hundred percent) of the Net Unearned Premium on each and every risk in force as of January 1, 2007 and 100% (one hundred percent) of the Net Written Premium on each and every risk assumed thereafter, by way of primary insurance, reinsurance or retrocession.

Section 303. Expense Reimbursement: PIC shall

(A) Credit the COMPANIES with a ceding commission on the Net Unearned Premium reserve transferred in accordance with Section 302 above. The ceding commission shall be in accordance with Schedule A attached hereto.

(B) Credit the COMPANIES with 100% (one hundred percent) of the amount of all Net Expenses, including but not limited to commissions on premium written, paid by the COMPANIES while this Agreement is in force, except:

(1) United States federal income taxes;

(2) Investment Expenses.

Section 304. Expense Reserve Transfer: The COMPANIES shall credit PIC with 100% (one hundred percent) of the amount of the net reserve on the books of the COMPANIES at January 1, 2007, for unpaid Expenses, excluding reserves for United States federal income taxes and Investment Expenses.

Section 305. Loss Reserve Transfer: The COMPANIES shall credit PIC with 100% (one hundred percent) of the amount of the net reserve for Losses, including incurred but not reported losses, on the books of the COMPANIES at January 1, 2007.

ARTICLE IV - PIC CEDES TO COMPANIES

Section 401. The "PIC Pool": PIC shall add business ceded to it under Article III to its own business thus forming a pool (called the "PIC Pool") which shall then be redistributed by PIC in accordance with percentage shares set forth in Schedule A.

The term "share" or "shares" as used herein means the respective percentages for each of the respective COMPANIES as set forth in Schedule A.

Section 402. Losses Covered: PIC hereby cedes and the COMPANIES hereby assume their respective shares of the PIC Pool's Ultimate Net Liability for Net Losses payable while this Agreement is in force.

Section 403. Reinsurance Premium: Premium to the COMPANIES for their respective shares of the reinsurance provided in Section 402 shall be their respective shares of the Net Unearned Premium on each and every risk in force as of January 1, 2007, and their respective shares of the Net Written Premium on each and every risk thereafter by way of primary insurance, reinsurance or retrocession.

Section 404. Expense Reimbursement: The COMPANIES shall:

(A) Credit PIC with a ceding commission in accordance with Schedule A on their respective shares of the Net Unearned Premium reserve transferred in accordance with Section 403 above.

(B) Credit PIC with their respective share of the amount of all Net Expenses, including but not limited to commissions on premiums written, paid by PIC while this Agreement is in force, except:

(1) United States federal income taxes;

(2) Investment Expenses.

Section 405. Expense Reserve Transfer: PIC shall credit the COMPANIES with their respective share of the amount of the net pooled reserve on the books of PIC at January 1, 2007, for unpaid expenses, excluding the reserve for United States federal income taxes and Investment Expenses.

Section 406. Loss Reserve Transfer: PIC shall credit the COMPANIES with their respective share of the amount of the net pooled reserve for Losses, including incurred but not reported losses, on the books of PIC at January 1, 2007.

ARTICLE V - MUTUAL RIGHTS AND OBLIGATIONS

Section 501. Original Conditions: This Agreement shall be subject in all respects to the same terms, rates, conditions, modifications, alterations and cancellations as the respective policies of insurance or reinsurance of the Parties hereto. The true intent of this Agreement being that the Parties hereto shall follow each other's fortunes.

Section 502. Errors and Omissions: The Parties hereto shall not be prejudiced in any way by inadvertent errors or omissions, provided that such errors or omissions are corrected immediately upon discovery.

Section 503. Termination: This Agreement may be terminated at any time by any of the Parties giving to the others at least 120 (one hundred and twenty) days prior notice by registered mail. In the event of termination of this Agreement as provided above, each of the Parties shall continue to participate in all liability coming within the terms of this Agreement during the termination notice period and shall remain liable up to the natural expiration date of all such business in force on the termination date of this Agreement.

Section 504. Delegation of Authority: The Parties agree that losses and expenses connected with the insurance business of the Parties hereto, including taxes on premiums, fees for licensing, advertising, losses, claims and any other expenses incurred in the conduct of the insurance business of the Parties hereto may be paid by any one or more of the Parties on behalf of any of the Parties. The Parties agree that, subject to the applicable law, the premiums and receivables connected with the insurance business or the Parties hereto may be collected by one or more of the Parties on behalf of the Parties.

Section 505. Payments:

(A) The net amount owed by each Party to the others under this Agreement shall be determined no less frequently than on a quarterly basis; and such amount shall be paid on presentation of invoice covering settlement within forty-five (45) days after the close of the accounting period to which the determination applies, provided that all accounting settlements must be made on or before the forty-eighth (48th) day following the end of each calendar quarter. Advances may be made as needed to comply with statutory requirements. Reports of premiums and losses, and payment of losses, shall be provided no less frequently than on a quarterly basis. Quarterly reports shall consist of premiums, losses, dividends, taxes and other expenses in such detail as to enable each party to comply with statutory accounting practices. Each Party shall have, and may exercise at any time and from time to time, the right to offset any balance or balances, whether on account of premiums, losses, expenses, assessments, taxes, dividends or otherwise, due from such Party to another Party under this Agreement against any balance or balances due to such Party from the same other Party under this Agreement. Further, PIC may withhold funds due to the COMPANIES with interest on such funds at a rate that is equal to the Three Month London Interbank Offered Rate (LIBOR) published in the *Wall Street Journal* at the time such funds are withheld, plus 0.20% per annum. A COMPANY may demand payment of any funds withheld from such COMPANY by PIC, together with all interest accrued thereon, at any time with thirty (30) days advance notice to PIC. Under no circumstances may PIC withhold funds from a COMPANY under this provision for a period in excess of 180 days.

(B) It is the intent of this Agreement that premiums due from agents and insureds (net of ceded reinsurance balances payable) will be pooled according to the percentages on Schedule A.

Section 506. Accounts and Reports: In lieu of the Parties hereto furnishing each other with bordereaux showing the particulars of all transactions hereunder, they shall furnish each other, as soon as practicable after the close of each calendar quarter, statistical data sufficient for the completion of Annual Statement.

Section 507 Access to Records: The Parties hereto agree that they may, upon request, inspect each other's books and all records and documents insofar they may include or affect the business ceded under this Agreement.

Section 508. Insolvency: In consideration of the continuing and reciprocal benefits that accrue hereunder to the assuming reinsurers, the assuming reinsurers hereby agree that, as

to all reinsurances made, ceded, renewed or otherwise becoming effective under this Agreement, the reinsurance shall be payable by the assuming reinsurer on the basis of the liability of the ceding insurer under contract or contracts reinsured without diminution because of the insolvency of the ceding insurer. Payments made by the assuming reinsurer shall be made directly to the ceding insurer or its conservator, liquidator, receiver or statutory successor, except (a) where the assuming reinsurer with the consent of the direct insured or insureds has assumed such policy obligations of the ceding insurer as direct obligations of the assuming reinsurer to the payees under such policies and in substitution for the obligations to the ceding insurer to such payees. The portion of any risk or obligation assumed by the reinsurer, when such portion is ascertained shall be payable on demand of the ceding insurer, at the same time as the ceding insurer shall pay its net retained portion of such risk or obligation, with reasonable provision for verification before payment.

In the event of insolvency of the ceding insurer, the conservator, liquidator, receiver or statutory successor of such ceding insurer shall give written notice to the assuming reinsurer of the pendency of the claim against the insolvent ceding insurer on the policy or bond reinsured within a reasonable time after such claim is filed in insolvency proceeding; that during the pendency of such claim the assuming reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses which it may deem available to the ceding insurer or its conservator, liquidator, receiver or statutory successor; that the expense thus incurred by the assuming reinsurer shall be chargeable, subject to court approval, against the insolvent ceding insurer as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the ceding insurer solely as a result of the defense undertaken by the assuming reinsurer.

The reinsurance shall be payable, in event of insolvency of the ceding insurer, to its conservator, liquidator, receiver or statutory successor immediately on demand, with reasonable provision for verification, on the basis of the claim or claims allowed against the insolvent ceding insurer by any court of competent jurisdiction or any justice or judge thereof, or by any conservator, liquidator, receiver or statutory successor of the company having authority to determine and allow such claim, without diminution because of such insolvency or because such conservator, liquidator, receiver or statutory successor has failed to pay all or a portion of any claim.

ARTICLE VI – ADDITIONAL PROVISIONS APPLICABLE TO CERTAIN OF THE PARTIES

Section 601. With respect to CCIC:

(A) This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado in all matters related to CCIC.

(B) In the event of termination of this Agreement by any Party, the Party terminating the Agreement will send written notice to the Colorado Commissioner of Insurance at least 90 days prior to the effective date of the termination.

Section 602. With respect to GEIC only:

Section 508 of the Agreement shall read as follows:
In the event of insolvency and the appointment of a conservator, liquidator, or statutory successor of the ceding company, the portion of any risk or obligation assumed by the reinsurer shall be payable to the conservator, liquidator, or statutory successor on the basis of claims allowed against the insolvent company by any court of competent jurisdiction or by any conservator, liquidator, or statutory successor of the company having authority to allow such claims, without diminution because of that insolvency, or because the conservator, liquidator, or statutory successor has failed to pay all or a portion of any claims. Payments by the reinsurer as set forth in this subdivision shall be made directly to the ceding insurer or to its conservator, liquidator, or statutory successor except, where the contract of insurance or reinsurance specifically provides another payee of such reinsurance in the event of the insolvency of the ceding insurer. The reinsurance contract may provide that the conservator, liquidator, or statutory successor of a ceding insurer shall give written notice of the pendency of a claim against the ceding insurer indicating the policy or bond reinsured, within a reasonable time after such claim is filed and the reinsurer may interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses, which it may deem available to the ceding insurer or its conservator, liquidator, or statutory successor. The expense thus incurred by the reinsurer shall be payable subject to court approval out of the estate of the insolvent ceding insurer as part of the expense of conservation or liquidation to the extent of a proportionate share of the benefit, which may accrue to the ceding insurer in conservation or liquidation, solely as a result of the defense undertaken by the reinsurer.

Section 603. With respect to the relationship between IIC and PIC:

(A) IIC shall submit to the jurisdiction of any court of competent jurisdiction in any state of the United States, shall comply with all requirements necessary to give the court jurisdiction, and shall abide by the final decision of the court or of any appellate court if there is an appeal.

(B) IIC shall designate the North Carolina Commissioner of Insurance or a designated attorney as its true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding begun by or on behalf of the ceding company.

Section 604. With respect to PIIC and AACC:

In the event of termination of this Agreement by any Party, the Party terminating this Agreement will send written notice to the other Parties to the Agreement and to the Illinois Director of Insurance at least 90 calendar days prior to the effective date of the termination.

ARTICLE VII – MISCELLANEOUS

Section 701.

This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute

one and the same instrument.

Section 702.

This Agreement, including any, and Schedules hereto, sets forth the entire agreement and understanding among the Parties with respect to the subject matter hereof. No other oral or written agreements or contracts relating to the risks reinsured hereunder currently exist among the parties hereto; provided, however, the January 1, 1996 Agreement, prior to consolidation, amendment and restatement, together with all Endorsements thereto, shall govern the period prior to January 1, 2007.

Section 703.

This Agreement may only be modified by an amendment to the Agreement executed by all of the Parties.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

AMERICA FIRST INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

GULF STATES AIF, INC. ATTORNEY-IN-FACT FOR
AMERICA FIRST LLOYD'S INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

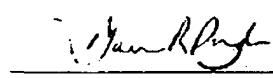
COLORADO CASUALTY INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

CONSOLIDATED INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

EXCELSIOR INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION
By: James F. Dore, Chief Financial Officer

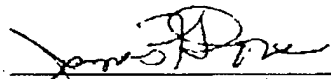
INDIANA INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer



LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY
By: James R. Pugh, Assistant Secretary

MONTGOMERY MUTUAL INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

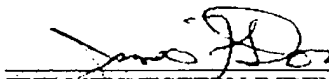
THE NETHERLANDS INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer



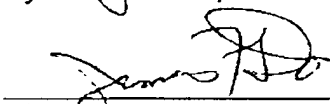
PEERLESS INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY
By: James F. Dore, Chief Financial Officer



THE MIDWESTERN INDEMNITY COMPANY
By: James F. Dore, Chief Financial Officer



MID-AMERICAN FIRE & CASUALTY COMPANY
By: James F. Dore, Chief Financial Officer

AMERICAN AMBASSADOR CASUALTY COMPANY
By: James F. Dore, Chief Financial Officer

HAWKEYE-SECURITY INSURANCE COMPANY
By: James F. Dore, Chief Financial Officer

SCHEDULE A

Attached to and forming a part of the Agreement effective January 1, 2007 by and among the COMPANIES and PIC.

1. Percentage Share

America First Insurance Company	0%
America First Lloyd's Insurance Company	0%
Colorado Casualty Insurance Company	0%
Consolidated Insurance Company	0%
Excelsior Insurance Company	0%
Golden Eagle Insurance Corporation	13.25%
Indiana Insurance Company	12.25%
Liberty Mutual Mid-Atlantic Insurance Company	0%
Montgomery Mutual Insurance Company	0%
The Netherlands Insurance Company	3.27%
Peerless Indemnity Insurance Company	0.30%
The Midwestern Indemnity Company	0%
Mid-American Fire & Casualty Company	0%
Globe American Casualty Company	0%
American Ambassador Casualty Company	0%
Hawkeye-Security Insurance Company	0%
Peerless Insurance Company	70.93%

2. PIC's Ceding Commission to COMPANIES (Section 303)

An amount equal to the actual costs incurred by the respective COMPANIES for commissions, premium taxes and underwriting expenses.

3. COMPANIES' Ceding Commission to PIC (Section 404)

Each percentage share of an amount equal to the actual costs incurred by PIC for commissions, premium taxes and underwriting expenses.

ENDORSEMENT NUMBER 1
to the

Amended and Restated Reinsurance Pooling Agreement effective January 1, 2007 (the "Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"), Excelsior Insurance Company, a New Hampshire insurer ("EIC"), Indiana Insurance Company, an Indiana insurer ("IIC"), Consolidated Insurance Company, an Indiana insurer ("CIC"), America First Insurance Company, a New Hampshire insurer ("AFIC"), Peerless Indemnity Insurance Company (formerly, Atlas Assurance Company of America), an Illinois insurer ("PIIC"), America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a Colorado insurer ("CCIC"), Golden Eagle Insurance Corporation, a California insurer ("GEIC"), Liberty Mutual Mid-Atlantic Insurance Company (formerly, Merchants and Business Men's Mutual Insurance Company), a Pennsylvania insurer ("LMMAIC"), The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Globe American Casualty Company, an Ohio insurer ("Globe"), American Ambassador Casualty Company, an Illinois insurer ("AACC") and Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC") (collectively, referred to herein as the "Companies") on the one part, and Peerless Insurance Company, a New Hampshire insurer ("PIC"), on the other part (hereinafter and together with Companies, referred to as the "Parties").

NOW, THEREFORE, the Agreement is hereby amended as follows, all terms as used herein having the same meaning as in the Agreement:

1. The Ohio Casualty Insurance Company, an Ohio insurer ("OCIC"), Ohio Security Insurance Company, an Ohio insurer ("OSIC"), West American Insurance Company, an Indiana insurer ("WAIC"), Avomark Insurance Company, an Indiana insurer ("AIC"), Ohio Casualty of New Jersey, Inc., an Ohio insurer ("OCNJ"), American Fire and Casualty Company, an Ohio insurer ("AFCC") and National Insurance Association ("NIA"), an Indiana reciprocal insurer, are affiliates of the Parties and are hereby added as parties to the Agreement and shall be hereinafter included in within the term "Companies" as it is used within the Agreement.

2. Item Number 1 of Schedule A of the Agreement is amended to read as follows:

   1. Percentage Shares

America First Insurance Company	0%
America First Lloyd's Insurance Company	0%
American Ambassador Casualty Company	0%
Colorado Casualty Insurance Company	0%
Consolidated Insurance Company	0%
Excelsior Insurance Company	0%
Globe American Casualty Company	0%

Golden Eagle Insurance Corporation	7%
Hawkeye-Security Insurance Company	0%
Indiana Insurance Company	8%
Liberty Mutual Mid-Atlantic Insurance Company	0%
Mid-American Fire & Casualty Company	0%
Montgomery Mutual Insurance Company	0%
The Midwestern Indemnity Company	0%
The Netherlands Insurance Company	3%
Peerless Indemnity Insurance Company	5%
Peerless Insurance Company	42%
National Insurance Association	0%
The Ohio Casualty Insurance Company	34%
Avomark Insurance Company	0%
West American Insurance Company	0%
American Fire and Casualty Company	1%
Ohio Security Insurance Company	0%
Ohio Casualty of New Jersey, Inc.	0%

3. As soon as practicable following the effective date of this Endorsement Number 1, each Party shall sell, assign, transfer and deliver to the others, as applicable, all such assets, funds and/or investments as may be necessary, appropriate and/or convenient to properly reflect and effect the asset and liability transfers contemplated by the amendments to the Agreement effected by this Endorsement Number 1.

4. This Endorsement Number 1 shall be effective as of 12:01 A.M., Eastern Time, on January 1, 2008 (the "Effective Date"), and shall remain in force unless modified by mutual agreement or terminated in accordance with the Agreement.

5. Notwithstanding the provisions of Item 4 above, this Endorsement Number 1 shall not be effective until all necessary regulatory approvals for the transactions contemplated hereby have been received.

6. This Endorsement Number 1 may be executed in counterparts of like form, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute one and the same instrument.

7. Except as provided herein, the terms and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Endorsement Number 1 to be executed and delivered by their duly authorized officers as of the Effective Date.

AMERICA FIRST INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

AMERICA FIRST LLOYD'S INSURANCE COMPANY
BY GULF STATES AIF, INC., ITS ATTORNEY-IN-FACT

By: James F. Dore, Chief Financial Officer

COLORADO CASUALTY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

CONSOLIDATED INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

EXCELSIOR INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION

By: James F. Dore, Chief Financial Officer

INDIANA INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY (formerly MERCHANTS AND BUSINESS MEN'S MUTUAL INSURANCE COMPANY)

By: James R. Pugh, Assistant Secretary

MONTGOMERY MUTUAL INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

THE NETHERLANDS INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

PEERLESS INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

THE MIDWESTERN INDEMNITY COMPANY

By: James F. Dore, Chief Financial Officer

MID-AMERICAN FIRE & CASUALTY COMPANY

By: James F. Dore, Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY

By: James F. Dore, Chief Financial Officer

AMERICAN AMBASSADOR CASUALTY COMPANY

By: James F. Dore, Chief Financial Officer

HAWKEYE-SECURITY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

NATIONAL INSURANCE ASSOCIATION
BY THE NATIONAL CORPORATION, ITS ATTORNEY-IN-FACT

By: James F. Dore, Chief Financial Officer

THE OHIO CASUALTY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

AMERICAN FIRE AND CASUALTY COMPANY

By: James F. Dore, Chief Financial Officer

OHIO SECURITY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

WEST AMERICAN INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

AVOMARK INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

OHIO CASUALTY OF NEW JERSEY, INC.

By: James F. Dore, Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY

By: James F. Dore, Chief Financial Officer

ENDORSEMENT NUMBER 3
to the

Amended and Restated Reinsurance Pooling Agreement effective January 1, 2007, as amended January 1, 2008 (the "Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"), Excelsior Insurance Company, a New Hampshire insurer ("EIC"), Indiana Insurance Company, an Indiana insurer ("IIC"), Consolidated Insurance Company, an Indiana insurer ("CIC"), America First Insurance Company, a New Hampshire insurer ("AFIC"), Peerless Indemnity Insurance Company (formerly, Atlas Assurance Company of America), an Illinois insurer ("PIIC"), America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a Colorado insurer ("CCIC"), Golden Eagle Insurance Corporation, a California insurer ("GEIC"), Liberty Mutual Mid-Atlantic Insurance Company (formerly, Merchants and Business Men's Mutual Insurance Company), a Pennsylvania insurer ("LMMAIC"), The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Globe American Casualty Company, an Ohio insurer ("Globe"), American Ambassador Casualty Company, an Illinois insurer ("AACC"), Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC"), The Ohio Casualty Insurance Company, an Ohio insurer ("OCIC"), Ohio Security Insurance Company, an Ohio insurer ("OSIC"), West American Insurance Company, an Indiana insurer ("WAIC"), Avomark Insurance Company, an Indiana insurer ("AIC"), Ohio Casualty of New Jersey, Inc., an Ohio insurer ("OCNJ"), American Fire and Casualty Company, an Ohio insurer ("AFCC") and National Insurance Association ("NIA"), an Indiana reciprocal insurer, Insurance Company of Illinois, an Illinois insurer ("ICIL"),Safeco Insurance Company of Illinois, an Illinois insurer ("SICIL"), American Economy Insurance Company, an Indiana insurer ("AEIC"), American States Insurance Company, an Indiana insurer ("ASIC"), American States Preferred Insurance Company, an Indiana insurer ("ASPIC"), Safeco Insurance Company of Indiana, an Indiana insurer ("SICIN"), Safeco National Insurance Company, a Missouri insurer ("SNIC"), Safeco Insurance Company of Oregon, an Oregon insurer ("SICO"), American States Insurance Company of Texas, a Texas insurer ("ASICT"), American States Lloyds Insurance Company, a Texas Lloyd's company ("ASLIC"), Safeco Lloyds Insurance Company, a Texas Lloyd's company ("SLIC"), First National Insurance Company of America, a Washington insurer ("FNICA"), General Insurance Company of America, a Washington insurer ("GICA"), Safeco Insurance Company of America, a Washington insurer ("SICA"), and Safeco Surplus Lines Insurance Company ("SSLIC"), a Washington insurer, (collectively, referred to herein as the "Companies") on the one part, and Peerless Insurance Company, a New Hampshire insurer ("PIC"), on the other part (hereinafter and together with Companies, referred to as the "Parties").

NOW, THEREFORE, the Agreement is hereby amended as follows, all terms as used herein having the same meaning as in the Agreement:

1. Insurance Company of Illinois, an Illinois insurer and Liberty Mutual Mid-Atlantic Insurance Company, a Pennsylvania insurer, are removed as parties to the Agreement effective December 31, 2009.

2. Effective September 17, 2009, Ohio Casualty of New Jersey, Inc., an Ohio insurer, merged with and into The Ohio Casualty Insurance Company, an Ohio insurer, and is removed as a party to this Agreement.

3. Effective October 1, 2009, Colorado Casualty Insurance Company, formerly a Colorado insurer, and Safeco National Insurance Company, formerly a Missouri insurer, redomesticated to New Hampshire.

4. Effective October 21, 2009, American Ambassador Casualty Company, an Illinois insurer, merged with and into Peerless Indemnity Insurance Company, an Illinois insurer, and is removed as a party to this Agreement.

5. Effective January 1, 2010,Schedule A of the Agreement is deleted in its entirety and replaced with the following new Schedule A:

SCHEDULE A

Attached to and forming a part of the Agreement effective January 1, 2010 by and among the COMPANIES and PIC.

America First Insurance Company	0.00%
America First Lloyd's Insurance Company	0.00%
Colorado Casualty Insurance Company	0.00%
Consolidated Insurance Company	0.00%
Excelsior Insurance Company	0.00%
Globe American Casualty Company	0.00%
Golden Eagle Insurance Corporation	3.00%
Hawkeye-Security Insurance Company	0.00%
Indiana Insurance Company	4.80%
Mid-American Fire & Casualty Company	0.00%
The Midwestern Indemnity Company	0.00%
Montgomery Mutual Insurance Company	0.00%
The Netherlands Insurance Company	1.80%
Peerless Indemnity Insurance Company	3.00%
Peerless Insurance Company	25.20%
National Insurance Association	0.00%
The Ohio Casualty Insurance Company	20.40%
Avomark Insurance Company	0.00%
West American Insurance Company	0.00%
American Fire and Casualty Company	0.60%
Ohio Security Insurance Company	0.00%
Safeco Insurance Company of Illinois	2.00%
American Economy Insurance Company	5.60%
American States Insurance Company	7.60%
American States Preferred Insurance Company	0.80%
Safeco Insurance Company of Indiana	0.00%
Safeco National Insurance Company	0.00%
Safeco Insurance Company of Oregon	0.00%
American States Lloyds Insurance Company	0.00%
Safeco Lloyds Insurance Company	0.00%
First National Insurance Company of America	0.80%
General Insurance Company of America	9.20%
Safeco Insurance Company of America	15.20%
Safeco Surplus Lines Insurance Company	0.00%
American States Insurance Company of Texas	0.00%

6. As soon as practicable following the effective date of this Endorsement Number 3, each Party shall sell, assign, transfer and deliver to the others, as applicable, all such assets, funds and/or investments as may be necessary, appropriate and/or convenient to properly reflect and effect the asset and liability transfers contemplated by the amendments to the Agreement effected by this Endorsement Number 3.

7. This Endorsement Number 3 shall be effective as of 12:01 A.M. on January 1, 2010 (the "Effective Date") and shall remain in force unless modified by mutual agreement or terminated in accordance with the Agreement.

8. Notwithstanding the provisions of Item 4 above, this Endorsement Number 3 shall not be effective until all necessary regulatory approvals for the transactions contemplated hereby have been received.

9. This Endorsement Number 3 may be executed in counterparts of like form, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute one and the same instrument.

10. Except as provided herein, the terms and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Endorsement Number 3 to be executed and delivered by their duly authorized officers as of the Effective Date.

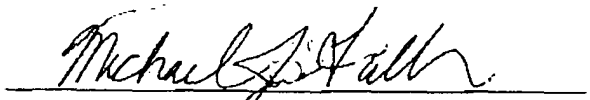
AMERICA FIRST INSURANCE COMPANY

By: Michael J. Fallon, Chief Financial Officer

AMERICA FIRST LLOYD'S INSURANCE COMPANY
BY GULF STATES AIF, INC., ITS ATTORNEY-IN-FACT

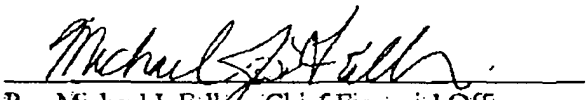
By: Michael J. Fallon, Chief Financial Officer

AMERICAN ECONOMY INSURANCE COMPANY



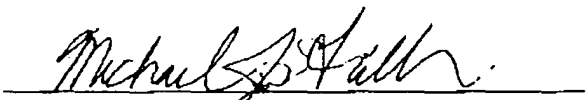
By: Michael J. Fallon, Chief Financial Officer

AMERICAN FIRE AND CASUALTY COMPANY



By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES INSURANCE COMPANY

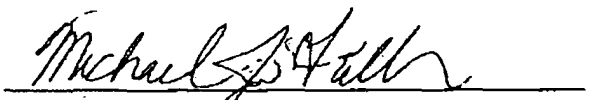


By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES INSURANCE COMPANY OF TEXAS

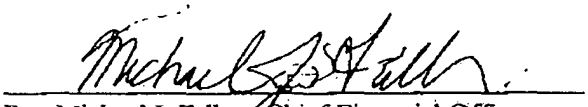
By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT



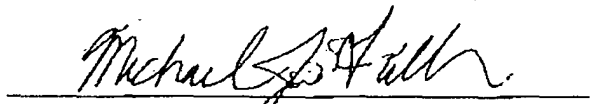
By: Michael J. Fallon, Chief Financial Officer

AMERICAN STATES PREFERRED INSURANCE COMPANY



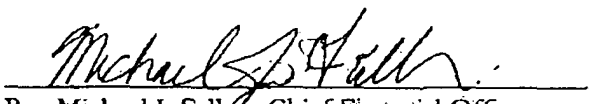
By: Michael J. Fallon, Chief Financial Officer

AVOMARK INSURANCE COMPANY



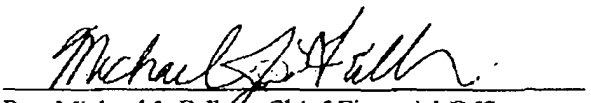
By: Michael J. Fallon, Chief Financial Officer

COLORADO CASUALTY INSURANCE COMPANY



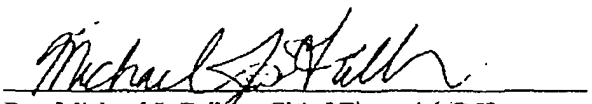
By: Michael J. Fallon, Chief Financial Officer

CONSOLIDATED INSURANCE COMPANY



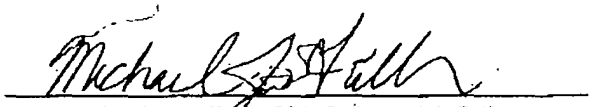
By: Michael J. Fallon, Chief Financial Officer

EXCELSIOR INSURANCE COMPANY



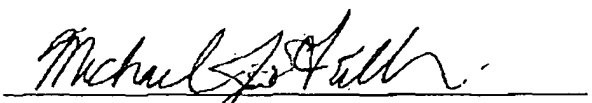
By: Michael J. Fallon, Chief Financial Officer

FIRST NATIONAL INSURANCE COMPANY OF AMERICA



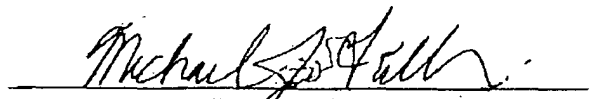
By: Michael J. Fallon, Chief Financial Officer

GENERAL INSURANCE COMPANY OF AMERICA



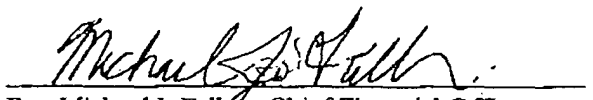
By: Michael J. Fallon, Chief Financial Officer

GLOBE AMERICAN CASUALTY COMPANY



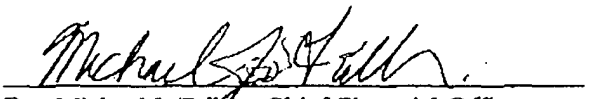
By: Michael J. Fallon, Chief Financial Officer

GOLDEN EAGLE INSURANCE CORPORATION



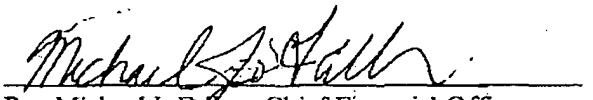
By: Michael J. Fallon, Chief Financial Officer

HAWKEYE-SECURITY INSURANCE COMPANY



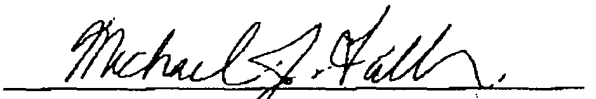
By: Michael J. Fallon, Chief Financial Officer

INDIANA INSURANCE COMPANY



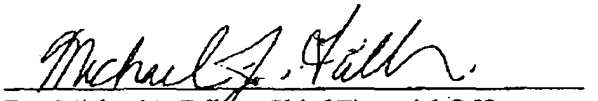
By: Michael J. Fallon, Chief Financial Officer

INSURANCE COMPANY OF ILLINOIS



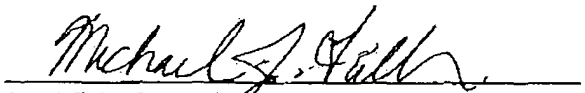
By: Michael J. Fallon, Chief Financial Officer

LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY (formerly MERCHANTS AND BUSINESS MEN'S MUTUAL INSURANCE COMPANY)



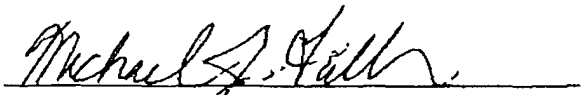
By: Michael J. Fallon, Chief Financial Officer

MID-AMERICAN FIRE & CASUALTY COMPANY



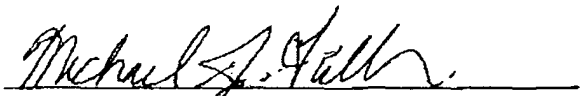
By: Michael J. Fallon, Chief Financial Officer

MONTGOMERY MUTUAL INSURANCE COMPANY



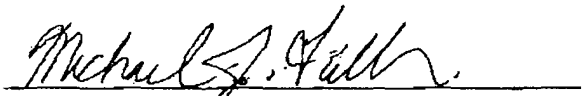
By: Michael J. Fallon, Chief Financial Officer

NATIONAL INSURANCE ASSOCIATION
BY THE NATIONAL CORPORATION, ITS ATTORNEY-IN-FACT



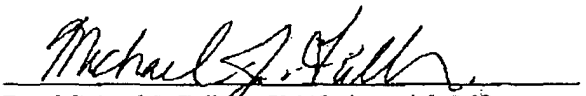
By: Michael J. Fallon, Chief Financial Officer

OHIO SECURITY INSURANCE COMPANY



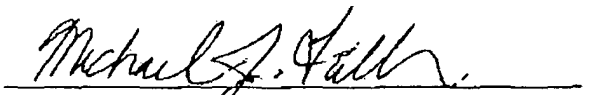
By: Michael J. Fallon, Chief Financial Officer

PEERLESS INDEMNITY INSURANCE COMPANY



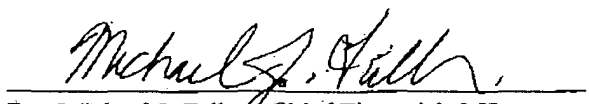
By: Michael J. Fallon, Chief Financial Officer

PEERLESS INSURANCE COMPANY



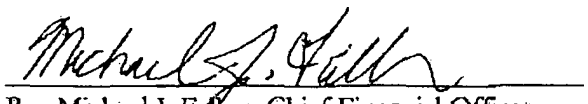
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF AMERICA



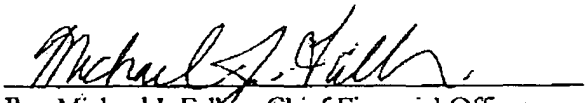
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF ILLINOIS



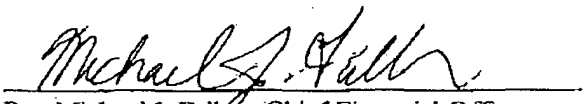
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF INDIANA



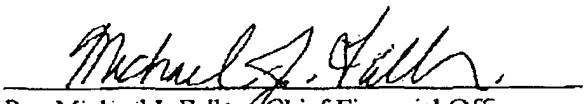
By: Michael J. Fallon, Chief Financial Officer

SAFECO INSURANCE COMPANY OF OREGON



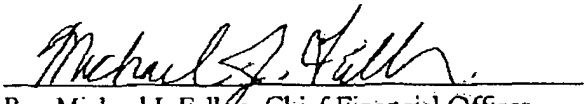
By: Michael J. Fallon, Chief Financial Officer

SAFECO LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT



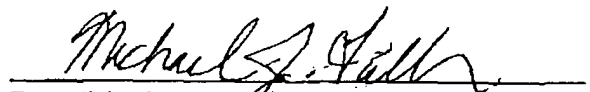
By: Michael J. Fallon, Chief Financial Officer

SAFECO NATIONAL INSURANCE COMPANY



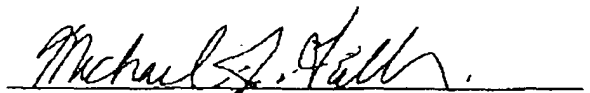
By: Michael J. Fallon, Chief Financial Officer

SAFECO SURPLUS LINES INSURANCE COMPANY



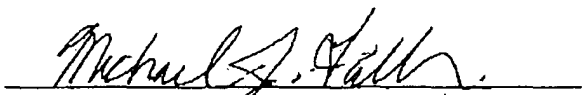
By: Michael J. Fallon, Chief Financial Officer

THE MIDWESTERN INDEMNITY COMPANY



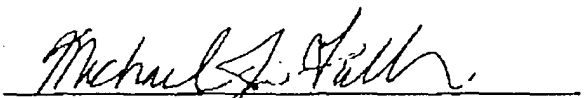
By: Michael J. Fallon, Chief Financial Officer

THE NETHERLANDS INSURANCE COMPANY



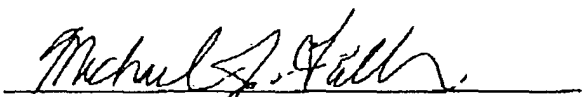
By: Michael J. Fallon, Chief Financial Officer

THE OHIO CASUALTY INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial Officer

WEST AMERICAN INSURANCE COMPANY



By: Michael J. Fallon, Chief Financial Officer

TERMINATION ENDORSEMENT
to the

Amended and Restated Reinsurance Pooling Agreement effective January 1, 2007, as amended January 1, 2008 and January 1, 2009 (the "Agreement") between and among The Netherlands Insurance Company, a New Hampshire insurer ("TNIC"), Excelsior Insurance Company, a New Hampshire insurer ("EIC"), Indiana Insurance Company, an Indiana insurer ("IIC"), Consolidated Insurance Company, an Indiana insurer ("CIC"), America First Insurance Company, a New Hampshire insurer ("AFIC"), Peerless Indemnity Insurance Company (formerly, Atlas Assurance Company of America), an Illinois insurer ("PIIC"), America First Lloyd's Insurance Company, a Texas Lloyd's company ("AFLIC"), Montgomery Mutual Insurance Company, a Maryland insurer ("MMIC"), Colorado Casualty Insurance Company, a New Hampshire insurer ("CCIC"), Golden Eagle Insurance Corporation, a New Hampshire insurer ("GEIC"),, The Midwestern Indemnity Company, an Ohio insurer ("Midwest"), Mid-American Fire & Casualty Company, an Ohio insurer ("Mid-Am"), Hawkeye-Security Insurance Company, a Wisconsin insurer ("HSIC"), The Ohio Casualty Insurance Company, an Ohio insurer ("OCIC"), Ohio Security Insurance Company, an Ohio insurer ("OSIC"), West American Insurance Company, an Indiana insurer ("WAIC"), American Fire and Casualty Company, an Ohio insurer ("AFCC") and National Insurance Association ("NIA"), an Indiana reciprocal insurer, Safeco Insurance Company of Illinois, an Illinois insurer ("SICIL"), American Economy Insurance Company, an Indiana insurer ("AEIC"), American States Insurance Company, an Indiana insurer ("ASIC"), American States Preferred Insurance Company, an Indiana insurer ("ASPIC"), Safeco Insurance Company of Indiana, an Indiana insurer ("SICIN"), Safeco National Insurance Company, a New Hampshire insurer ("SNIC"), Safeco Insurance Company of Oregon, an Oregon insurer ("SICO"), American States Insurance Company of Texas, a Texas insurer ("ASICT"), American States Lloyds Insurance Company, a Texas Lloyd's company ("ASLIC"), Safeco Lloyds Insurance Company, a Texas Lloyd's company ("SLIC"), First National Insurance Company of America, a Washington insurer ("FNICA"), General Insurance Company of America, a Washington insurer ("GICA"), Safeco Insurance Company of America, a Washington insurer ("SICA"), and Safeco Surplus Lines Insurance Company ("SSLIC"), a Washington insurer, (collectively, referred to herein as the "Companies") on the one part, and Peerless Insurance Company, a New Hampshire insurer ("PIC"), on the other part (hereinafter and together with Companies, referred to as the "Parties").

NOW, THEREFORE, the Agreement is hereby amended as follows, all terms as used herein having the same meaning as in the Agreement:

1. Montgomery Mutual Insurance Company, a Maryland mutual insurance company is removed as a party to the Agreement effective July 1, 2010 with respect to in-force, new and renewal policies.

2. As soon as practicable following the effective date of this Endorsement Number 4, each Party shall sell, assign, transfer and deliver to the others, as applicable, all such assets, funds and/or investments as may be necessary, appropriate and/or

convenient to properly reflect and effect the asset and liability transfers contemplated by the amendments to the Agreement effected by this Termination Endorsement.

3. This Termination Endorsement shall be effective as of 12:01 A.M. on July 1, 2010 (the "Effective Date") and shall remain in force unless modified by mutual agreement or terminated in accordance with the Agreement.

4. Notwithstanding the provisions of Item 3 above, this Termination Endorsement shall not be effective until all necessary regulatory approvals for the transactions contemplated hereby have been received.

5. This Termination Endorsement may be executed in counterparts of like form, each of which, when executed, shall be deemed together an original and all of which taken together shall constitute one and the same instrument.

6. Except as provided herein, the terms and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Termination Endorsement to be executed and delivered by their duly authorized officers as of the Effective Date.

AMERICA FIRST INSURANCE COMPANY
AMERICA FIRST LLOYD'S INSURANCE COMPANY
BY GULF STATES AIF, INC., ITS ATTORNEY-IN-FACT
AMERICAN ECONOMY INSURANCE COMPANY
AMERICAN FIRE AND CASUALTY COMPANY
AMERICAN STATES INSURANCE COMPANY
AMERICAN STATES INSURANCE COMPANY OF TEXAS
AMERICAN STATES LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT
AMERICAN STATES PREFERRED INSURANCE COMPANY
COLORADO CASUALTY INSURANCE COMPANY
CONSOLIDATED INSURANCE COMPANY
EXCELSIOR INSURANCE COMPANY
FIRST NATIONAL INSURANCE COMPANY OF AMERICA
GENERAL INSURANCE COMPANY OF AMERICA
GOLDEN EAGLE INSURANCE CORPORATION
HAWKEYE-SECURITY INSURANCE COMPANY
INDIANA INSURANCE COMPANY
MID-AMERICAN FIRE & CASUALTY COMPANY
MONTGOMERY MUTUAL INSURANCE COMPANY
NATIONAL INSURANCE ASSOCIATION
BY THE NATIONAL CORPORATION, ITS ATTORNEY-IN-FACT
OHIO SECURITY INSURANCE COMPANY

PEERLESS INDEMNITY INSURANCE COMPANY
PEERLESS INSURANCE COMPANY
SAFECO INSURANCE COMPANY OF AMERICA
SAFECO INSURANCE COMPANY OF ILLINOIS
SAFECO INSURANCE COMPANY OF INDIANA
SAFECO INSURANCE COMPANY OF OREGON
SAFECO LLOYDS INSURANCE COMPANY
BY GENERAL AMERICA CORPORATION OF TEXAS, ITS ATTORNEY-IN-FACT
SAFECO NATIONAL INSURANCE COMPANY
SAFECO SURPLUS LINES INSURANCE COMPANY
THE MIDWESTERN INDEMNITY COMPANY
THE NETHERLANDS INSURANCE COMPANY
THE OHIO CASUALTY INSURANCE COMPANY
WEST AMERICAN INSURANCE COMPANY

By: Michael J. Fallon, Chief Financial ~~Officer~~

FEDERAL TAX SHARING AGREEMENT

This FEDERAL TAX SHARING AGREEMENT ("Agreement"), effective for tax years beginning on or after the first day of January 2002, is entered into by and among Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts mutual insurance holding company, and the parties to this Agreement (collectively, "Liberty Mutual Group").

WHEREAS, the parties to this Agreement file a consolidated U.S. federal income tax return;

WHEREAS, the parties to this Agreement desire to set forth their rights and obligations with respect to the determination and settlement of federal income tax liabilities; to allocate Liberty Mutual Group's consolidated U.S. federal income tax liability equitably to each party in accordance with a rational, systematic formula that will take into account each party's relative contribution to such liability; to ensure that an allocation for a particular tax year to each party reflects the parties' best estimate of its final liability after adjustments for tax audits or otherwise; to compensate any party for the use of tax losses and credits by other parties; to promptly settle all such tax liability allocations; and to allow LMHC to administer and interpret this Agreement for the collective benefit of Liberty Mutual Group; and

WHEREAS, Statement of Statutory Accounting Principles No. 10 ("SSAP 10") requires tax allocations to be economic transactions, pursuant to a written income tax allocation agreement, and accounted for consistent with Financial Accounting Standards No. 109, as modified by SSAP 10, in order to be recognized by reporting entities that file a consolidated income tax return.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and consistently applied in accordance with the intentions outlined above, the parties agree as follows:

1. DEFINITIONS

For purposes of this Agreement, the terms set forth below shall be defined as follows:

a) Tax Reporting Segment ("TRS"): Any legal entity that is part of Liberty Mutual Group; or any group of legal entities and/or reporting segments within a legal entity that operate as a single business unit or division thereof as determined from time to time. Any legal entity subject to regulation as an insurance company by its state of domicile shall not be included in a TRS with any other legal entity other than its wholly-owned subsidiaries.

b) Group Tax Liability: All taxes properly reflected on the U.S. consolidated federal income tax return of Liberty Mutual Group for tax years beginning on or after the effective date of this Agreement, or as revised or expected to be revised by amended return, tax audit, administrative or judicial determination or re-determination or otherwise, together with any interest, penalties, or other assessments. For purposes of this definition "taxes" means any income taxes or other taxes, charges or assessments imposed on corporations by the Internal Revenue Code ("Code").

c) Member: A corporation that joins or is required to join Liberty Mutual Group's U.S. consolidated federal income tax return pursuant to Code section 1504(a) and the regulations promulgated thereunder.

d) Separate Tax Return Liability: The expected separate federal income tax liability calculated for each TRS under the applicable provisions of the Code and regulations promulgated thereunder as though such TRS had always filed a separate federal income tax return. Any current year, carryovers or carrybacks of net operating losses, net capital losses, excess tax credits, or other tax attributes shall be taken into account to the extent such carryover, carryback, credit, or other attribute has reduced the Group Tax Liability in the current or in a prior tax year. To the extent a TRS' items of separate taxable income would be accorded a different tax treatment by operation of the consolidated return regulations, such TRS' Separate Tax Return Liability shall be computed consistent with the consolidated return provisions to the extent such item resulted in an increase or decrease to the Group Tax Liability in the current or in a prior tax year.

2. TAX SHARING

a) The taxes payable to LMHC (or its authorized designee) by each TRS under this Agreement shall be based on the Separate Tax Return Liability of each TRS for the applicable tax year.

b) To the extent the sum of the Separate Tax Return Liabilities of all TRS exceeds or is less than the Group Tax Liability, such difference shall be allocated to each TRS to the extent such TRS' items or attributes are reflected in the Group Tax Liability.

c) The surtax exemption and bracket benefits to which Liberty Mutual Group as a whole is entitled shall be allocated exclusively to Liberty Mutual Insurance Company.

d) Computation of each TRS Separate Tax Return Liability shall be made periodically during the year by Corporate Taxation in Liberty Mutual Group's Corporate Financial Department, at times consistent with and in accordance with the usual procedures followed in determining the Group Tax Liability.

3. ALTERNATIVE MINIMUM TAX (AMT)

a) If the Group Tax Liability includes a liability for AMT, such AMT shall be proportionally allocated to all TRS whose Separate Tax Return Liability includes a liability for AMT, but not to exceed the liability for AMT included in the TRS' Separate Tax Return Liability. Any AMT liability in excess of the sum of each TRS' Separate Tax Return Liability for AMT shall be allocated to Liberty Mutual Insurance Company.

b) To the extent a TRS is allocated a liability for AMT, such TRS shall be allocated an equivalent minimum tax credit carryforward which shall be taken into account in such TRS' Separate Tax Return Liability in subsequent tax years.

4. SETTLEMENT OF TAXES PAYABLE/RECEIVABLE

Estimated federal tax payments shall be settled between each TRS and LMHC (or its authorized designee) on the 12th day of April, June, September, December and March. Payments reflecting the final tax return liability for a given tax year will be settled after the filing of Liberty Mutual Group's federal income tax return. Final settlements will be due within 30 days of receipt of the statement of balances due or receivable.

5. MATTERS CONCERNING THE RETURN

a) Filing the Return: LMHC shall file, or cause to be filed, the U.S. consolidated federal income tax return and any amended returns for each taxable year.

b) Payment of Group Tax Liability: LMHC (or its authorized designee) shall pay, or cause to be paid, the Group Tax Liability for each taxable year on behalf of Liberty Mutual Group.

6. AUDITS AND OTHER ADJUSTMENTS

Payment of the tax sharing amount is intended to reflect each TRS' best estimate of its final tax liability with respect to a given tax year. To the extent the Group Tax Liability is adjusted for any tax year as a result of an amended return, tax audit, administrative or judicial determination or re-determination or otherwise, the Separate Tax Return Liability for each TRS shall be recomputed to give effect to such adjustments. Any resulting additional TRS tax benefit or tax liability shall be settled with LMHC (or its authorized designee) within 30 days of receipt of a refund or notice of deficiency with respect to the Group Tax Liability by LMHC. Copies of all tax returns, related schedules, work papers, all material records, and other documents shall be maintained until the expiration of the statute of limitations, including extensions.

7. EARNINGS AND PROFITS

Pursuant to Code section 1552 and the regulations promulgated thereunder, and to regulation section 1.1502-33, for the purpose of determining earnings and profits of each Member of the affiliated group, LMHC (or Liberty Mutual Insurance Company) has filed elections with the Internal Revenue Service for and on behalf of Liberty Mutual Group to allocate the Group Tax Liability. Nothing in this Agreement shall be construed to affect the determination or allocation of tax required pursuant to these elections, or any amendments or modifications thereto, for the purpose of determining the earnings and profits of the members of Liberty Mutual Group; and LMHC, in its sole discretion, is authorized to seek any change in the method of calculating earnings and profits as it deems desirable.

8. CONDUCT OF DISPUTES

LMHC, as common parent of Liberty Mutual Group, shall be the sole agent for each Member and any successor of any Member pursuant to regulation section 1.1502-77(a). LMHC shall control the conduct of any audit and the defense of any suit, action or proceeding resulting therefrom. Each Member will cooperate with LMHC in these proceedings and provide such assistance and documents, without charge, as may be requested by LMHC for such purpose. LMHC will provide Members with access to such records and tax returns as appropriate to facilitate

such cooperation. Notwithstanding any other provisions in this Agreement, if an increase to the Group Tax Liability is the result of the failure of a Member to maintain proper records to support items reflected in Liberty Mutual Group's consolidated income tax return, such Member shall be fully liable for such increase as well as any related penalties and interest.

9. MEMBER ENTERING OR DEPARTING GROUP

It is the intent of the parties that LMHC and all corporations that have consented or are required to join with LMHC in the filing of a consolidated federal income tax return shall become a party to this Agreement effective as of the first date such party becomes a Member. Members that are no longer eligible to join in the filing of a consolidated return with LMHC shall remain a party to this Agreement for all tax years for which they were included in the consolidated return.

10. SUCCESSORS AND ASSIGNS

This Agreement and all of its provisions hereof shall be binding upon and shall inure to the benefit of the parties and their respective successors.

11. INDEMNIFICATION

Each party shall pay and be responsible for, and shall indemnify, defend and hold harmless all other parties to this Agreement from and against all liabilities allocated to it under this Agreement. If any party pays or has paid any Group Tax Liability for which another party to this Agreement is or becomes liable pursuant to the terms of this Agreement, appropriate reimbursement shall be made no later than 30 days after demand together with interest calculated on such reimbursement at the interest rate specified in Code section 6621(a)(2) from the date such payment is due pursuant to this Agreement to the date of reimbursement. The portion of any refund, rebate or reimbursement received by any party to which another party is entitled pursuant to this Agreement shall be paid over within 30 days to the party which is entitled thereto. Any other payments required to be made between the parties pursuant to this Agreement which are not made in a timely fashion shall bear interest at the interest rate specified in Code section 6621(a)(2) from the date the payment is due until the date the payment is made.

12. COMPLETE AGREEMENT

This Agreement shall constitute the entire agreement among the parties with respect to the subject matter hereof and shall supersede any previous agreements, negotiations, commitments and writings with respect to such subject matter effective for tax years beginning after January 1, 2002.

13. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to its principles of conflicts of law.

14. AMENDMENTS

This Agreement may not be modified or amended except by an agreement in writing signed by the parties hereto.

15. ADMINISTRATION

This Agreement shall be administered by the Vice President and Director of Corporate Taxation of LMHC, or in his absence, by an individual designated by the Chief Financial Officer of LMHC.

IN WITNESS WHEREOF, the parties have caused their signatures to be affixed to this Agreement effective as of the date first above written, by their respective duly authorized officers.

LIBERTY MUTUAL HOLDING COMPANY INC.

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY

By: Gulf States AIF, Inc
Title: It's attorney in Fact
by Gary J. Ostrow, Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD EMPLOYERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President and Director of Corporate Taxation

CONSOLIDATED INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU

By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President, Corporate Taxation

HAWKEYE-SECURITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

INDIANA INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

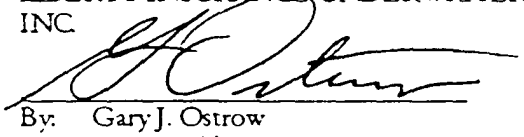
LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE UNDERWRITERS INC.

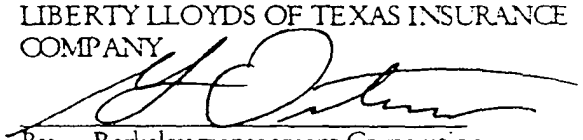


By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY

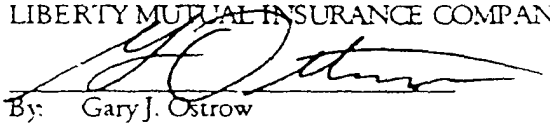


By: Berkeley management Corporation
It's attorney-in-fact
Gary J. Ostrow, Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY

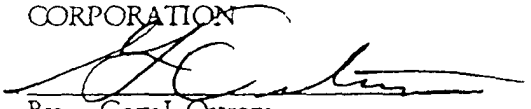
By:
Title:

LIBERTY MUTUAL INSURANCE COMPANY



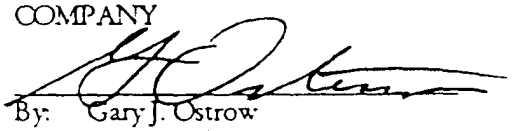
By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION



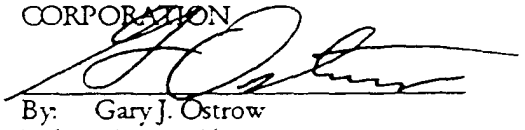
By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY



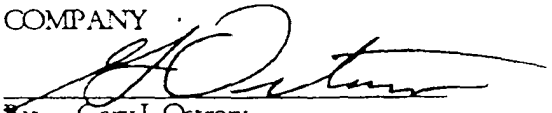
By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION



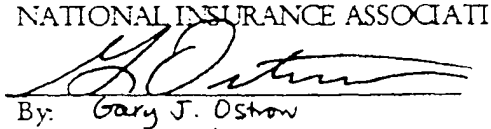
By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE & CASUALTY COMPANY



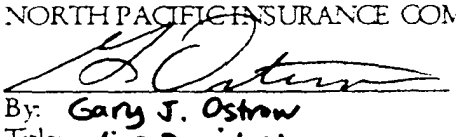
By: Gary J. Ostrow
Title: Vice President

NATIONAL INSURANCE ASSOCIATION



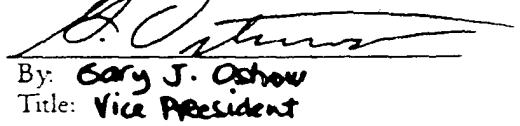
By: Gary J. Ostrow
Title: Vice President

NORTH PACIFIC INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

OREGON AUTO INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President, Corporate Taxation

THE FIRST LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

THE MIDWESTERN INDEMNITY COMPANY

By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMENDMENT NO. 1
(the "Amendment")
to
FEDERAL TAX SHARING AGREEMENT
(the "Agreement")
by and among

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, and the parties to the Agreement listed on the signature pages of the Agreement and the signature pages of this Amendment.

The Agreement is hereby amended as follows:

1. Section 14 of the Agreement is amended and restated as follows:

> This Agreement may not be modified, amended or assigned except by an agreement in writing signed by the parties hereto.

2. Following any and all necessary regulatory approvals, this Amendment shall be effective retroactively to the effective date of the Agreement.

IN WITNESS WHEREOF, the parties have caused their signatures to be affixed to this Amendment this 15th day of February, 2006, by their respective duly authorized officers.

LIBERTY MUTUAL HOLDING COMPANY INC.

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY

By: Gulf States AIF, Inc.
Its attorney in fact by
Gary J. Ostrow, Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

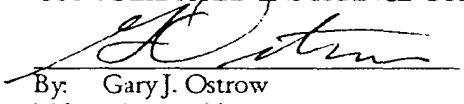
BRIDGEFIELD EMPLOYERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY

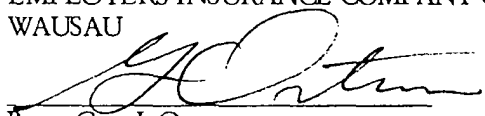
By: Gary J. Ostrow
Title: Vice President

CONSOLIDATED INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU

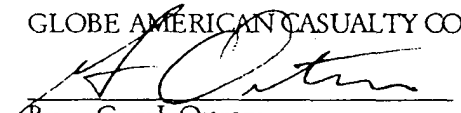


By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY

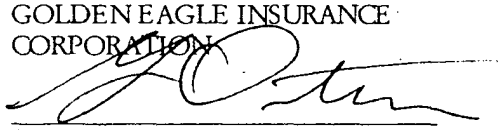
By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY



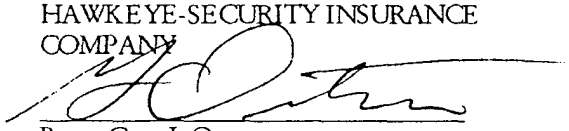
By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION



By: Gary J. Ostrow
Title: Vice President, Corporate Taxation

HAWKEYE-SECURITY INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

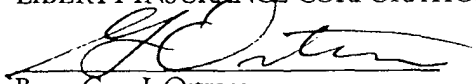
INDIANA INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE COMPANY OF AMERICA

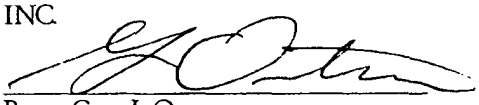
By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION



By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE UNDERWRITERS INC.

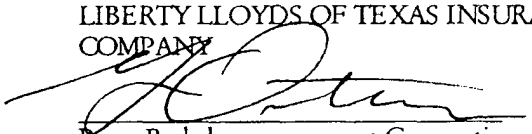


By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

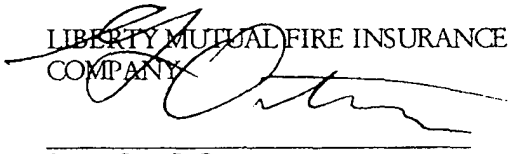
By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY



By: Berkeley management Corporation
It's attorney-in-fact
Gary J. Ostrow, Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY

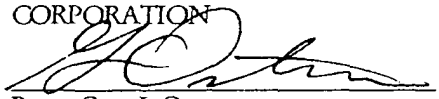


By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION



By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LM GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LM PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM PROPERTY AND CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE & CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

NATIONAL INSURANCE ASSOCIATION

By: The National Corporation
Its attorney in fact by
Gary J. Ostrow, Vice President

NORTH PACIFIC INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

OREGON AUTOMOBILE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE FIRST LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

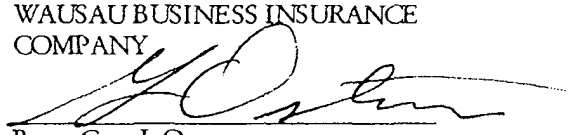
THE MIDWESTERN INDEMNITY COMPANY

By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMENDMENT NO. 2
(the "Amendment")
to
FEDERAL TAX SHARING AGREEMENT
(the "Agreement")
by and among

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, and the parties to the Agreement listed on the signature pages of the Agreement and the signature pages of this Amendment.

WHEREAS, The Ohio Casualty Insurance Company, an Ohio corporation ("OCIC"), American Fire and Casualty Company, an Ohio corporation ("AFCC"), Ohio Security Insurance Company, an Ohio corporation ("OSIC"), Ohio Casualty of New Jersey, Inc., an Ohio corporation ("OCNJ"), West American Insurance Company, an Indiana corporation ("WAIC") and Avomark Insurance Company, an Indiana corporation ("AIC") are member companies of the Liberty Mutual Agency Markets strategic business unit, of the Liberty Mutual Group under which certain insurance companies within Liberty Mutual Group market their insurance products to the public using independent agents; and

WHEREAS the parties deem it in their best interests to add OCIC, AFCC, OSIC, OCNJ, WAIC and AIC as parties to the Agreement;

NOW, THEREFORE, the parties hereto agree to amend the Agreement effective as of August 24, 2007.

1. OCIC, AFCC, OSIC, OCNJ, WAIC and AIC are hereby added to the Agreement and are hereby deemed to be included in the definition of "Member" as outlined in section 1(C) of the Agreement.

2. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

IN WITNESS WHEREOF, The parties hereto have caused this Amendment No. 2 to the Federal Tax Sharing Agreement, effective as of the date first written above, to be executed by their respective authorized officers.

IN WITNESS WHEREOF, the parties have caused their signatures to be affixed to this Amendment this 1st day of November, 2007, by their respective duly authorized officers.

LIBERTY MUTUAL HOLDING COMPANY INC.

By: Gary J. Ostrow
Title: Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICAN FIRE AND CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

AVOMARK INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY (by Gulf States AIF, Inc., its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

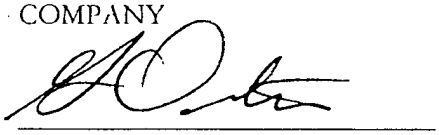
BRIDGEFIELD EMPLOYERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

HAWKEYE-SECURITY INSURANCE COMPANY

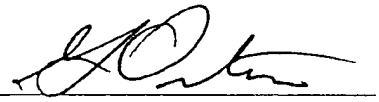
By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY



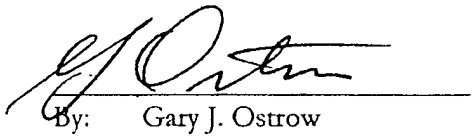
By: Gary J. Ostrow
Title: Vice President

INDIANA INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

CONSOLIDATED INSURANCE COMPANY

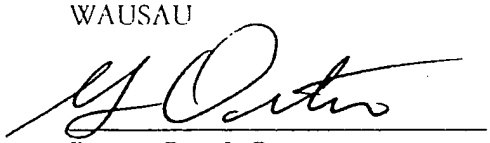


By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU



By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE UNDERWRITERS INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

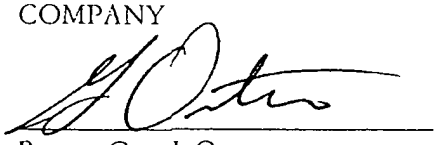
LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LM GENERAL INSURANCE COMPANY

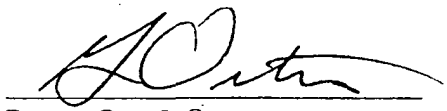
By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY



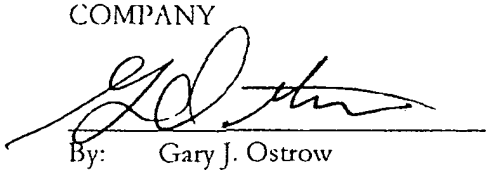
By: Gary J. Ostrow
Title: Vice President

LM INSURANCE CORPORATION



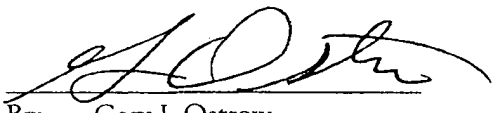
By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY



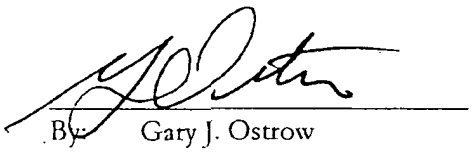
By: Gary J. Ostrow
Title: Vice President

LM PERSONAL INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY

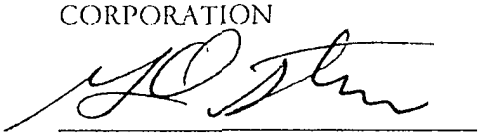


By: Gary J. Ostrow
Title: Vice President

LM PROPERTY AND CASUALTY INSURANCE COMPANY

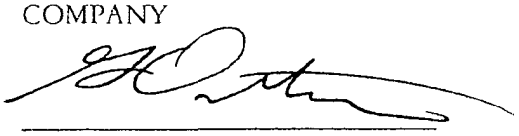
By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION



By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE & CASUALTY COMPANY



By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

NATIONAL INSURANCE ASSOCIATION (by The National Corporation, its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

NORTH PACIFIC INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE OHIO CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE FIRST LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

OHIO CASUALTY OF NEW JERSEY, INC.

By: Gary J. Ostrow
Title: Vice President

THE MIDWESTERN INDEMNITY COMPANY

By: Gary J. Ostrow
Title: Vice President

OHIO SECURITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

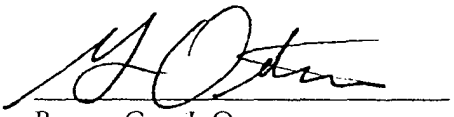
OREGON AUTOMOBILE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WEST AMERICAN INSURANCE COMPANY

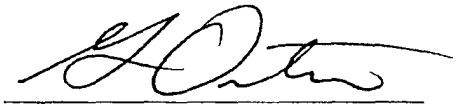
By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY



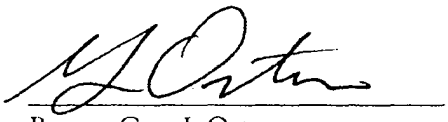
By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY

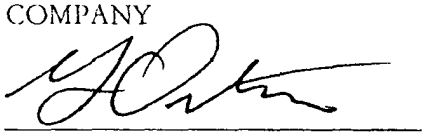


By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

AMENDMENT NO. 3
(the "Amendment")
to
FEDERAL TAX SHARING AGREEMENT
(the "Agreement")
by and among

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, and the parties to the Agreement listed on the signature pages of the Agreement and the signature pages of this Amendment.

WHEREAS, Liberty Mutual Personal Insurance Company became a member company of Liberty Mutual Group effective January 1, 2006; and

WHEREAS the parties deem it in their best interests to add Liberty Mutual Personal Insurance Company as party to the Agreement;

NOW, THEREFORE, the parties hereto agree to amend the Agreement, as follows:

1. Liberty Mutual Personal Insurance Company is hereby added to the Agreement effective January 1, 2006 and is hereby deemed to be included in the definition of "Member" as outlined in section 1(C) of the Agreement.

2. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

IN WITNESS WHEREOF, The parties hereto have caused this Amendment No. 3 to the Federal Tax Sharing Agreement, effective as of the date first written above, to be executed by their respective authorized officers.

IN WITNESS WHEREOF, the parties have caused their signatures to be affixed to this Amendment this 15 day of February, 2008, by their respective duly authorized officers.

LIBERTY MUTUAL HOLDING COMPANY INC.

By: Gary J. Ostrow
Title: Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICAN FIRE AND CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

AVOMARK INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

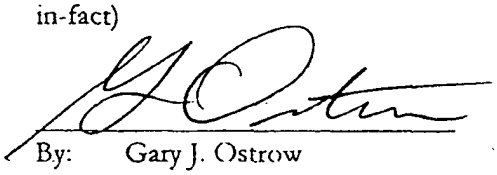
AMERICAN FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY OF WAUSAU

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY (by Gulf States AIF, Inc., its attorney-in-fact)

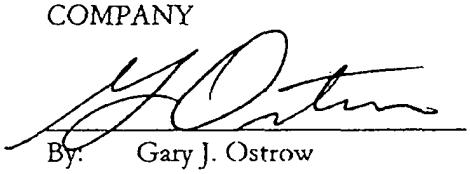


By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY

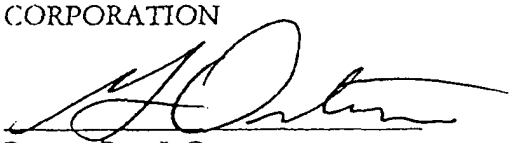
By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY



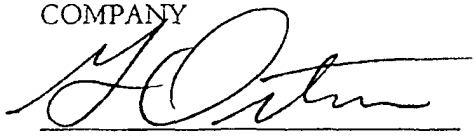
By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION



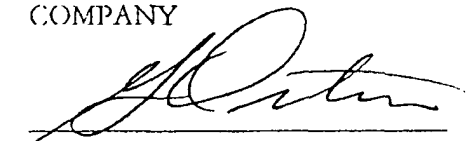
By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD EMPLOYERS INSURANCE COMPANY



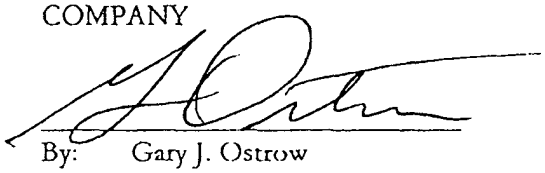
By: Gary J. Ostrow
Title: Vice President

HAWKEYE-SECURITY INSURANCE COMPANY



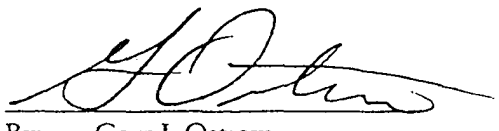
By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

INDIANA INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

CONSOLIDATED INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice PresidenT

LIBERTY INSURANCE UNDERWRITERS INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LM GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM INSURANCE CORPORATION

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Title: Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LM PROPERTY AND CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE & CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

NATIONAL INSURANCE ASSOCIATION (by The National Corporation, its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

NORTH PACIFIC INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE OHIO CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE FIRST LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

OHIO CASUALTY OF NEW JERSEY, INC.

By: Gary J. Ostrow
Title: Vice President

THE MIDWESTERN INDEMNITY COMPANY

By: Gary J. Ostrow
Title: Vice President

OHIO SECURITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

OREGON AUTOMOBILE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WEST AMERICAN INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU UNDERWRITERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMENDMENT NO. 4
(the "Amendment")
to
FEDERAL TAX SHARING AGREEMENT
(the "Agreement")
by and among

Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, and the parties to the Agreement listed on Exhibit A.

WHEREAS the parties deem it in their best interests to include as parties to the Agreement every other corporation that subsequently consents to or is required to join with LMHC in the filing of a consolidated federal income tax return;

NOW, THEREFORE, the parties hereto agree to amend the Agreement, effective as of September 22, 2008, as follows:

1. The opening paragraph of the Agreement is amended and restated as follows:

   This FEDERAL TAX SHARING AGREEMENT ("Agreement"), effective for tax years beginning on or after the first day of January 2002, is entered into by and among Liberty Mutual Holding Company Inc. ("LMHC"), a Massachusetts mutual holding company, and the several companies listed on Exhibit A and any other corporation that subsequently consents to or is required to join with LMHC in the filing of a consolidated federal income tax return (collectively, "Liberty Mutual Group").

2. Section 9 of the Agreement is amended and restated as follows:

   MEMBER ENTERING OR DEPARTING GROUP

   In addition to LMHC and the other corporations that are currently parties to this Agreement, any corporation that consents to or is required to join with LMHC in the filing of a consolidated federal income tax return shall automatically become a party to this Agreement effective as of the date such corporation becomes a Member. Members that are no longer eligible to join in the filing of a consolidated federal income tax return with LMHC shall remain as parties to this Agreement for all tax years for which they were included in such consolidated return. LMHC is authorized to revise Exhibit A from time to time to reflect the addition or deletion of Members, and this Agreement need not be amended to give effect to such revised Exhibit A.

3. This Agreement may be executed in any number of counterparts, each of which will be an original and all of which will constitute together but one and the same document.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment, effective as of the date first written above, to be executed by their duly authorized officers.

[SIGNATURE PAGES TO FOLLOW]

Exhibit A
to
Federal Tax Sharing Agreement

Access Insurance Services, Co.
Ambco Capital Corporation
America First Insurance Company
America First Lloyds Insurance Company
American Ambassador Casualty Company
American Fire & Casualty Insurance Company*
Avomark Insurance Company*
Berkeley Holding Company Associates, Inc.
Berkeley Management Corporation
Bridgefield Casualty Insurance Company
Bridgefield Employers Insurance Company
Capitol Agency, Inc. (Arizona corporation)
Capitol Agency, Inc. (Ohio corporation)
Capitol Agency, Inc. (Tennessee corporation)
Cascade Disability Management, Inc.
Colorado Casualty Insurance Company
Companies Agency Insurance Services of California (dissolved 8/15/2008)
Companies Agency of Alabama, Inc. (dissolved 8/18/2008)
Companies Agency of Georgia, Inc. (dissolved 8/15/2008)
Companies Agency of Kentucky, Inc. (dissolved 8/14/2008)
Companies Agency of Massachusetts, Inc. (dissolved 8/29/08)
Companies Agency of Michigan, Inc. (dissolved 8/15/2008)
Companies Agency of New York, Inc.
Companies Agency of Pennsylvania, Inc.
Companies Agency of Phoenix, Inc.
Consolidated Insurance Company
Copley Venture Capital, Inc.
Countrywide Services Corporation
Diversified Settlements, Inc.
Employers Insurance Company of Wausau
Excelsior Insurance Company
Florida State Agency, Inc.
Globe American Casualty Company
Golden Eagle Insurance Corporation
Gulf States AIF, Inc.
Hawkeye-Security Insurance Company
Heritage-Summit Healthcare of Florida, Inc.
Indiana Insurance Company
LEXCO Limited
Liberty Assignment Corporation
Liberty Energy Canada, Inc.
Liberty Financial Services, Inc.
Liberty Hospitality Group, Inc.
Liberty Insurance Company of America
Liberty Insurance Corporation
Liberty Insurance Holdings, Inc.
Liberty Insurance Underwriters, Inc.
Liberty Life Assurance Company of Boston
Liberty Life Holdings, Inc.
Liberty Lloyds of Texas Insurance Company
Liberty Management Services, Inc.
Liberty Mexico Holdings, Inc.
Liberty Mutual Fire Insurance Company
Liberty Mutual Group Inc.
Liberty Mutual Holding Company, Inc.
Liberty Mutual Insurance Company
Liberty Mutual Personal Insurance Company
Liberty Northwest Insurance Corporation
Liberty Personal Insurance Company
Liberty RE (Bermuda) Limited
Liberty Sponsored Insurance (Vermont) Inc.
Liberty Surplus Insurance Corporation
Liberty - USA Corporation
LIH-Re of America Corporation
LIH U.S. P&C Corporation
LIU Specialty Insurance Agency, Inc.
LM General Insurance Company
LM Insurance Corporation
LM Personal Insurance Company
LM Property & Casualty Insurance Company
LMHC Massachusetts Holdings, Inc.
LRE Properties, Inc.
Mid-American Agency, Inc.
Mid-American Fire and Casualty Company
Missouri Agency, Inc.
North Pacific Insurance Company
Oregon Automobile Insurance Company
OCASCO Budget, Inc.
OCI Printing, Inc.
Ohio Casualty Corporation
Ohio Casualty of New Jersey, Inc.
Ohio Life Brokerage Services, Inc.
Ohio Security Insurance Company
Peerless Indemnity Insurance Company
Peerless Insurance Company
San Diego Insurance Company
State Agency, Inc. (Indiana corporation)
State Agency, Inc. (Wisconsin corporation)
St. James Insurance Company
Summit Consulting, Inc.
Summit Consulting, Inc. of Louisiana
Summit Holding Southeast, Inc.
The First Liberty Insurance Corporation
The Midwestern Indemnity Company
The National Association
The Netherlands Insurance Company
The Ohio Casualty Insurance Company
Wausau Service Corporation
Wausau Business Insurance Company
Wausau General Insurance Company
Wausau Underwriters Insurance Company
West American Insurance Company

American Economy Insurance Company
American States Insurance Company
American States Insurance Company of Texas
American States Lloyds Insurance Company
American States Preferred Insurance
Capital Court Corporation
Commercial Aviation Insurance, Inc.
Emerald City Insurance Agency, Inc.
F.B. Beattie & Company, Inc.
First National Insurance Company of America
General America Corporation
General America Corporation of Texas
General Insurance Company of America

Exhibit A
to
Federal Tax Sharing Agreement

Insurance Company of Illinois
Open Seas Solutions, Inc.
Pilot Insurance Services, Inc.
Rianoc Research Corporation
S.C. Bellevue, Inc.
Safecare Company, Inc.
Safeco Corporation
Safeco General Agency, Inc.
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco Lloyds Insurance Company
Safeco National Insurance Company
Safeco Properties, Inc.
Safeco Surplus Lines Insurance Company
SCIT, Inc.
Winmar Company, Inc.
Winmar-Metro, Inc.
Winmar of the Desert, Inc.
Winmar Oregon, Inc.

ACCESS INSURANCE SERVICES, CO.

By: Gary J. Ostrow
Title: Vice President

AMERICAN FIRE & CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMBCO CAPITAL CORPORATION

By: Gary J. Ostrow
Title: Vice President

AVOMARK INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

BERKELEY HOLDING COMPANY ASSOCIATES, INC

By: Gary J. Ostrow
Title: Vice President

AMERICA FIRST LLOYDS INSURANCE COMPANY (by Gulf States AIF, Inc., its attorney-in-fact

By: Gary J. Ostrow
Title: Vice President

BERKELEY MANAGEMENT CORPORATION

By: Gary J. Ostrow
Title: Vice President

AMERICAN AMBASSADOR CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

BRIDGEFIELD EMPLOYERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

COLORADO CASUALTY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

CAPITOL AGENCY, INC. (ARIZONA CORPORATION)

By: Gary J. Ostrow
Title: Vice President

COMPANIES AGENCY OF NEW YORK, INC.

By: Gary J. Ostrow
Title: Vice President

CAPITOL AGENCY, INC. (OHIO CORPORATION)

By: Gary J. Ostrow
Title: Vice President

COMPANIES AGENCY OF PENNSYLVANIA, INC.

By: Gary J. Ostrow
Title: Vice President

CAPITOL AGENCY, INC. (TENNESSEE CORPORATION)

By: Gary J. Ostrow
Title: Vice President

COMPANIES AGENCY OF PHOENIX, INC.

By: Gary J. Ostrow
Title: Vice President

CASCADE DISABILITY MANAGEMENT, INC.

By: Gary J. Ostrow
Title: Vice President

CONSOLIDATED INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

COPLEY VENTURE CAPITAL, INC.

By: Gary J. Ostrow
Title: Vice President

FLORIDA STATE AGENCY, INC.

By: Gary J. Ostrow
Title: Vice President

COUNTRYWIDE SERVICES CORPORATION

By: Gary J. Ostrow
Title: Vice President

GLOBE AMERICAN CASUALTY COMPANY

By: Gary J. Ostrow
Title: Vice President

DIVERSIFIED SETTLEMENTS, INC.

By: Gary J. Ostrow
Title: Vice President

GOLDEN EAGLE INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

EMPLOYERS INSURANCE COMPANY OF WAUSAU

By: Gary J. Ostrow
Title: Vice President

GULF STATES AIF, INC.

By: Gary J. Ostrow
Title: Vice President

EXCELSIOR INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

HAWKEYE-SECURITY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

HERITAGE-SUMMIT HEALTHCARE OF FLORIDA, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY FINANCIAL SERVICES, INC.

By: Gary J. Ostrow
Title: Vice President

INDIANA INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY HOSPITALITY GROUP, INC.

By: Gary J. Ostrow
Title: Vice President

LEXCO LIMITED

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

LIBERTY ASSIGNMENT CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY ENERGY CANADA, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE HOLDINGS, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY INSURANCE UNDERWRITERS, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY MEXICO HOLDINGS, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE ASSURANCE COMPANY OF BOSTON

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL FIRE INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY LIFE HOLDINGS, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL GROUP INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY LLOYDS OF TEXAS INSURANCE COMPANY (by Berkeley Management Corporation, its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL HOLDING COMPANY, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY MANAGEMENT SERVICES, INC.

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY MUTUAL PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIBERTY SURPLUS INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY NORTHWEST INSURANCE CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY-USA CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY PERSONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

LIH-RE OF AMERICA CORPORATION

By: Gary J. Ostrow
Title: Vice President

LIBERTY RE (BERMUDA) LIMITED

By: Gary J. Ostrow
Title: Authorized Signatory

LIH U.S. P&C CORPORATION

By: Gary J. Ostrow
Title: Vice President

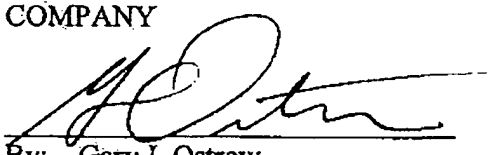
LIBERTY SPONSORED INSURANCE (VERMONT) INC.

By: Gary J. Ostrow
Title: Vice President

LIU SPECIALTY INSURANCE AGENCY, INC.

By: Gary J. Ostrow
Title: Vice President

LM GENERAL INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

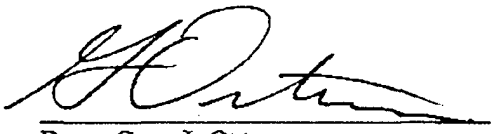
LRE PROPERTIES, INC.

By: Gary J. Ostrow
Title: Vice President

LM INSURANCE CORPORATION

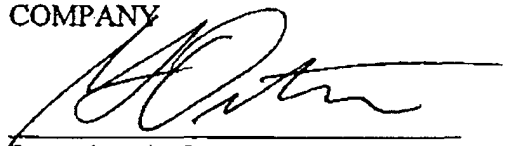
By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN AGENCY, INC.



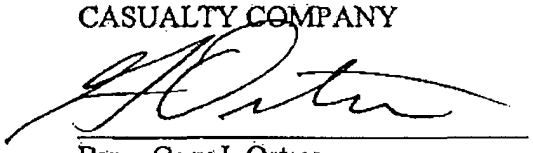
By: Gary J. Ostrow
Title: Vice President

LM PERSONAL INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

MID-AMERICAN FIRE AND CASUALTY COMPANY

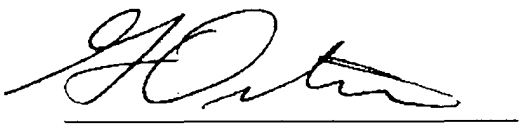


By: Gary J. Ostrow
Title: Vice President

LM PROPERTY & CASUALTY INSURANCE COMPANY

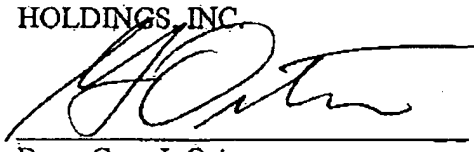
By: Gary J. Ostrow
Title: Vice President

MISSOURI AGENCY, INC.



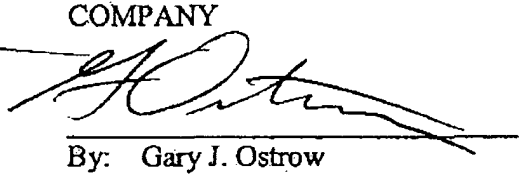
By: Gary J. Ostrow
Title: Vice President

LMHC MASSACHUSETTS HOLDINGS, INC.



By: Gary J. Ostrow
Title: Vice President

NORTH PACIFIC INSURANCE COMPANY

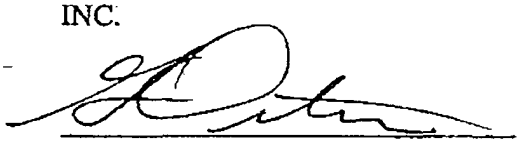


By: Gary J. Ostrow
Title: Vice President

OREGON AUTOMOBILE INSURANCE COMPANY

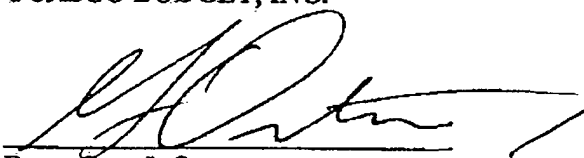
By: Gary J. Ostrow
Title: Vice President

OHIO CASUALTY OF NEW JERSEY, INC.



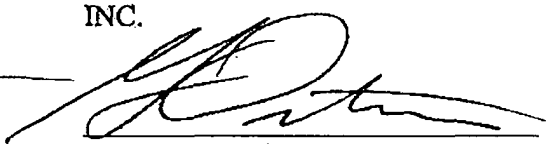
By: Gary J. Ostrow
Title: Vice President

OCASCO BUDGET, INC.



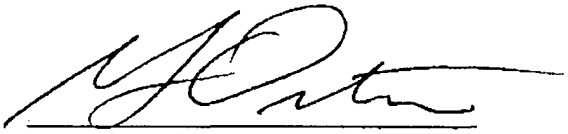
By: Gary J. Ostrow
Tite: Vice President

OHIO LIFE BROKERAGE SERVICES, INC.



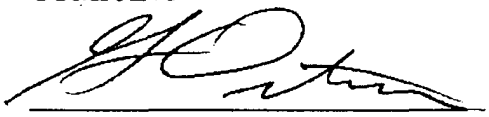
By: Gary J. Ostrow
Title: Vice President

OCI PRINTING, INC.



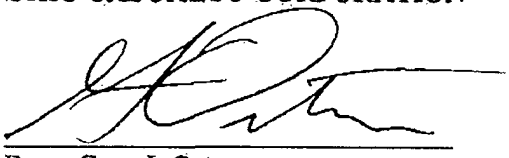
By: Gary J. Ostrow
Title: Vice President

OHIO SECURITY INSURANCE COMPANY



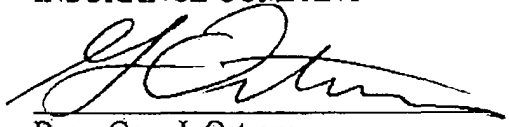
By: Gary J. Ostrow
Title: Vice President

OHIO CASUALTY CORPORATION



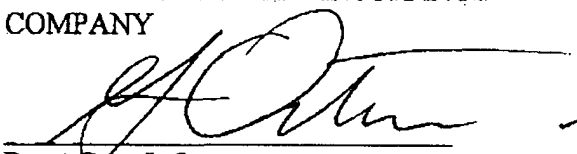
By: Gary J. Ostrow
Title: Vice President

PEERLESS INDEMNITY INSURANCE COMPANY



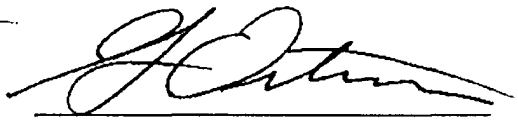
By: Gary J. Ostrow
Title: Vice President

THE OHIO CASUALTY INSURANCE COMPANY



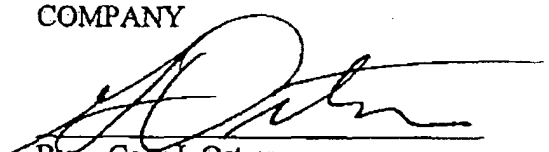
By: Gary J. Ostrow
Title: Vice President

PEERLESS INSURANCE COMPANY



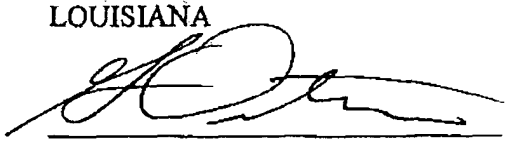
By: Gary J. Ostrow
Title: Vice President

SAN DIEGO INSURANCE COMPANY



By: Gary J. Ostrow
Title: Vice President

SUMMIT CONSULTING, INC. OF LOUISIANA

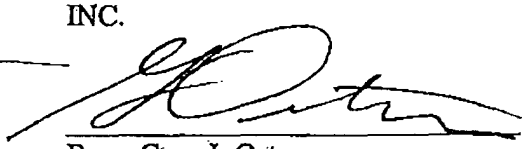


By: Gary J. Ostrow
Title: Vice President

STATE AGENCY, INC. (INDIANA CORPORATION)

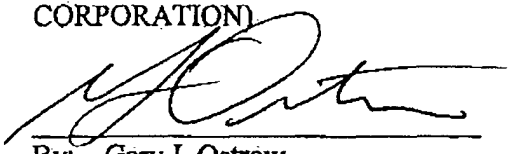
By: Gary J. Ostrow
Title: Vice President

SUMMIT HOLDING SOUTHEAST, INC.



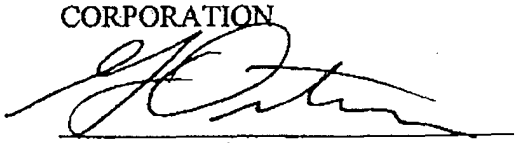
By: Gary J. Ostrow
Title: Vice President

STATE AGENCY, INC. (WISCONSIN CORPORATION)



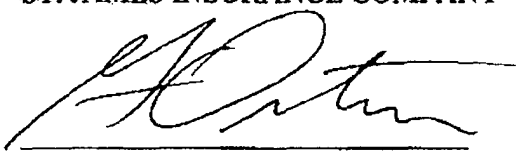
By: Gary J. Ostrow
Title: Vice President

THE FIRST LIBERTY CORPORATION



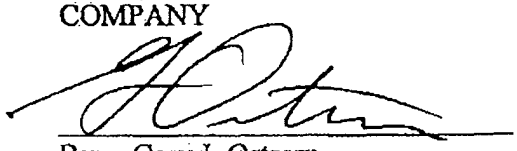
By: Gary J. Ostrow
Title: Vice President

ST. JAMES INSURANCE COMPANY



By: Gary J. Ostrow
Title: Authorized Signatory

THE MIDWESTERN INDEMNITY COMPANY



By: Gary J. Ostrow
Title: Vice President

SUMMIT CONSULTING, INC.

By: Gary J. Ostrow
Title: Vice President

THE NATIONAL ASSOCIATION (by The National Corporation, its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

THE NETHERLANDS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WEST AMERICAN INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU SERVICE CORPORATION

By: Gary J. Ostrow
Title: Vice President

AMERICAN ECONOMY INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU BUSINESS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICAN STATES INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

WAUSAU GENERAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICAN STATES INSURANCE COMPANY OF TEXAS

By: Gary J. Ostrow
Title: Vice President

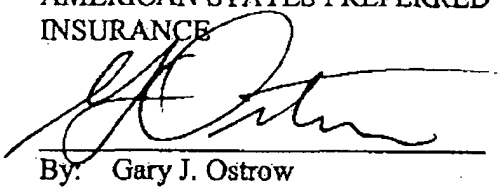
WAUSAU UNDERWRITERS INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

AMERICAN STATES LLOYDS INSURANCE COMPANY (by General America Corporation of Texas, its attorney-in-fact)

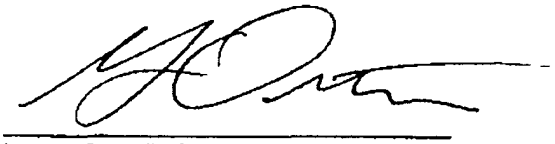
By: Gary J. Ostrow
Title: Vice President

AMERICAN STATES PREFERRED INSURANCE



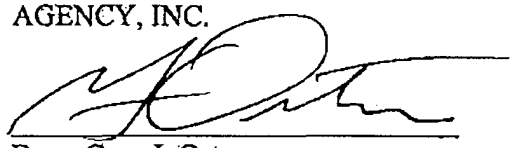
By: Gary J. Ostrow
Title: Vice President

CAPITOL COURT CORPORATION



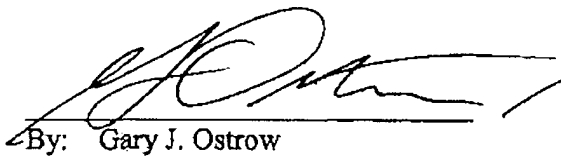
By: Gary J. Ostrow
Title: Vice President

EMERALD CITY INSURANCE AGENCY, INC.



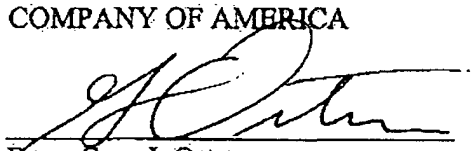
By: Gary J. Ostrow
Title: Vice President

F.B. BEATTIE & COMPANY, INC.



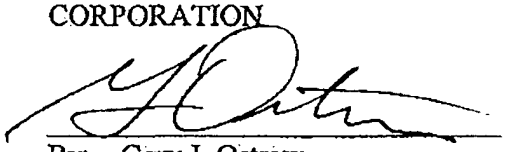
By: Gary J. Ostrow
Title: Vice President

FIRST NATIONAL INSURANCE COMPANY OF AMERICA



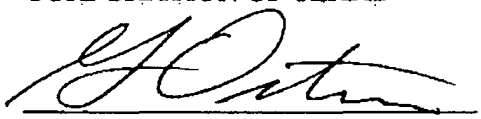
By: Gary J. Ostrow
Title: Vice President

GENERAL AMERICA CORPORATION



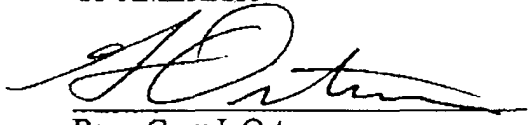
By: Gary J. Ostrow
Title: Vice President

GENERAL AMERICA CORPORATION OF TEXAS



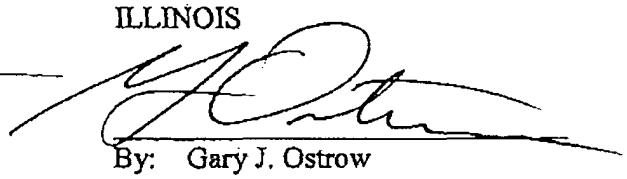
By: Gary J. Ostrow
Title: Vice President

GENERAL INSURANCE COMPANY OF AMERICA



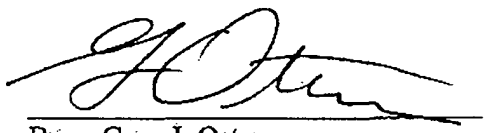
By: Gary J. Ostrow
Title: Vice President

INSURANCE COMPANY OF ILLINOIS



By: Gary J. Ostrow
Title: Vice President

OPEN SEAS SOLUTIONS, INC.



By: Gary J. Ostrow
Title: Vice President

RIANOC RESEARCH CORPORATION

By: Gary J. Ostrow
Title: Vice President

SAFECO INSURANCE COMPANY OF OREGON

By: Gary J. Ostrow
Title: Vice President

SAFECARE COMPANY, INC.

By: Gary J. Ostrow
Title: Vice President

SAFECO LLOYDS INSURANCE COMPANY (by General America Corporation of Texas, its attorney-in-fact)

By: Gary J. Ostrow
Title: Vice President

SAFECO GENERAL AGENCY, INC.

By: Gary J. Ostrow
Title: Vice President

SAFECO NATIONAL INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAFECO INSURANCE COMPANY OF ILLINOIS

By: Gary J. Ostrow
Title: Vice President

SAFECO PROPERTIES, INC.

By: Gary J. Ostrow
Title: Vice President

SAFECO INSURANCE COMPANY OF INDIANA

By: Gary J. Ostrow
Title: Vice President

SAFECO SURPLUS LINES INSURANCE COMPANY

By: Gary J. Ostrow
Title: Vice President

SAFECO CORPORATION

By: Gary J. Ostrow
Title: Vice President

WINMAR OF THE DESERT, INC.

By: Gary J. Ostrow
Title: Vice President

S.C. BELLEVUE, INC.

By: Gary J. Ostrow
Title: Vice President

WINMAR OREGON, INC.

By: Gary J. Ostrow
Title: Vice President

SCIT, INC.

By: Gary J. Ostrow
Title: Vice President

WINMAR-METRO, INC.

By: Gary J. Ostrow
Title: Vice President

SAFECO INSURANCE COMPANY OF AMERICA

By: Gary J. Ostrow
Title: Vice President

PILOT INSURANCE SERVICES, INC.

By: Gary J. Ostrow
Title: Vice President

WINMAR COMPANY, INC.

By: Gary J. Ostrow
Title: Vice President

COMMERCIAL AVIATION INSURANCE, INC.

By: Gary J. Ostrow
Title: Vice President

AMENDED AND RESTATED
INTERCOMPANY
SHORT-TERM BORROWING AGREEMENT

Section 1. Effective Date; Duration; Parties

1.01 Effective Date and Duration. This agreement constitutes an amendment and restatement of that Intercompany Short-Term Borrowing Agreement between the parties entered into between them in 2002; will be effective as of November 1, 2007 ("Effective Date"); and will remain in effect continuously until its termination as provided for in Section 3.07.

1.02 Parties. The following are parties to this agreement:

American Economy Insurance Company,
an Indiana corporation;

American States Insurance Company,
an Indiana corporation;

American States Insurance Company of Texas,
a Texas corporation;

American States Preferred Insurance Company,
an Indiana corporation;

Emerald City Insurance Agency, Inc.,
a Washington corporation;

F. B. Beattie & Co., Inc.,
a Washington corporation;

First National Insurance Company of America,
a Washington corporation;

General America Corporation,
a Washington corporation;

General Insurance Company of America,
a Washington corporation;

Insurance Company of Illinois,
an Illinois corporation;

Safeco Corporation
a Washington corporation;

Safeco General Agency, Inc.,
a Texas corporation;

Safeco Insurance Company of America,
a Washington corporation;

Safeco Insurance Company of Illinois,
an Illinois corporation;

Safeco Insurance Company of Indiana,
an Indiana corporation;

Safeco Insurance Company of Oregon,
an Oregon corporation;

Safeco National Insurance Company,
a Missouri corporation; and

Safeco Surplus Lines Insurance Company,
a Washington corporation.

Section 2. Recitals

2.01 Affiliated Parties. Each party to this agreement (other than Safeco Corporation) is a company owned, directly or indirectly, by Safeco Corporation.

2.02 Prior Borrowing Agreement. There is in effect an agreement (the "Current Agreement") entitled "Restated Intercompany Short-Term Borrowing Agreement," effective July 15, 2002, for the Washington companies, and October 25, 2002, for the other parties, with the exception of F. B. Beattie & Co., Inc., Safeco General Agency, Inc., and General America Corporation of Texas, which are newly added as parties to this Agreement. The Current Agreement governs the short-term borrowing of funds among the parties.

2.03 New Lending Agreement Needed. The parties desire to enter into a new borrowing agreement which adds provision for offset and in which F. B. Beattie & Co., Inc., and Safeco General Agency, Inc., are included as parties, and SAFECO Financial Products, Inc., SAFECO Life Insurance Company; SAFECO National Life Insurance Company and American States Life Insurance Company are removed as parties.

Section 3. Undertakings; Obligations

3.01 Obligation to Lend Funds. Subject to the terms of this Agreement, each undersigned party who is asked to do so (a "Lender") agrees to lend funds in the amount requested to any other party to this Agreement (a "Borrower"); provided however, that the regulatory body having domiciliary jurisdiction over a party to the Agreement may invoke such

procedures permitted by law that enable it to issue an Order requiring that the party withdraw from this Agreement and have no further obligation to make loans under the Agreement.

3.02 Advance of Funds. The obligation to lend funds will arise by mutual agreement. Lender agrees to credit the amount of the loan to Borrower's account at a banking institution designated by Borrower. The amount loaned will be in Federal Funds, unless otherwise agreed.

3.03 Interest. Borrower agrees to pay Lender interest on the amount borrowed as follows:

(a) On loans repaid within 30 days or less, interest shall be paid at the daily rate equivalent to the weighted average daily rate earned on overnight investments by Safeco Corporation and its affiliates.

(b) On loans repaid after 31 days, interest shall be paid at the annual rate equivalent to that available on Five-Year Treasury Notes on the day of the loan, plus 125 basis points.

3.04 Loan Amount; Limits.

(a) The amount of each loan will be in any amount requested by Borrower, subject to the limitations set forth in Schedule A.

(b) The limitations set forth in Schedule A may be amended or waived upon approval of Lender's board of directors or a board committee responsible for the administration of Lender's finances.

(c) If the laws of any state governing admitted assets or transactions among members of an insurance holding company group are amended or superseded by any successor statute(s) subsequent to the date of this Agreement, the limitations set forth in Schedule A for any company or companies domiciled in such state will be amended automatically to reflect such state law changes as of the effective date of the new statute(s).

3.05 Loan Term. All funds borrowed, together with accrued interest, shall be repaid within a maximum period of 12 months after the date of borrowing.

3.06 Offset. The parties may offset any balance or amount due from one party to the other under this Agreement.

3.07 Termination. A party's obligations under this Agreement will terminate as to all other parties upon the date specified by such party in a written notice to the others of its intent to withdraw from participation in this Agreement's terms. This Agreement may also be terminated at such other date as all parties may mutually agree upon.

3.08 Amendment. This Agreement may be amended by written agreement of the parties hereto, and shall be construed to be amended to conform with changes in the laws applicable to the transactions described herein.

Safeco Corporation

By _____
Ross J. Kari
Executive Vice President, Chief Financial Officer and
Chief Accounting Officer

American Economy Insurance Company
American States Insurance Company
American States Insurance Company of Texas
American States Preferred Insurance Company
Emerald City Insurance Agency, Inc.
F. B. Beattie & Co., Inc.
First National Insurance Company of America
General Insurance Company of America
Insurance Company of Illinois
Safeco Insurance Company of America
Safeco Insurance Company of Illinois
Safeco Insurance Company of Indiana
Safeco Insurance Company of Oregon
Safeco National Insurance Company
Safeco Surplus Lines Insurance Company

By _____
Ross J. Kari
Executive Vice President and Chief Financial Officer

Safeco General Agency, Inc.

By _____
Neal A. Fuller
Senior Vice President, Treasurer and Assistant Secretary

SCHEDULE A
TO
AMENDED AND RESTATED
INTERCOMPANY SHORT-TERM BORROWING AGREEMENT

LENDING LIMITS BY COMPANY

Illinois Insurance Companies

Safeco Insurance Company of Illinois
Insurance Company of Illinois

In the case of loans made *by or to* the above-listed companies, no loan may equal or exceed 3% of admitted assets or 25% of surplus (whichever is the lesser). The aggregate amount of loans outstanding at any one time may not exceed 5% of admitted assets.

Indiana Insurance Companies

American Economy Insurance Company
American States Insurance Company
American States Preferred Insurance Company
Safeco Insurance Company of Indiana

In the case of loans made *by or to* the above-listed companies, no loan may exceed 3% of admitted assets or 25% of surplus (whichever is the lesser) as of December 31 of the preceding year.

Missouri Insurance Company

The aggregate loans outstanding to any single borrower may not exceed the lesser of 3% of admitted assets or 25% of surplus as reported by Safeco National Insurance Company as of December 31 of the preceding year.

No loan may equal or exceed the lesser of 3% of admitted assets or 25% of surplus as reported by Safeco National as of December 31 of the preceding year.

Oregon Insurance Company

In the case of loans made *by or to* Safeco Insurance Company of Oregon, no loan may equal or exceed 3% of allowed assets or 25% of combined capital and surplus (whichever is the lesser).

Texas Insurance Company

American States Insurance Company of Texas

In the case of loans made *by or to* the above-listed companies, no loan may exceed the lesser of (i) ½ of 1% of admitted assets or (ii) 5% of surplus. The aggregate loans outstanding may not exceed 5% of admitted assets.

Washington Insurance Companies

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

In the case of the above-listed companies, no loan *to or from* the company may equal or exceed 3% of admitted assets or 25% of surplus (whichever is the lesser). The aggregate loans outstanding to any single borrower may not exceed 4% of admitted assets.

Other Companies

Emerald City Insurance Agency, Inc.
F.B. Beattie & Co., Inc.
General America Corporation
Safeco General Agency, Inc.
Safeco Corporation

In the case of the companies listed above, the loan limits will be those established by the companies' board or directors or authorized officers from time to time. While engaging in transactions with their insurance company affiliates, the companies will comply with the loan limits in effect for the affiliates.

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No.11100
FEIN: 91-1231536

Primary UCAA Application

Item 8. Statutory Membership(s): Upon receipt of its New Hampshire Certificate of Authority, Safeco Surplus Lines Insurance Company will comply with any statutory membership requirement.

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.

(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.

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.

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

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

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.

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.

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.

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.

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.

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.

(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.

(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

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.

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.

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)**

	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**

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%

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.

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.

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

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.

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)

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)

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.

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.

10. Debt-to-Equity Ratio Statement
(in millions)

A.

Debt Duration	Debt Amount ($) [1]
Up to 5 years	1,243
Up to 10 years [2]	1,791
Up to 20 years [2]	2,160
Total Debt (Net of Discount)	5,636
GAAP Equity 12/31/10	16,978
Hybrid Debt (net of discount)	2,224
FAS 115	1,334
GAAP Equity 12/31/10 (hybrid debt as equity)	17,868
Total Capitalization[3]	21,280
Total Debt to Equity Ratio (ex FAS 115)[4]	19.1%
Total Debt to Capital Ratio (ex FAS 115)[4]	16.0%

[1] Up to 10 years is inclusive of the $1,243M up to 5 years. Up to 20 years is inclusive of $1,791M up to 10 years.
[2] Includes $300M of hybrid debt.
[3] Debt + Equity
[4] Hybrid debt treated as equity per S&P treatment.

B. *Liberty Mutual Holding Company, Inc Q4 financials are included in separate attachment.*

C. Tangible net worth[1] of Liberty Mutual Holding Company, Inc:

2007	10,428
2008	8,123
2009	9,782
2010	12,098
Q1 2011	12,528

[1] Tangible net worth defined as GAAP equity (hybrid debt treated as equity), less goodwill & intangible assets, excluding the impact of FASB 115.

D. There are no debt maturities in 2011 (only principal paydown of mortgage that is <$1M).

E. 2011 Debt Service:

Service Operations' Income	378
Preferred Dividends/Other	80
Total Funds Available from Non-Insurance Entities	458
Holding Company Interest Expense	(376)
Excess Hold Co. Funds Pre-Maximum Allowable Dividend	82
Maximum Allowable Dividend[1]	3,051

[1] Represents maximum allowable ordinary dividend of insurance operations without needing regulatory approval less $100M paid in 2011.

F. Not Applicable

G. Not Applicable

DOMESTIC CUSTODY AGREEMENT

BETWEEN

SAFECO SURPLUS LINES INSURANCE COMPANY

AND

JPMORGAN CHASE BANK, N.A.

December 12, 2008

DOMESTIC CUSTODY AGREEMENT

This Agreement, dated December 12, 2008, is between JPMORGAN BANK, N.A. ("**Bank**"), with a place of business at 4 New York Plaza, New York, New York 11245 (Attention: North American Insurance Securities Services, 15th floor); and SAFECO SURPLUS LINES INSURANCE COMPANY ("**Customer**") with a place of business at 175 Berkley Street, (Attention: Manager-Cash and Security Operations, Investment Department – Mail Stop 08D), Boston, Massachusetts 02117.

1. INTENTION OF THE PARTIES; DEFINITIONS

1.1 Intention of the Parties.

(a) This Agreement sets out the terms governing custodial, settlement and certain other associated services offered by Bank to Customer. Bank will be responsible for the performance of only those duties that are set forth in this Agreement or expressly contained in Instructions that are consistent with the provisions of this Agreement and with Bank's operations and procedures. Customer acknowledges that Bank is not providing any legal, tax or investment advice in providing the services hereunder.

(b) *It is the intention of the parties that the services offered by Bank under this Agreement with respect to the custody of Securities and related settlement services will be limited to Securities that are issued in the United States ("U.S.") by an issuer that is organized under the laws of the U.S. or any state thereof, or that are both traded in the U.S. and that are eligible for deposit at a U.S. Securities Depository.*

1.2 Definitions.

(a) As used herein, the following terms have the meaning hereinafter stated.

"Account" has the meaning set forth in Section 2.1 of this Agreement.

"Affiliate" means an entity controlling, controlled by, or under common control with, Bank.

"Applicable Law" means any statute, whether national, state or local, applicable in the United States or any other country, the rules of the treaty establishing the European Community, any other law, rule, regulation or interpretation of any governmental entity, any applicable common law, and any decree, injunction, judgment, order, ruling, or writ of any governmental entity.

"**Authorized Person**" means any person (including an investment manager or other agent) who has been designated by written notice from Customer or its designated agent to act on behalf

of Customer hereunder. Such persons will continue to be Authorized Persons until such time as Bank receives Instructions from Customer or its designated agent that any such person is no longer an Authorized Person.

"**Bank Indemnitees**" means Bank, and its nominees, directors, officers, employees and agents.

"Cash Account" has the meaning set forth in Section 2.1(a)(ii).

"Corporate Action" means any subscription right, bonus issue, stock repurchase plan, redemption, exchange, tender offer, or similar matter with respect to a Financial Asset in the Securities Account that require discretionary action by the holder, but does not include proxy voting.

"**Entitlement Holder**" means the person named on the records of a Securities Intermediary as the person having a Securities Entitlement against the Securities Intermediary.

"**Financial Asset**" means, as the context requires, either the asset itself or the means by which a person's claim to it is evidenced, including a Security, a security certificate, or a Securities Entitlement. "**Financial Asset**" does not include cash.

"**Instructions**" has the meaning set forth in Section 3.1 of this Agreement.

"Liabilities" means any liabilities, losses, claims, costs, damages, penalties, fines, obligations, or expenses of any kind whatsoever (including, without limitation, reasonable attorneys', accountants', consultants' or experts' fees and disbursements).

"**Securities**" means stocks, bonds, rights, warrants and other negotiable and non-negotiable instruments, whether issued in certificated or uncertificated form (including an uncertificated interest in pooled asset positions e.g. money market funds), that are commonly traded or dealt in on securities exchanges or financial markets. **"Securities"** also means other obligations of an issuer, or shares, participations and interests in an issuer recognized in the country in which it is issued or dealt in as a medium for investment and any other property as may be acceptable to Bank for the Securities Account.

"Securities Account" means each Securities custody account on Bank's records to which Financial Assets are or may be credited pursuant hereto.

"**Securities Depository**" has the meaning set forth in Section 5.1 of this Agreement.

"**Securities Entitlement**" means the rights and property interest of an Entitlement Holder with respect to a Financial Asset as set forth in Part 5 of Article 8 of the Uniform Commercial Code of the State of New York, as the same may be amended from time to time.

"**Securities Intermediary**" means Bank, a Securities Depository, and any other financial institution which in the ordinary course of business maintains custody accounts for others and acts in that capacity.

(b) All terms in the singular will have the same meaning in the plural unless the context otherwise provides and visa versa.

2. WHAT BANK IS REQUIRED TO DO

2.1 Set Up Accounts.

(a) Bank will establish and maintain the following accounts ("**Accounts**"):

(i) a Securities Account in the name of Customer for Financial Assets, which may be received by Bank for the account of Customer, including as an Entitlement Holder; and

(ii) an account in the name of Customer ("**Cash Account**") for any and all cash received by Bank for the account of Customer.

(b) At the request of Customer, additional Accounts may be opened in the future, which will be subject to the terms of this Agreement.

(c) Financial Assets credited to the Securities Account shall be withdrawable or transferable upon Customer's Instructions subject to the further terms and conditions of this Agreement.

2.2 Cash Account.

(a) Except as otherwise provided in Instructions acceptable to Bank, all cash held in a Cash Account established or maintained by Bank will be held during the period it is credited to the Accounts in one or more deposit accounts at Bank.

(b) Whenever Customer instructs Bank to do so, Bank will arrange for the automatic investment of cash in the Cash Account in mutual funds (including, without limitation, the JPMorgan Money Market Funds and any other institutional money market funds managed to a constant $1.00 share value with respect to which Bank or an Affiliate of Bank serves as an investment adviser, administrator, shareholder servicing agent, and/or custodian or subcustodian and regardless of whether or not Bank or its Affiliate receives any fees for services rendered to any such mutual fund in addition to the fees received by Bank pursuant to this Agreement, all of which such fees Bank is specifically authorized to retain) which Bank makes available for such purposes and which Customer selects through instructions to Bank. Further, in this regard, Bank is directed automatically to arrange for the redemption of such mutual fund shares as may be necessary to avoid any potential overdraft hereunder that Bank perceives based upon the

information available to Bank at the time of such redemption or withdrawal. Customer agrees that prior to investing it will read the prospectus for any mutual fund following receipt from Bank or any Affiliate and acknowledges that investments in mutual fund shares are not insured by the Federal Deposit Insurance Corporation and are not obligations of or guaranteed by Bank. Customer further acknowledges that certain services for which Bank is paid fees by mutual funds in which the Account invests may overlap the services Bank provides under this Agreement.

(c) With Bank's consent, such consent not to be unreasonably withheld, Customer may use as the Cash Account a separate demand deposit account established by Customer at Bank which is electronically linked to the Securities Account.

2.3 Segregation of Assets; Nominee Name.

(a) Financial Assets credited to the Securities Account shall be segregated at all times from, and shall not become a part of, Bank's own assets. Bank will identify in its records that Financial Assets credited to Customer's Securities Account belong to Customer (except as otherwise may be agreed by Bank and Customer). Securities in certificated form held in Bank's vault for Customer's account, shall be held either separate from the certificated Securities of other customers of Bank or in a fungible bulk of Securities as part of a Filing of Securities by Issue (FOSBI) arrangement.

(b) Bank is authorized, in its discretion, to hold in bearer form, such Financial Assets as are customarily held in bearer form and to register in the name of Customer, Bank, a Securities Depository, or their respective nominees, such Financial Assets as are customarily held in registered form. Any Financial Assets in bearer form that are convertible to registered form will be held in whatever form received by Bank. Customer authorizes Bank to hold Financial Assets in omnibus accounts with Securities Depositories and other Securities Intermediaries, and will accept delivery of Financial Assets of the same class and denomination as those deposited with Bank. Bank will keep any Financial Assets of the Customer that are eligible for deposit at a Securities Depository at the applicable Securities Depository.

(c) Nominees used hereunder shall be partnerships composed of officers, employees, directors and/or Affiliates of Bank, its agents, or Securities Depositories. Bank agrees to deliver to, or cause the delivery to, the insurance regulatory authority of any state, upon such authority's request, an officer's affidavit describing the legal structure of the nominee or nominees used hereunder and the officers, directors or partners of such nominee or nominees. If a nominee of any such entity is a partnership, the partnership shall consist solely of the employees, officers or directors of such entity, or a corporation which is a member of the same holding company system as the nominee, or any combination thereof. If any agent or Securities Depositories shall fail or refuse to provide any of the information in respect of its nominee or nominees, Bank shall promptly notify Customer but Bank shall have no liability for having failed to provide such information.

2.4 Settlement of Trades.

When Bank receives an Instruction directing settlement of a trade in Financial Assets that includes all information required by Bank, Bank will use reasonable care to effect such settlement as instructed. Settlement of purchases and sales of Financial Assets will be conducted in accordance with prevailing standards of the market in which the transaction occurs. The risk of loss will be Customer's whenever Bank delivers Financial Assets or payment in accordance with applicable market practice in advance of receipt or settlement of the expected consideration. In the case of the failure of Customer's counterparty to deliver the expected consideration as agreed, Bank will contact the counterparty to seek settlement, but Bank will not be obligated to institute legal proceedings, file proof of claim in any insolvency proceeding, or take any similar action.

2.5 Contractual Settlement Date Accounting.

(a) Should Customer request to have Bank's Contractual Settlement Date Accounting Service, Bank will effect book entries on a "contractual settlement date accounting" basis as described below with respect to the settlement of trades in those markets where Bank generally offers contractual settlement day accounting and will notify Customer of these markets from time to time.

(i) **Sales**: On the settlement date for a sale, Bank will credit the Cash Account with the sale proceeds of the sale and transfer the relevant Financial Assets to an account pending settlement of the trade if not already delivered.

(ii) **Purchases**: On the settlement date for the purchase (or earlier, if market practice requires delivery of the purchase price before the settlement date), Bank will debit the Cash Account with the settlement monies and credit a separate account. Bank then will post the Securities Account as awaiting receipt of the expected Financial Assets. Customer will not be entitled to the delivery of Financial Assets that are awaiting receipt until Bank or its Securities Intermediary actually receives them.

Bank reserves the right to restrict in good faith the availability of contractual day settlement accounting for credit reasons.

(b) Bank may (in its absolute discretion), following at least one business days' written notice to Customer, reverse any debit or credit made pursuant to Section 2.5(a) prior to a transaction's actual settlement, and Customer will be responsible for any costs or liabilities resulting from such reversal. Customer acknowledges that the procedures described in this sub-section are of an administrative nature, and Bank does not undertake to make loans and/or Financial Assets available to Customer.

2.6 Actual Settlement Date Accounting.

With respect to any sale or purchase transaction that is not posted to the Account on the contractual settlement date as referred to in Section 2.5, Bank will post the transaction on the date on which the cash or Financial Assets received as consideration for the transaction is actually received by Bank.

2.7 Income Collection; Autocredit.

(a) Bank will credit the Cash Account with income and redemption proceeds on Financial Assets in Federal funds on the payable date unless otherwise agreed to by Customer and Bank, net of any taxes that are withheld by Bank or any third party. The details of any such withholding shall be disclosed to Customer as part of the transaction posting. Bank may, following at least one business days' written notice to Customer, reverse such credits that Bank believes that the corresponding payment will not be received by Bank within a reasonable period or such credit was incorrect.

(b) Bank will make reasonable endeavors in its discretion to contact appropriate parties to collect unpaid interest, dividends or redemption proceeds, but Bank will not be obliged to file any formal notice of default, institute legal proceedings, file proof of claim in any insolvency proceeding, or take any similar action.

2.8 Fractions/ Redemptions by Lot.

Bank may sell fractional interests in Financial Assets and credit the Cash Account with the proceeds of the sale; provided, however, Securities in uncertificated form (i.e. mutual funds) that are normally carried in fractional shares will be recorded and held in the Securities Account by U.S. dollar value (two decimal places only). If some, but not all, of an outstanding class of Financial Asset is called for redemption, Bank may allot the amount redeemed among the respective beneficial holders of such class of Financial Asset in any manner Bank deems to be fair and equitable. Whenever requested by Customer, Bank shall advise Customer of the methods used by Bank to effect the allocation to customers of Bank.

2.9 Presentation of Coupons; Certain Other Ministerial Acts.

Until Bank receives Instructions to the contrary, Bank will:

(i) present all Financial Assets for which Bank has received notice of a call for redemption or that have otherwise matured, and all income and interest coupons and other income items that call for payment upon presentation;

(ii) execute in the name of Customer such certificates as may be required to obtain payment in respect of Financial Assets; and

(iii) exchange interim or temporary documents of title held in the Securities Account for definitive documents of title.

2.10 Corporate Actions.

(a) Bank will follow Corporate Actions and advise the Customer of those Corporate Actions of which Bank's central corporate actions department receives notice from the issuer or from the Securities Depository in which such Financial Assets are maintained or notice published in publications and reported in reporting services routinely used by Bank for this purpose.

(b) If an Authorized Person fails to provide Bank with timely Instructions with respect to any Corporate Action, neither Bank nor its nominees will take any action in relation to that Corporate Action, except as otherwise agreed in writing by Bank and Customer or as may be set forth by Bank as a default action in the advice it provides under Section 2.10 (a) with respect to that Corporate Action.

2.11 Proxy Voting.

(a) Subject to and upon the terms of this sub-section, Bank will provide Customer with information which it receives on matters to be voted upon at meetings of holders of Financial Assets ("**Notifications**"), and Bank will act in accordance with Customer's Instructions in relation to such Notifications. If information is received by Bank at its proxy voting department too late to permit timely voting by Customer, Bank's only obligation is to provide, so far as reasonably practicable, a Notification (or summary information concerning a Notification) on an "information only" basis.

(b) Bank will act upon Instructions to vote on matters referred to in the Notification, provided Instructions are received by Bank at its proxy voting department by the deadline referred to in the relevant Notification. If Instructions are not received in a timely manner, Bank will not be obligated to provide further notice to Customer.

(c) Customer acknowledges that the provision of proxy voting services may be precluded or restricted under a variety of circumstances. These circumstances include, but are not limited to: (i) the Financial Assets being on loan or out for registration ; (ii) the pendency of conversion or another corporate action; or (iii) Financial Assets being held at Customer's request in a name not subject to the control of Bank, in a margin or collateral account at Bank or another bank or broker, or otherwise in a manner which affects voting, local market regulations or practices, or restrictions by the issuer.

(d) Notwithstanding the fact that Bank may act in a fiduciary capacity with respect to Customer under other agreements or otherwise hereunder, in performing voting proxy services Bank will be acting solely as the agent of Customer, and will not exercise any discretion with regard to such proxy services or vote any proxy except when directed by an Authorized Person.

2.12 Statements and Information Available On-Line.

(a) Bank will issue statements to Customer at times mutually agreed (but not less frequently than monthly) identifying the Financial Assets and cash in the Accounts. Bank also will provide additional statements containing this information upon Customer's request. Additionally, Bank will send, or make available on-line, to Customer an advice or notification of any transfers of cash or Financial Assets with respect to the Accounts. Bank will be not be liable with respect to any matter set forth in those portions of any such statement (or reasonably implied therefrom) to which Customer has not given Bank a written exception or objection within ninety (90) days of receipt of the statement.

(b) Bank shall at all times maintain records that shall identify Customer as the Entitlement Holder of the Financial Assets in a Customer Securities Account. Any such Financial Assets held by Bank in a fungible bulk, with a Securities Depository or with another Securities Intermediary shall be separately identified on Bank's records as being held for Customer's account. Bank's records shall identify which Financial Assets are held by Bank and by Securities Depositories and other Securities Intermediaries and the names of such Securities Depositories and other Securities Intermediaries holding such Financial Assets. Bank agrees to use reasonable efforts to maintain records sufficient to enable Customer to determine and verify information concerning the Financial Assets held for Customer's account. Bank agrees to furnish, upon Customer's request or the request of the Insurance Department of any state in which Customer is licensed to do business, a verification certificate (which may be in affidavit form) in sufficient detail to permit adequate identification of the Financial Assets belonging to Customer as Entitlement Holder and held by Bank under the terms of this Agreement. Such certificate shall be signed by a responsible Bank official and furnished to the requestor, with a copy to Customer.

(c) Prices and other information obtained from third parties which may be contained in any statement sent to Customer have been obtained from sources Bank believes to be reliable. Bank does not, however, make any representation as to the accuracy of such information or that the prices specified necessarily reflect the proceeds that would be received on a disposal of the relevant Financial Assets. References in this Agreement to statements include any statements in electronic form.

(d) Customer acknowledges that records and unaudited reports available to it on-line will be unaudited and may not be accurate due to inaccurate pricing, delays in updating Account records, and other causes. Bank will not be liable for any loss or damage arising out of the inaccuracy of any such records or unaudited reports accessed on-line.

2.13 Access to Bank's Records; Reports..

(a) Bank's records relating to the Accounts shall be available for inspection on Bank's premises upon reasonable notice to Bank during its regular business hours by Customer's officers, employees, or agents, and by regulatory officials, but only upon Bank's receipt of Instruction from an Authorized Person.

(b) Upon Customer's request, Bank will send to Customer all reports Bank receives from Securities Depositories concerning their systems of internal accounting control. Upon Customer's request, Bank will send the annual report (SAS 70 Report) prepared by Bank's external auditors on Bank's system of internal accounting control of Financial Assets.

3. INSTRUCTIONS

3.1 Acting on Instructions; Unclear Instructions.

(a) Bank is authorized to act under this Agreement (or to refrain from taking action) in accordance with received by Bank from Authorized Persons via telephone, telex, facsimile transmission, or other teleprocess or electronic instruction or trade information system acceptable to Bank ("Instructions"). Bank will have no responsibility for the authenticity or propriety of any Instructions that Bank believes in good faith to have been given by Authorized Persons or which are transmitted with proper testing or authentication pursuant to terms and conditions that Bank may specify. Customer authorizes Bank to accept and act without inquiry upon any Instructions received by Bank. Customer will indemnify Bank Indemnitees against, and hold each of them harmless from, any Liabilities that may be imposed on, incurred by, or asserted against Bank Indemnitees as a result of any action or omission taken in accordance with any Instructions or other directions upon which Bank is authorized to rely under the terms of this Agreement; provided Bank has exercised reasonable care in the execution or performance of the Instructions.

(b) Unless otherwise expressly provided, all Instructions will continue in full force and effect until canceled or superseded.

(c) Bank may (in its sole discretion and without affecting any part of this Section 3.1) seek clarification or confirmation of an Instruction from an Authorized Person and may decline to act upon an Instruction if it does not receive clarification or confirmation satisfactory to it. Bank will not be liable for any loss arising from any delay while it seeks such clarification or confirmation.

(d) In executing or paying a payment order Bank may rely upon the identifying number (e.g. Fedwire routing number or account) of any party as instructed in the payment order. Customer assumes full responsibility for any inconsistency between the name and identifying number of any party in payment orders issued to Bank in Customer's name.

(d) Any written Instruction received by fax or mail (but not by any electronic or trade information system) that instructs Bank to deliver Financial Assets without payment (i.e. a "free" delivery), such mailed or faxed free delivery Instruction shall require the authorization of two Authorized Persons.

3.2 Confirmation of Oral Instructions/ Security Devices.

Any Instructions delivered to Bank by telephone will promptly thereafter be confirmed in writing by an Authorized Person. Each confirmation is to be clearly marked "Confirmation." Bank will not be liable for having followed such Instructions notwithstanding the failure of an Authorized Person to send such confirmation in writing or the failure of such confirmation to conform to the telephone received. Any material discrepancy between the telephone Instruction and written "Confirmation" noted by Bank is to be promptly called to Customer's attention. Either party may record any of their telephonic communications. Customer will comply with any security procedures reasonably required by Bank from time to time with respect to verification of Instructions. Customer will be responsible for safeguarding any test keys, identification codes or other security devices that Bank will make available to Customer or any Authorized Person.

3.3 Instructions; Contrary to Law/Market Practice.

Bank need not act upon Instructions which it reasonably believes to be contrary to law, regulation or market practice but will be under no duty to investigate whether any Instructions comply with Applicable Law or market practice and Bank shall promptly notify Customer of such decision not to act.

3.4 Cut-off Times.

Bank has established cut-off times for receipt of some categories of Instruction, which will be provided in writing to Customer along with any amendments thereto. If Bank receives an Instruction after its established cut-off time, it will attempt to act upon the Instruction on the day requested if Bank deems it practicable to do so or otherwise as soon as practicable after that day.

4. FEES, EXPENSES AND OTHER AMOUNTS OWING TO BANK

4.1 Fees and Expenses.

Customer will pay Bank for its services hereunder the fees set forth in Schedule A hereto or such other amounts as may be agreed upon in writing from time to time, together with Bank's reasonable out-of-pocket or incidental expenses, including, but not limited to, legal fees.. Bank shall provide Customer with an itemized invoice each month for Bank's services. All invoices shall be mailed to Customer at the address set forth on the first page of this Agreement until such time as Customer advises Bank in writing of a new address.

4.2 Overdrafts.

Customer will have sufficient immediately available funds each day in the Cash Account (without regard to any Cash Account investments) to pay for the settlement of all Financial Assets delivered against payment to Customer and credited to the Securities Account. If a debit to the Cash Account results (or will result) in a debit balance, then Bank may, in its discretion, (i)

advance an amount equal to the overdraft, (ii) reject the settlement in whole or in any part, but only after notification to Customer, or (iii) if posted to the Securities Account, reverse the posting of the Financial Assets credited to the Securities Account, but only after notification to Customer. If Bank elects to make such an advance, the advance will be deemed a loan to Customer, payable on demand, bearing interest on the amount of the loan each day that the loan remains unpaid at the overnight New York Federal funds rate, unless another rate has been agreed to by the parties. Also, Customer shall bear the cost of any Federal Reserve Bank daylight overdraft charge incurred by Bank or its agents and allocated to transactions effected for the Account. Bank shall promptly notify Customer of the amount and nature of any such overdraft in the Account. No prior action or course of dealing on Bank's part with respect to the settlement of transactions on Customer's behalf will be asserted by Customer against Bank for Bank's refusal to make advances to the Cash Account or to settle any transaction for which Customer does not have sufficient available funds in the Account.

4.3 Bank's Right Over Securities..

To the extent Bank has advanced funds on Customer's behalf in connection with the settlement of purchases and sales of Financial Assets for the Securities Account, Bank shall have a security interest in the Financial Assets which are the subject of such purchase or sale, until Bank has been repaid the amount of such advance by Customer and Bank's security interest in such Financial Assets shall be released upon Customer's repayment of such advance to Bank.

5. SECURITIES DEPOSITORIES AND OTHER AGENTS

5.1 Use of Depositories.

(a) Bank may deposit Financial Assets with, and hold Financial Assets in, any securities depository, settlement system, dematerialized book entry system or similar system (together a "**Securities Depository**") on such terms as such systems customarily operate and Customer will provide Bank with such documentation or acknowledgements that Bank may require to hold the Financial Assets in such systems. Bank will have no responsibility for the insolvency of any Securities Depository. In the event Customer incurs a loss due to the insolvency of a Securities Depository, Bank will make reasonable endeavors, in its discretion, to seek recovery from the Securities Depository. Bank shall use reasonable endeavors to alert Customer of any public information coming to Bank's attention that may adversely affect the financial condition or stability of a Securities Depository, but Bank shall have no liability fir its failure to do so.

(b) Although Bank does not use subcustodians to hold U.S. Securities or to gain entry to a U.S. Securities Depository, in the event Bank needed to appoint a subcustodian for the purposes of providing custody services under this Agreement for U.S. Securities, Bank would enter into an agreement with the subcustodian under terms substantially the same as this Agreement, including a provision that the subcustodian has the same liability to Bank for the loss of Financial Assets that Bank has under Section 7.1(b) hereof.

5.2 **Use of Agents.**

(a) Bank may provide certain services under this Agreement through third parties. These third parties may be Affiliates. Bank will not be responsible for any loss as a result of a failure by any broker or any other third party that it selects and retains using reasonable care to provide ancillary services, such as pricing, that it does not customarily provide itself. Nevertheless, Bank will be liable for the performance of any such service provider selected by Bank that is an Affiliate to the same extent as Bank would have been liable if it performed such services itself.

(b) Bank will execute transactions involving Financial Assets through a broker which is an Affiliate (i) in the case of the sale under Section 2.8 of a fractional interest or (ii) if an Authorized Person directs Bank to use the affiliated broker or otherwise requests that Bank select a broker for that transaction. The affiliated broker may charge its customary commission (or retain its customary spread) with respect to either such transaction.

6. ADDITIONAL PROVISIONS RELATING TO CUSTOMER

6.1 **Representations of Customer.**

Customer represents and warrants that (i) it has full authority and power, and has obtained all necessary authorizations and consents, to deposit and control the Financial Assets and cash in the Accounts, to use Bank as its custodian in accordance with the terms of this Agreement, to incur indebtedness and to pledge Financial Assets as contemplated by Section 4.3; and (ii) this Agreement is Customer's legal, valid and binding obligation, enforceable in accordance with its terms and it has full power and authority to enter into and has taken all necessary corporate action to authorize the execution of this Agreement. Bank may rely upon the above or the certification of such other facts as may be required to administer Bank's obligations hereunder. Bank may rely upon the above or the certification of such other facts as may be required to administer Bank's obligations hereunder.

6.2 **Customer to Provide Certain Information to Bank.**

Upon request, Customer will promptly provide to Bank such information about itself and its financial status as Bank may reasonably request, including Customer's organizational documents and its current audited and unaudited financial statements.

6.3 **Customer is Liable to Bank Even if it is Acting for Another Person.**

If Customer is acting as an agent for a disclosed or undisclosed principal in respect of any transaction, cash, or Financial Asset, Bank nevertheless will treat Customer as its principal for all purposes under this Agreement. In this regard, Customer will be liable to Bank as a principal in respect of any transactions relating to the Account. The foregoing will not affect any rights Bank might have against Customer's principal.

7. WHEN BANK IS LIABLE TO CUSTOMER

7.1 Standard of Care; Liability.

(a) Bank will use reasonable care in performing its obligations under this Agreement. Bank will not be in violation of this Agreement with respect to any matter as to which it has satisfied its obligation of reasonable care.

(b) Bank shall be obligated to indemnify Customer for any loss of Financial Assets received for, and credited to the Securities Account resulting from (i) the negligence or willful misconduct of Bank or Bank's officers, employees or agents (including U.S. Securities Depositories) retained by Bank to hold such Financial Assets or (ii) burglary, robbery, hold-up, theft or mysterious disappearance, including loss by damage or destruction. In the event of a loss of Financial Assets in the Securities Account for which Bank is required to indemnify Customer pursuant to the immediately preceding sentence, Bank shall promptly replace such Financial Assets (by among other means posting appropriate security or bond with the issuer(s) of such Financial Assets and obtaining their reissue) or, if the Financial Assets cannot be reasonably replaced, the value thereof (determined based upon the market value of the Financial Assets which are the subject of such loss as of the date of the discovery of such loss) and the value of any loss of rights or privileges resulting from the loss of such Financial Assets. The foregoing indemnity shall be Bank's exclusive liability to Customer for Bank's loss of Financial Assets from the Securities Account.

(c) In all other respects, Bank will be liable for Customer's direct damages to the extent they result from Bank's or Bank's officers, employees or agents (including U.S. Securities Depositories) negligence or willful misconduct in performing Bank's duties as set out in this Agreement. Nevertheless, except in the case of fraud or forgery of Bank or its officers, employees or agents, under no circumstances will Bank be liable under this Agreement for any indirect, consequential or special damages (including, without limitation, lost profits) of any form, whether or not foreseeable and regardless of the type of action in which such a claim may be brought, with respect to the Accounts or Bank's performance hereunder or its role as custodian.

(d) Customer will indemnify Bank Indemnitees against, and hold them harmless from, any Liabilities that may be imposed on, incurred by or asserted against any of Bank Indemnitees in connection with or arising out of Bank's performance under this Agreement, provided Bank Indemnitees have not acted with negligence or engaged in fraud, forgery or willful misconduct in connection with the Liabilities in question.

(e) Without limiting Subsections 7.1 (a), (b), (c) or (d), Bank will have no duty or responsibility to: (i) question Instructions or make any suggestions to Customer or an Authorized Person regarding such Instructions; (ii) supervise or make recommendations with respect to investments or the retention of Financial Assets; (iii) advise Customer or an Authorized Person regarding any default in the payment of principal or income of any security other than as provided in Section 2.7(b) of this Agreement; (iv) evaluate or report to Customer or an Authorized Person

regarding the financial condition of any broker, agent or other party to which Bank is instructed to deliver Financial Assets or cash; or (v) review or reconcile trade confirmations received from brokers (and Customer or its Authorized Persons issuing Instructions will bear any responsibility to review such confirmations against Instructions issued to and statements issued by Bank).

7.2 Force Majeure.

Bank will maintain and update from time to time business continuation and disaster recovery procedures with respect to its custody business that it determines from time to time meet reasonable commercial standards. Bank will have no liability, however, for any damage, loss, expense or liability of any nature that Customer may suffer or incur, caused by an act of God, fire, flood, civil or labor disturbance, war, act of any governmental authority or other act or threat of any authority (de jure or de facto), legal constraint, fraud or forgery, malfunction of equipment or software (except to the extent such malfunction is primarily attributable to Bank's negligence in maintaining the equipment or software), failure of or the effect of rules or operations of any external funds transfer system, inability to obtain or interruption of external communications facilities, or any cause beyond the reasonable control of Bank (including without limitation, the non-availability of appropriate foreign exchange). In the event that Bank is unable substantially to perform for any reason described in the immediately preceding sentence, Bank shall, as soon as reasonably practicable, notify Customer.

7.3 Bank May Consult With Counsel.

Bank will be entitled to rely on, and may act upon the advice of professional advisers in relation to matters of law, regulation or market practice (which may be the professional advisers of Customer), and will not be liable to Customer for any action reasonably taken or omitted pursuant to such advice.

7.4 Bank Provides Diverse Financial Services and May Generate Profits as a Result.

Customer acknowledges that Bank or its Affiliates may have a material interest in the transaction or that circumstances are such that Bank may have a potential conflict of duty or interest. For example, Bank or its Affiliates may act as a market maker in the Financial Assets to which Instructions relate, provide brokerage services to other customers, act as financial adviser to the issuer of such Financial Assets, act in the same transaction as agent for more than one customer, have a material interest in the issue of the Financial Assets; or earn profits from any of these activities. Customer acknowledges that Bank or its Affiliates may be in possession of information tending to show that the Instructions received may not be in the best interests of Customer. Bank is not under any duty to disclose any such information.

8. TAXATION

8.1 Tax Obligations.

(a) Customer confirms that Bank is authorized to deduct from any cash received or credited to the Cash Account any taxes or levies required by any revenue or governmental authority for whatever reason in respect of Customer's Accounts.

(b) Customer will provide to Bank such certifications, documentation, and information as it may require in connection with taxation, and warrants that, when given, this information is true and correct in every respect, not misleading in any way, and contains all material information. Customer undertakes to notify Bank immediately if any information requires updating or correcting.

(c) Customer will be responsible for the payment of all taxes relating to the Financial Assets in the Securities Account, and Customer will pay, indemnify and hold Bank harmless from and against any and all liabilities, penalties, interest or additions to tax with respect to or resulting from, any delay in, or failure by, Bank (1) to pay, withhold or report any U.S. federal, state or local taxes or foreign taxes imposed on, or (2) to report interest, dividend or other income paid or credited to the Cash Account, whether such failure or delay by Bank to pay, withhold or report tax or income is the result of (x) Customer's failure to comply with the terms of this paragraph, or (y) Bank's own acts or omissions; provided however, Customer will not be liable to Bank for any penalty or additions to tax due as a result of Bank's failure to pay or withhold tax or to report interest, dividend or other income paid or credited to the Cash Account solely as a result of Bank's negligent acts or omissions.

8.2 Tax Reclaims with respect to American Depository Receipts.

(a) Subject to the provisions of this Section, Bank will apply for a reduction of withholding tax and any refund of any tax paid or tax credits in respect of income payments on Financial Assets comprising American Depository Receipts credited to the Securities Account that Bank or Customer believes may be available.

(b) The provision of a tax reclamation service by Bank is conditional upon Bank receiving from Customer (i) a declaration of its identity and place of residence and (ii) certain other documentation (pro forma copies of which are available from Bank). If Financial Assets comprising American Depository Receipts credited to the Account are beneficially owned by someone other than Customer, this information will be necessary with respect to the beneficial owner. Customer acknowledges that Bank will be unable to perform tax reclamation services unless it receives this information.

(c) Bank will perform tax reclamation services only with respect to taxation levied by the revenue authorities of the countries advised to Customer from time to time and Bank may, by notification in writing, in its absolute discretion, supplement or amend the countries in which the tax reclamation services are offered. Other than as expressly provided in this Section 8.2 Bank will have no responsibility with regard to Customer's tax position or status in any jurisdiction.

(d) Customer confirms that Bank is authorized to disclose any information requested by any revenue authority or any governmental body in relation to the processing of any tax reclaim.

9. TERMINATION

Either party may terminate this Agreement on sixty days' notice in writing to the other party. If Customer gives notice of termination, it must provide full details of the persons to whom Bank must deliver Financial Assets and cash. If Bank gives notice of termination, then Customer must, within sixty days, notify Bank of details of its new custodian, failing which Bank may elect (at any time after the sixty day notice period) either to retain the Financial Assets and cash until such details are given, continuing to charge fees due (in which case Bank's sole obligation will be for the safekeeping of the Financial Assets and cash), or deliver the Financial Assets and cash to Customer. Bank will in any event be entitled to deduct any amounts owed to Bank by Customer (other than amounts due for fees and indemnification) prior to delivery of the Financial Assets and cash (and, accordingly, Bank will be entitled to sell on recognized markets for the Financial Assets the subject of sale, and at current prices at the time of sale, only such amount of the Financial Assets necessary to satisfy such outstanding amount owed by Customer to Bank and apply the sale proceeds in satisfaction of such amounts owing to it). Customer will reimburse Bank promptly for all out-of-pocket expenses it incurs in delivering Financial Assets upon termination. Termination will not affect any of the liabilities either party owes to the other arising under this Agreement prior to such termination. Anything in this Section 9 to the contrary notwithstanding, in the event that either party hereto shall (i) make a voluntary assignment for the benefit of creditors, (ii) be declared insolvent or (iii) have a receiver or trustee appointed for it in a proceeding under applicable bankruptcy or similar laws, the other party hereto shall have the right to immediately terminate this Agreement without liability. Bank shall provide written notification to the Customer's domiciliary insurance department (the "Insurance Department") if this Agreement with Customer is terminated pursuant to this Section 9 or if 100% of the Securities in the Accounts under this Agreement are withdrawn from the Accounts (Customer shall provide to Bank and to the Insurance Department prior written notification if it intends to withdraw 100% of the Securities from the Accounts). This notification by Bank shall be sent to the Insurance Department within three (3) business days after the custodial dissolution. Customer will provide to Bank the address of the Insurance Department.

10. MISCELLANEOUS

10.1 Notices.

Notices (other than Instructions) will be served by registered mail or hand delivery to the address of the respective parties as set out on the first page of this Agreement, unless notice of a new address is given to the other party in writing. Notice will not be deemed to be given unless it has been received.

10.2 Successors and Assigns.

This Agreement will be binding on each of the parties' successors and assigns, but the parties agree that neither party can assign its rights and obligations under this Agreement without the prior written consent of the other party, which consent will not be unreasonably withheld.

10.3 Interpretation.

Headings are for convenience only and are not intended to affect interpretation. References to sections are to sections of this Agreement and references to sub-sections and paragraphs are to sub-sections of the sections and paragraphs of the sub-sections in which they appear.

10.4 Entire Agreement.

This Agreement, including the Schedules, Exhibits, and any riders (and any separate agreement which Bank and Customer may enter into with respect to any Cash Account), sets out the entire Agreement between the parties in connection with the subject matter, and this Agreement supersedes any other agreement, statement, or representation relating to custody, whether oral or written. Amendments must be in writing and signed by both parties.

10.5 Confidentiality.

Bank will not disclose any confidential information concerning the Financial Assets and/or cash held for Customer except as is reasonably necessary to provide services to Customer, as required by law or regulation or the organizational documents of the issuer of any Financial Asset, or with the consent of Customer. Customer agrees to keep this Agreement confidential and, except where disclosure is required by law or regulation, will only disclose it (or any part of it) with the prior written consent of Bank.

10.6 Insurance.

Bank will not be required to maintain any insurance coverage for the benefit of Customer, except that Bank will maintain insurance protection which covers Bank's duties and responsibilities generally as a custodian of Financial Assets and Bank will maintain such coverage to the extent required by Bank's banking regulators and, upon Customer's request, Bank will provide Customer a description of Bank's insurance coverage as in effect at the time of Customer's request. Should Customer learn that Bank has terminated or changed its insurance coverage, Customer's sole remedy if it elects to exercise it, shall be to terminate this Agreement as set forth herein.

10.7 Governing Law and Jurisdiction.

This Agreement will be construed, regulated, and administered under the laws of the United States or State of New York, as applicable, without regard to New York's principles regarding conflicts of law. The United States District Court for the Southern District of New York will have the sole and exclusive jurisdiction over any lawsuit or other judicial proceeding relating to or arising from this Agreement. If that court lacks federal subject matter jurisdiction, the Supreme Court of the State of New York, New York County will have sole and exclusive jurisdiction. Either of these courts will have proper venue for any such lawsuit or judicial proceeding, and the parties waive any objection to venue or their convenience as a forum. The parties agree to submit to the jurisdiction of any of the courts specified and to accept service of process to vest personal jurisdiction over them in any of these courts. The parties further hereby knowingly, voluntarily and intentionally waive, to the fullest extent permitted by applicable law,

any right to a trial by jury with respect to any such lawsuit or judicial proceeding arising or relating to this Agreement or the transactions contemplated hereby.

10.8 Severability and Waiver.

(a) If one or more provisions of this Agreement are held invalid, illegal or unenforceable in any respect on the basis of any particular circumstances or in any jurisdiction, the validity, legality and enforceability of such provision or provisions under other circumstances or in other jurisdictions and of the remaining provisions will not in any way be affected or impaired.

(b) Except as otherwise provided herein, no failure or delay on the part of either party in exercising any power or right hereunder operates as a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right. No waiver by a party of any provision of this Agreement, or waiver of any breach or default, is effective unless in writing and signed by the party against whom the waiver is to be enforced..

10.9 Counterparts.

This Agreement may be executed in several counterparts each of which will be deemed to be an original and together will constitute one and the same agreement.

SAFECO SURPLUS LINES INSURANCE COMPANY

By: _____
Title: Sr. Manager of Invest. Compliance
Date: 12/15/08

JPMORGAN CHASE BANK, N.A.

By: _____
Title: Vice President
Date: December 12, 2008

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No.11100
FEIN: 91-1231536

Primary UCAA Item 12. Public Records Package

A	Annual Statement, verified and signed as of December 31, 2010
B	NAIC Management's Discussion and Analysis
C	Actuarial Opinion
D	Audited Combined Statutory-Basis Financial; Statements and Other Financial Information Independent CPA Audit Report
E	1st Quarterly Statement, as of March 31, 2011
F	Market Conduct Examination
G	Financial Examination Report
H	Application Form
I	Restated Articles of Incorporation
J	Appointment for Service of Process
K	Bylaws, including original certification by corporate secretary
L	Holding Company Files

MD+A

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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 million 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

Actuarial Opinion

11100201044100100

Liberty Mutual Agency Corporation™

Statement of Actuarial Opinion

11100201044000000

Safeco Surplus Lines Insurance Company / 2010 / 440

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

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Safeco Surplus Lines Insurance Company

Statement of Actuarial Opinion
As of December 31, 2010

IDENTIFICATION

I, Thomas E. Schadler, am an officer of Safeco Surplus Lines Insurance Company, a Company in Liberty Mutual Agency Corporation. I am a Member of the American Academy of Actuaries and meet its qualification standards. 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.

Safeco Surplus Lines Insurance Company_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 20% of Policyholder Surplus.

Since 100% of the companies reserves, net of external cessions are ceded to the pool, the only risk of material adverse deviation in the company's reserves is the failure of the pool to fulfill its obligation. Because of this, the internal variability in reserve estimates is negligible, and the risk of material adverse deviation from the net carried reserve amounts is remote.

Salvage & Subrogation

Reserves are established net of anticipated salvage & subrogation.

Discounting

The Company does not discount Loss and Loss Adjustment Expense Reserves to reflect the time value of money.

Underwriting Pools and Associations

The Company does not participate in any voluntary or involuntary arrangements with underwriting pools or associations.

Asbestos and Environmental Exposures

The Company has no known exposure to either Asbestos or Environmental Impairment liability.

Extended Loss and Expense Reserves

The Company does not write extended loss and expense contracts. The total extended loss and expense liability is $0.

Retroactive and Financial Reinsurance

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.

Based on discussions with company management, its descriptions of the company's ceded and assumed reinsurance, and on the analysis described above, I am not aware of any external reinsurance contract that either has been or should have been accounted for as retroactive or financial reinsurance.

Safeco Surplus Lines Insurance Company_2010SAO

Reinsurance Collectibility
Ceded loss reserves are all with affiliated companies in the PIC Pool. 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.

NAIC IRIS Tests
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.

Long Duration Contracts
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.

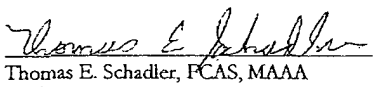
My review was limited to the items enumerated in the SCOPE section, and did not include an analysis of any income statement or other balance sheet items. My opinion on the loss reserves is based on the assumption that valid assets back all reserves. It makes no opinion on the Company's financial assets 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, FCAS, MAAA
Sr. Vice President & Chief Actuary
Liberty Mutual Agency Corporation
175 Berkeley Street
Boston, MA 02116
(617) 654-3831
(603) 358-3863
February 22, 2011

Statement of Actuarial Opinion 2010
Safeco Surplus Lines Insurance Company

Exhibit A: SCOPE

	Column 1 Amount
Loss Reserves:	
1. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col 1, Line 1)	$ -
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col 1, Line 3)	$ -
3. Reserve for Unpaid Losses - Direct and Assumed (Should equal Schedule P, Part 1, Totals from Cols. 13 and 15, Line 12 * 1000)	$ -
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)	$ -
5. The Page 3 write-in item reserves, "Retroactive Reinsurance Reserve Assumed"	$ -
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
Safeco Surplus Lines Insurance Company

Exhibit B: DISCLOSURES

	Column 1	Column 2	Column 3	Column 4
1. Name of the Appointed Actuary		Schadler	Thomas	E
		Last	*First*	*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)	$ 6,483,230			
6. Is there a Significant Risk of Material Adverse Deviation?			Yes [ ] No [X] Not Applicable [ ]	
7. Statutory Surplus (Liabilities, Col 1, Line 37)	$ 32,416,148			
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)	$ -			
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	$ -			
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	$ -			
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)	$ -			
11.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 33D03D), ending net environmental reserves for current year)	$ -			
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.

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

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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 activities	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.

(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.

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.

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

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

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.

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.

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.

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.

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.

(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.

(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

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.

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.

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)**

	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**

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%

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.

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.

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

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.

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)

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)

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.

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.

E

3rd Quarter
Statement

QUARTERLY STATEMENT

OF THE

SAFECO SURPLUS LINES INSURANCE COMPANY

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

PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

11100201120100101

QUARTERLY STATEMENT

AS OF MARCH 31, 2011

OF THE CONDITION AND AFFAIRS OF THE

Safeco Surplus Lines Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 11100 Employer's ID Number 91-1231536

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

Country of Domicile United States of America

Incorporated/Organized: August 26, 1983 Commenced Business: January 1, 1984

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 25th day of April, 2011

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

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	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	31,508,198		31,508,198	31,000,423
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
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 ($ 1,184,451)	1,184,451		1,184,451	1,304,491
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Securities lending reinvested collateral assets	512,917		512,917	1,065,753
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	33,205,566		33,205,566	33,370,667
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	280,621		280,621	284,196
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	24,044		24,044	36,100
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	15,631		15,631	
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
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	1,706		1,706	145,077
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	33,527,568		33,527,568	33,836,040
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	33,527,568		33,527,568	33,836,040

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.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)				

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 0)		
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1. Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		282,770
7.2. Net deferred tax liability	19,600	19,600
8. Borrowed money $ 0 and interest thereon $ 0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 0 and including warranty reserves of $ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1. Stockholders		
11.2. Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		(24,838)
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
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		
19. Payable to parent, subsidiaries and affiliates	394,946	76,607
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	512,917	1,065,753
23. Liability for amounts held under uninsured plans		
24. Capital notes $ 0 and interest thereon $ 0		
25. Aggregate write-ins for liabilities		
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	927,463	1,419,892
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	927,463	1,419,892
29. Aggregate write-ins for special surplus funds		
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	5,650,000	5,650,000
35. Unassigned funds (surplus)	21,950,105	21,766,148
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)	32,600,105	32,416,148
38. Totals (Page 2, Line 28, Col. 3)	33,527,568	33,836,040

DETAILS OF WRITE-IN LINES		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		
2901.		
2902		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
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 $ (2,195))	(2,195)	(60,167)	(143,550)
1.2 Assumed (written $ 0)			
1.3 Ceded (written $ (2,195))	(2,195)	(60,167)	(143,550)
1.4 Net (written $ 0)			
DEDUCTIONS:			
2. Losses incurred (current accident year $ 0):			
2.1 Direct	(103,997)	175,693	292,023
2.2 Assumed			
2.3 Ceded	(103,997)	175,693	292,023
2.4 Net			
3. Loss adjustment expenses incurred			
4. Other underwriting expenses incurred			
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)			
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)			
INVESTMENT INCOME			
9. Net investment income earned	238,097	314,116	1,136,321
10. Net realized capital gains (losses) less capital gains tax of $ 273	507	74,585	70,498
11. Net investment gain (loss) (Lines 9 + 10)	238,604	388,701	1,206,819
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 0 amount charged off $ 0)			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)			
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	238,604	388,701	1,206,819
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	238,604	388,701	1,206,819
19. Federal and foreign income taxes incurred	54,708	17,993	224,490
20. Net income (Line 18 minus Line 19) (to Line 22)	183,896	370,708	982,329
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	32,416,148	31,444,848	31,444,848
22. Net income (from Line 20)	183,896	370,708	982,329
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 22	40		(1,026)
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	21	(2,013)	(10,003)
27. Change in nonadmitted assets		(1,123,982)	
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			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus			
38. Change in surplus as regards policyholders (Lines 22 through 37)	183,957	(755,287)	971,300
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	32,600,105	30,689,561	32,416,148

DETAILS OF WRITE-IN LINES			
0501.			
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)			
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
3701.			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)			

CASH FLOW

Cash from Operations	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums collected net of reinsurance	24,838	(58,670)	(23,311)
2. Net investment income	289,628	340,843	1,289,721
3. Miscellaneous income			
4. Total (Lines 1 to 3)	314,466	282,173	1,266,410
5. Benefit and loss related payments	(12,056)	48,752	(120,865)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions			
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	353,383		148,152
10. Total (Lines 5 through 9)	341,327	48,752	27,287
11. Net cash from operations (Line 4 minus Line 10)	(26,861)	233,421	1,239,123
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	942,304	5,446,707	11,764,313
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets	1,065,753		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds			
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,008,057	5,446,707	11,764,313
13. Cost of investments acquired (long-term only):			
13.1 Bonds	1,497,193	5,166,982	14,348,517
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets	512,917		1,065,753
13.6 Miscellaneous applications		1,123,982	
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,010,110	6,290,964	15,414,270
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)	(2,053)	(844,257)	(3,649,957)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	(91,126)	(825,901)	(98,460)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(91,126)	(825,901)	(98,460)
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)	(120,040)	(1,436,737)	(2,509,294)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	1,304,491	3,813,785	3,813,785
19.2 End of period (Line 18 plus Line 19.1)	1,184,451	2,377,048	1,304,491

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

20.0001			
20.0002			
20.0003			

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Safeco Surplus Lines Insurance Company (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	$30,048	$26,283	$3,765	$26,283	$26,322	3/31/2009
59023XAB2	19,925	17,294	2,631	17,294	13,767	12/31/2009
59023XAB2	13,180	12,867	313	12,867	10,067	3/31/2010
61749BAB9	31,359	29,787	1,572	29,787	19,120	12/31/2009
61749BAB9	26,200	25,969	231	25,969	21,187	3/31/2010
61749BAB9	$21,149	$21,047	$102	$21,047	$19,556	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		$(2,807)
Fair Value of Securities with Unrealized Losses		$27,504

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.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

No change.

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 first 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 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	$ -	$7,229	$ -	$7,229
Total Bonds	$ -	$7,229	$ -	$7,229
Preferred Stocks	-	-	-	-
Common Stocks	-	-	-	-
Total assets at fair value	$ -	$7,229	$ -	$7,229
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 Company has no assets or liabilities measured at fair value in the Level 3 category.

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.

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.

NOTES TO FINANCIAL STATEMENTS

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

Note 21 - Other Items

No change.

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

Not applicable.

Note 26 - Inter-Company Pooling Arrangements

No change.

NOTES TO FINANCIAL STATEMENTS

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. 12/31/2005

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). 06/12/2007

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 [X] No [ ] N/A [ ]

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

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 [ ] 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:

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

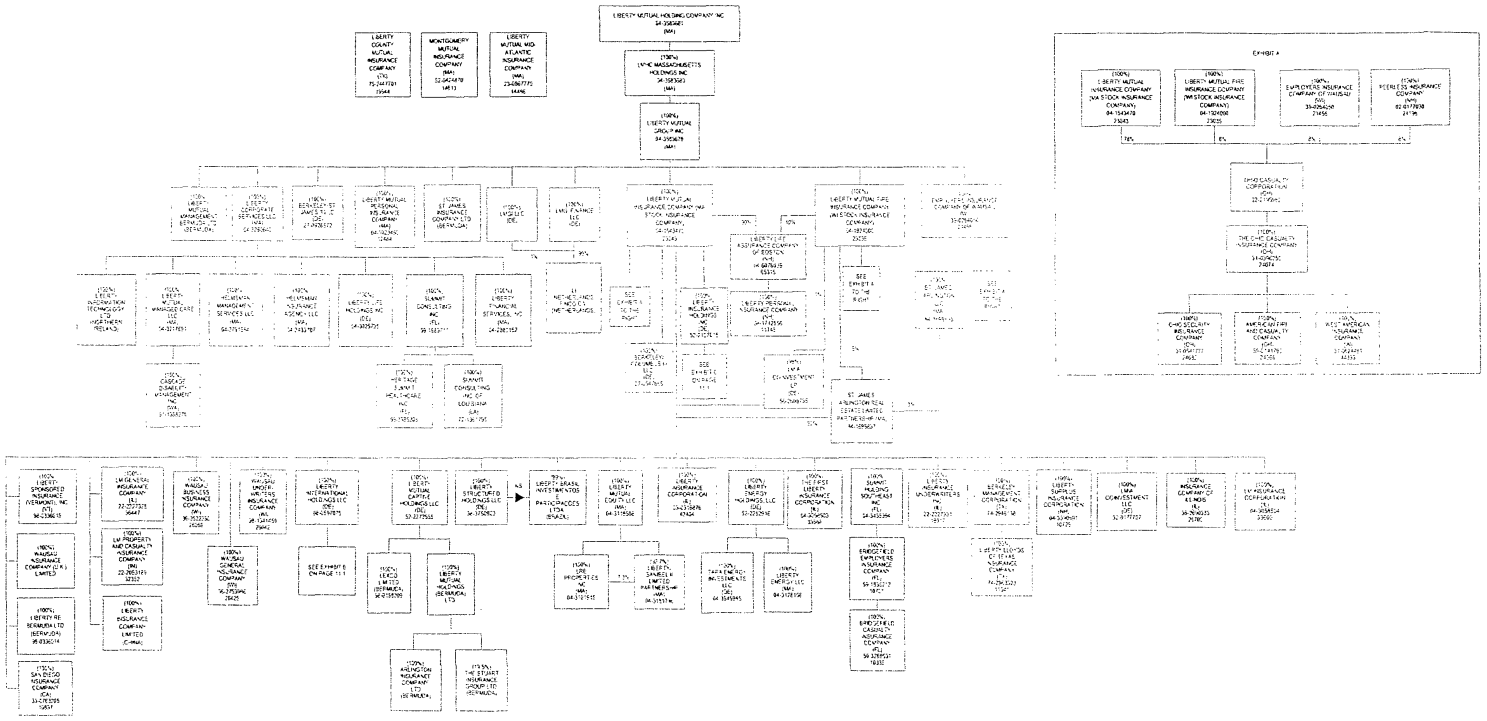
Current Year To Date - Allocated by States and Territories

States, Etc.		1 Active Status	Direct Premiums Written 2 Current Year to Date	3 Prior Year to Date	Direct Losses Paid (Deducting Salvage) 4 Current Year to Date	5 Prior Year to Date	Direct Losses Unpaid 6 Current Year to Date	7 Prior Year to Date
1. Alabama	AL	E					102,691	20,499
2. Alaska	AK	E						
3. Arizona	AZ	E					34,130	770,601
4. Arkansas	AR	E						
5. California	CA	E			(371)		474,487	457,587
6. Colorado	CO	E						
7. Connecticut	CT	E					5,908	1,179
8. Delaware	DE	E						
9. District of Columbia	DC	E						
10. Florida	FL	E		(56,719)	90,540	46,943	1,490,779	1,744,644
11. Georgia	GA	E					951,730	1,114,953
12. Hawaii	HI	E						
13. Idaho	ID	E						
14. Illinois	IL	E					20,256	4,043
15. Indiana	IN	E					5,723	1,142
16. Iowa	IA	E						
17. Kansas	KS	E						11,830
18. Kentucky	KY	E					35,675	7,121
19. Louisiana	LA	E					47,923	70,496
20. Maine	ME	E						
21. Maryland	MD	E						
22. Massachusetts	MA	E						
23. Michigan	MI	E					80,989	95,000
24. Minnesota	MN	E				45,000	243,739	610,361
25. Mississippi	MS	E						
26. Missouri	MO	E					78,012	91,508
27. Montana	MT	E						
28. Nebraska	NE	E						
29. Nevada	NV	E					6,382	1,274
30. New Hampshire	NH	N						
31. New Jersey	NJ	E					18,329	21,500
32. New Mexico	NM	E					49,446	58,000
33. New York	NY	E					340,609	342,631
34. North Carolina	NC	E					187,283	211,648
35. North Dakota	ND	E						
36. Ohio	OH	E		1				
37. Oklahoma	OK	E						
38. Oregon	OR	E					17,005	4,581
39. Pennsylvania	PA	E						
40. Rhode Island	RI	E						
41. South Carolina	SC	E						
42. South Dakota	SD	E						
43. Tennessee	TN	E					93,939	18,753
44. Texas	TX	E	(2,195)	(3,479)		75,837	178,350	228,557
45. Utah	UT	E						
46. Vermont	VT	E						
47. Virginia	VA	E					247,349	288,733
48. Washington	WA	L						
49. West Virginia	WV	N					7,851	1,567
50. Wisconsin	WI	E					9,177	1,032
51. Wyoming	WY	E						
52. American Samoa	AS	N						
53. Guam	GU	N						
54. Puerto Rico	PR	E						
55. U.S. Virgin Islands	VI	E						
56. Northern Mariana Islands	MP	N						
57. Canada	CN	N						
58. Aggregate Other Alien	OT	XXX						
59. Totals		(a) 1	(2,195)	(60,197)	90,169	167,780	4,727,762	6,179,240
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.

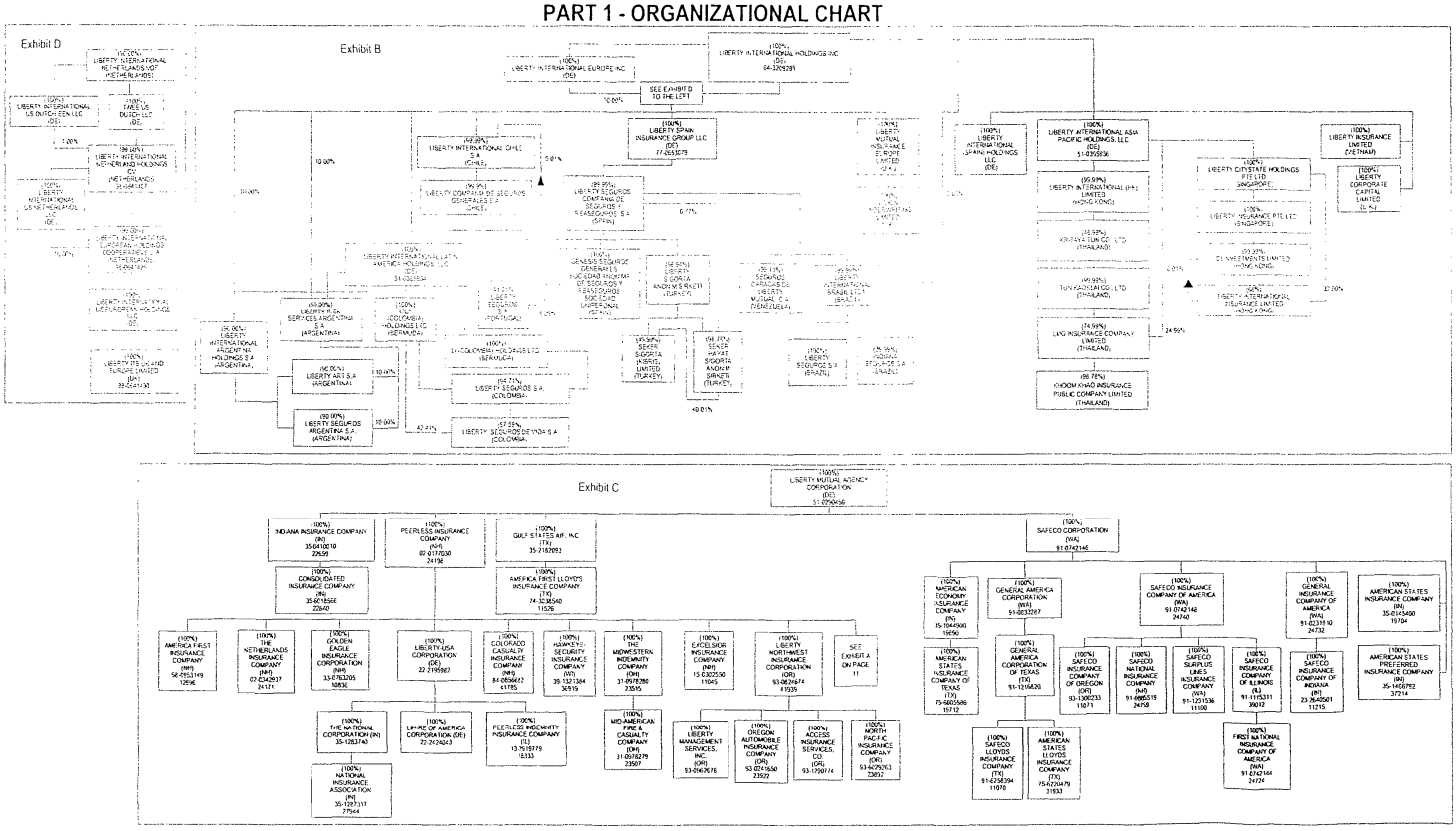
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

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				
2. Allied lines	(2,195)	(664,984)	30295.4	-168.9
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation		(243)		
17.1 Other liability-occurrence		566,213		
17.2 Other liability-claims made		(4,983)		
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence				
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability				
19.3, 19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. 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	(2,195)	(103,997)	4737.9	-292.0

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			
2. Allied lines	(2,195)	(2,195)	(60,197)
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine			
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability-occurrence			
17.2 Other liability-claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence			
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability			
19.3, 19.4 Commercial auto liability			
21. Auto physical damage			
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. 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	(2,195)	(2,195)	(60,197)

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													
2. 2009													
3. Subtotals 2009 + prior						NONE							
4. 2010													
5. Subtotals 2010 + prior													
6. 2011	X X X	X X X	X X X	X X X			X X X				X X X	X X X	X X X
7. Totals													

8. Prior Year-End Surplus As Regards Policyholders 32,416

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.	2.	3.

Col. 13, Line 7 / Line 8

4.

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:

11100201149000010

11100201145500010

11100201136500010

11100201150500010

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	31,000,423	28,430,602
2. Cost of bonds and stocks acquired	1,497,193	14,348,517
3. Accrual of discount	6,795	28,041
4. Unrealized valuation increase (decrease)	62	(1,579)
5. Total gain (loss) on disposals	780	163,957
6. Deduct consideration for bonds and stocks disposed of	942,304	11,764,313
7. Deduct amortization of premium	54,751	149,303
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		55,499
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 - 8 - 9)	31,508,198	31,000,423
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	31,508,198	31,000,423

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)	31,534,858	3,682,947	3,248,878	(46,433)	31,922,494			31,534,858
2. Class 2 (a)	763,290				763,290			763,290
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)	6,766			99	6,865			6,766
7. Total Bonds	32,304,914	3,682,947	3,248,878	(46,334)	32,692,649			32,304,914
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	32,304,914	3,682,947	3,248,878	(46,334)	32,692,649			32,304,914

(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 $ 1,184,451; 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	1,184,451	XXX	1,184,451	246	

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	1,304,491	2,891,271
2. Cost of short-term investments acquired	2,185,754	20,340,793
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	2,305,794	21,927,573
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)	1,184,451	1,304,491
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	1,184,451	1,304,491

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		258,257
2. Cost of cash equivalents acquired		367,888
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals		626,145
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)
912828-PQ-7	TREASURY NOTE		02/22/2011	CITIGROUP		995,668	1,000,000.00	1,077	1
912828-QH-6	TREASURY NOTE		03/10/2011	JP MORGAN CHASE		501,525	500,000.00	415	1
0599999	Total Bonds U. S. Government				X X X	1,497,193	1,500,000.00	1,492	X X X
8399997	Total Bonds Part 3				X X X	1,497,193	1,500,000.00	1,492	X X X
8399998	Summary Item from Part 5 for Bonds				X X X	X X X	X X X	X X X	X X X
8399999	Total Bonds				X X X	1,497,193	1,500,000.00	1,492	X X X
9999999	Totals				X X X	1,497,193	X X X	1,492	X X X

(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)
31412R-BB-2	FN 932534		03/01/2011	MBS PAYMENT		364,730	364,730.00	379,006	365,261		(530)		(530)		364,730				2,059	10/01/2019	1
31393U-GD-9	FNR 2003-119 XK		03/01/2011	MBS PAYMENT		15,874	15,874.00	16,318	15,874						15,874				119	10/01/2011	1
647200-JY-1	NM MTG FIN-SFM-B-CL 1		01/03/2011	DIRECT		10,000	10,000.00	10,000	10,000						10,000				215	07/01/2016	1FE
676907-MV-7	OH HFA-AMT-E-RESIDENT		03/01/2011	DIRECT		55,000	55,000.00	54,613	54,865		2		2		54,867		133	133	1,306	09/01/2021	1FE
67686M-CB-3	OK SFM-AMT-D1-HMOWNRS		03/01/2011	DIRECT		20,000	20,000.00	20,029	20,017						20,016		(16)	(16)	470	09/01/2026	1FE
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl		XXX		XXX	465,604	465,604.00	480,166	466,017		(528)		(528)		465,487		117	117	4,169	XXX	XXX
00075W-AB-5	ABFC_06-HE1		03/25/2011	MBS PAYMENT		1,559	1,559.00	1,559	1,559						1,559				1	04/25/2011	1Z*
15132E-GM-4	CDMC_03-9		03/01/2011	VARIOUS		5,094	5,094.00	4,838	4,981						4,981		113	113	39	08/01/2012	1Z*
718507-AR-7	CONOCOPHILLIPS		02/15/2011	MATURITY		215,000	215,000.00	273,205	216,272		(1,272)		(1,272)		215,000				10,078	02/15/2011	1FE
362341-D6-3	GSAA_05-15		03/25/2011	MBS PAYMENT		937	937.00	937	937						937				1	04/25/2011	1Z*
55275R-AB-8	MABS_06-NC3		03/25/2011	MBS PAYMENT		412	412.00	412	412						412					04/25/2011	1Z*
59023X-AB-2	MLMI_06-HE6		03/25/2011	MBS PAYMENT		1,996	1,996.00	1,508	1,276	232			232		1,508		488	488	1	12/27/2011	1Z*
61749B-AB-9	MSAC_06-NC5		03/25/2011	MBS PAYMENT		1,702	1,702.00	1,639	1,639						1,639		62	62	1	02/25/2013	1Z*
68402L-AE-4	ORACLE CORP		01/15/2011	MATURITY		250,000	250,000.00	249,160	249,991		8		8		250,000				6,250	01/15/2011	1FE
3899999	Total - Bonds - Industrial and Miscellaneous (Unaffiliated)				XXX	476,700	476,700.00	533,258	477,067	232	(1,264)		(1,032)		476,036		663	663	15,371	XXX	XXX
8399997	Total - Bonds - Part 4				XXX	942,304	942,304.00	1,013,424	943,084	232	(1,792)		(1,560)		941,523		780	780	20,540	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	942,304	942,304.00	1,013,424	943,084	232	(1,792)		(1,560)		941,523		780	780	20,540	XXX	XXX
9999999	Totals					942,304	XXX	1,013,424	943,084	232	(1,792)		(1,560)		941,523		780	780	20,540	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	GOLDMAN SACHS & CO.-REPO - U.S. Agency Mortgages	1	3,252	3,252	04/01/2011
000000-00-0	MIZUHO SECURITIES USA INC-REPO - U.S. Agency Mortgages	1	260	260	04/01/2011
000000-00-0	RBS SECURITIES INC-REPO - U.S. Agency Mortgages	1	8,989	8,989	05/05/2011
000000-00-0	SOCIETE GENERALE NY BRANCH-REPO - U.S. Agency Mortgages	1	1,733	1,733	04/01/2011
0199999 U.S. Government - Issuer Obligations			14,234	14,234	X X X
0599999 Subtotals – U.S. Governments			14,234	14,234	X X X
000000-00-0	AUSTRALIA NEW ZEALAND HONG KONG-Time Deposit	1	5,395	5,394	05/17/2011
000000-00-0	BANK OF TOKYO UFJ LTD GC-Time Deposit	1	3,596	3,596	04/01/2011
000000-00-0	BARCLAYS CAPITAL-REPO - A1P1 Money Markets	1	1,438	1,438	04/15/2011
000000-00-0	BARCLAYS CAPITAL-REPO - A1P1 Money Markets	1	59,330	59,331	04/29/2011
000000-00-0	BARCLAYS GUERNSEY-Time Deposit	1	8,991	8,989	05/23/2011
000000-00-0	DBS LONDON-Time Deposit	1	8,989	8,989	04/04/2011
000000-00-0	DBS LONDON-Time Deposit	1	3,237	3,236	05/17/2011
000000-00-0	ERSTE BANK OES-Time Deposit	1	8,989	8,989	04/04/2011
000000-00-0	FMS WERTMANAGEMENT-Time Deposit	1	10,789	10,787	05/12/2011
000000-00-0	KBC, BRUSSELS-Time Deposit	1	10,789	10,787	04/22/2011
000000-00-0	KBC, BRUSSELS-Time Deposit	1	7,192	7,192	04/25/2011
000000-00-0	ML PIERCE FENNER & SMITH INC-REPO - A1P1 Money Markets	1	7,911	7,911	04/18/2011
000000-00-0	NATIXIS FINANCIAL PRODUCTS LLC-Master Note - Floating	1	5,214	5,214	04/01/2011
000000-00-0	POHJOLA BANK HELSINKI-Time Deposit	1	8,992	8,989	06/10/2011
000000-00-0	SHIZUOKA BANK TOKYO-Time Deposit	1	10,790	10,787	05/25/2011
000000-00-0	UNITED OVERSEAS BANK LTD, LDN-Time Deposit	1	1,798	1,798	05/23/2011
000000-00-0	UNITED OVERSEAS BANK LTD, NY-Time Deposit	1	15,465	15,462	05/23/2011
05950Y-R1-4	BCO BIL VIZ ARGENTARIA-Commercial Paper	1	17,979	17,978	04/01/2011
22536G-DF-5	CIC NY-Yankee C/D - Fixed	1	25,175	25,170	05/23/2011
29603F-BT-2	ERSTE BANK DER OESTER GRAND CAYMAN-Yankee C/D - Fixed	1	8,989	8,992	04/01/2011
4611K1-RM-9	INTESA FUNDING LLC-Commercial Paper	1	15,460	15,457	04/21/2011
4611K1-RR-8	INTESA FUNDING LLC-Commercial Paper	1	7,190	7,189	04/25/2011
51489H-RB-3	HELEBA (Landesbank Hessen Thur Gir)-Commercial Paper	1	10,787	10,784	04/11/2011
60681P-9X-4	MITSUBISHI TRUST UFJ LDN-Eurodollar Zero Coupon CD	1	10,064	10,059	05/18/2011
60681P-B4-5	MIT UFJ TR NY-Yankee C/D - Fixed	1	8,990	8,989	06/08/2011
6385E1-ST-9	NATIONWIDE BUILDING-SOCIETY-Commercial Paper	1	8,986	8,985	05/27/2011
65602X-4Y-5	NORINCHUKIN BANK NY-Yankee C/D - Fixed	1	17,261	17,259	05/13/2011
6931M3-R5-0	PB FINANCE DELAWARE-Commercial Paper	1	7,191	7,179	04/05/2011
80280P-DK-0	SANTANDER CP SA UNIPERSONAL-Commercial Paper	1	11,506	11,502	04/07/2011
80280P-DL-8	SANTANDER CP SA UNIPERSONAL-Commercial Paper	1	8,989	8,986	04/15/2011
86560E-9Q-5	SUMITOMO TRUST & BANKING CO LDN-Eurodollar Zero Coupon CD	1	16,173	16,166	05/25/2011
8672E3-R7-3	SUNCORP METWAY LTD-Commercial Paper	1	8,989	8,988	04/07/2011
8672E3-S5-6	SUNCORP METWAY LTD-Commercial Paper	1	5,392	5,392	05/05/2011
G2344J-9Q-9	CLYDESDALE BANK PLC-Eurodollar Zero Coupon CD	1	12,583	12,573	04/21/2011
3299999 Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations			380,609	380,537	X X X
000000-00-0	BARCLAYS CAPITAL-REPO-Pri Lab CMO's	1	17,979	17,979	04/29/2011
000000-00-0	CITIGROUP GLOBAL MARKETS INC-REPO - AAA Asset Backed Securities	1	8,989	8,989	05/05/2011
000000-00-0	NOMURA SECURITIES-REPO - AAA Asset Backed Securities	2	8,989	8,989	04/01/2011
000000-00-0	RBS SECURITIES INC-REPO - AAA Asset Backed Securities	1	6,473	6,473	04/01/2011
000000-00-0	RBS SECURITIES INC-REPO - AAA Asset Backed Securities	1	17,979	17,979	05/05/2011
03663U-SP-1	ANTALIS US FUNDING CORP-Commercial Paper - Asset Backed	1	8,986	8,985	05/23/2011
03846W-R1-1	ARABELLA FINANCE LLC-Commercial Paper - Asset Backed	1	3,596	3,596	04/01/2011
03846W-R4-5	ARABELLA FINANCE LLC-Commercial Paper - Asset Backed	1	12,585	12,584	04/04/2011
27864K-R7-0	EBBETS FUNDING LLC-Commercial Paper - Asset Backed	1	1,438	1,438	04/07/2011
27864K-RC-9	EBBETS FUNDING LLC-Commercial Paper - Asset Backed	1	9,348	9,345	04/12/2011
76203M-RC-2	RHEIN-MAIN SECURITISATON LIMITED-Commercial Paper - Asset Backed	1	9,222	9,210	04/12/2011
80584U-RS-0	SCALDIS CAPITAL LLC-Commercial Paper - Asset Backed	1	3,595	3,595	04/26/2011
92512M-S6-7	VERSAILLES COMMERCIAL PAPER LLC-Commercial Paper - Asset Backed	1	8,987	8,984	05/06/2011
3599999 Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities			118,166	118,146	X X X
3899999 Subtotals – Industrial and Miscellaneous (Unaffiliated)			498,775	498,683	X X X
7799999 Totals – Issuer Obligations			394,843	394,771	X X X
8099999 Totals – Other Loan-Backed and Structured Securities			118,166	118,146	X X X
8399999 Total Bonds			513,009	512,917	X X X
9999999 Totals			513,009	512,917	X X X

General Interrogatory:

1. Total activity for the year to date — Fair Value $ (552,902) — Book/Adjusted Carrying Value $ (552,836)
2. Average balance for the year to date — Fair Value $ 2,076,274 — Book/Adjusted Carrying Value $ 2,088,043
3. Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation:
   NAIC 1 $ 503,928; NAIC 2 $ 8,989; NAIC 3 $ 0; NAIC 4 $ 0; NAIC 5 $ 0; NAIC 6 $ 0.

NONE Schedule DL - Part 2

NONE Schedule E - Part 1

NONE Schedule E - Part 2

2nd Quarter

Statement

QUARTERLY STATEMENT

OF THE

SAFECO SURPLUS LINES INSURANCE COMPANY

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

11100201120100102

QUARTERLY STATEMENT

AS OF JUNE 30, 2011

OF THE CONDITION AND AFFAIRS OF THE

Safeco Surplus Lines Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 11100 Employer's ID Number 91-1231536

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

Country of Domicile United States of America

Incorporated/Organized: August 26, 1983 Commenced Business: January 1, 1984

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

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	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	30,797,814		30,797,814	31,000,423
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
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 ($ 1,840,490)	1,840,490		1,840,490	1,304,491
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Securities lending reinvested collateral assets	1,601,500		1,601,500	1,065,753
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	34,239,804		34,239,804	33,370,667
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	271,523		271,523	284,196
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	58,987		58,987	36,100
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	93,377		93,377	
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
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	3,038		3,038	145,077
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	34,666,729		34,666,729	33,836,040
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	34,666,729		34,666,729	33,836,040

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.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)				

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 0)		
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1. Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		282,770
7.2. Net deferred tax liability	39,806	19,600
8. Borrowed money $ 0 and interest thereon $ 0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 0 and including warranty reserves of $ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1. Stockholders		
11.2. Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	(368)	(24,838)
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
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		
19. Payable to parent, subsidiaries and affiliates	78,577	76,607
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	1,601,500	1,065,753
23. Liability for amounts held under uninsured plans		
24. Capital notes $ 0 and interest thereon $ 0		
25. Aggregate write-ins for liabilities		
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	1,719,515	1,419,892
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	1,719,515	1,419,892
29. Aggregate write-ins for special surplus funds		
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	5,650,000	5,650,000
35. Unassigned funds (surplus)	22,297,214	21,766,148
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)	32,947,214	32,416,148
38. Totals (Page 2, Line 28, Col. 3)	34,666,729	33,836,040

DETAILS OF WRITE-IN LINES		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
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 $ (11,053))	(11,053)	(100,945)	(143,550)
1.2 Assumed (written $ 0)			
1.3 Ceded (written $ (11,053))	(11,053)	(100,945)	(143,550)
1.4 Net (written $ 0)			
DEDUCTIONS:			
2. Losses incurred (current accident year $ 0):			
2.1 Direct	(95,944)	108,857	292,023
2.2 Assumed			
2.3 Ceded	(95,944)	108,857	292,023
2.4 Net			
3. Loss adjustment expenses incurred			
4. Other underwriting expenses incurred			
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)			
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)			
INVESTMENT INCOME			
9. Net investment income earned	520,786	597,584	1,136,321
10. Net realized capital gains (losses) less capital gains tax of $ 12,534	23,277	99,274	70,498
11. Net investment gain (loss) (Lines 9 + 10)	544,063	696,858	1,206,819
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 0 amount charged off $ 0)			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)			
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	544,063	696,858	1,206,819
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	544,063	696,858	1,206,819
19. Federal and foreign income taxes incurred	(35,299)	142,880	224,490
20. Net income (Line 18 minus Line 19) (to Line 22)	579,362	553,978	982,329
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	32,416,148	31,444,848	31,444,848
22. Net income (from Line 20)	579,362	553,978	982,329
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ (9,831)	(18,258)		(1,026)
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	(30,038)	(4,025)	(10,003)
27. Change in nonadmitted assets			
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			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus			
38. Change in surplus as regards policyholders (Lines 22 through 37)	531,066	549,953	971,300
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	32,947,214	31,994,801	32,416,148

DETAILS OF WRITE-IN LINES			
0501.			
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)			
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
3701.			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)			

CASH FLOW

Cash from Operations	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums collected net of reinsurance	24,470	(3,873)	(23,311)
2. Net investment income	580,471	641,955	1,289,721
3. Miscellaneous income			
4. Total (Lines 1 to 3)	604,941	638,082	1,266,410
5. Benefit and loss related payments	22,887	(159,303)	(120,865)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions			
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	353,383	145,425	148,152
10. Total (Lines 5 through 9)	376,270	(13,878)	27,287
11. Net cash from operations (Line 4 minus Line 10)	228,671	651,960	1,239,123
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	1,660,511	7,844,157	11,764,313
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets	1,578,670		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds			
12.8 Total investment proceeds (Lines 12.1 to 12.7)	3,239,181	7,844,157	11,764,313
13. Cost of investments acquired (long-term only):			
13.1 Bonds	1,497,193	9,681,743	14,348,517
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets	2,114,416		1,065,753
13.6 Miscellaneous applications		(2,375)	
13.7 Total investments acquired (Lines 13.1 to 13.6)	3,611,609	9,679,368	15,414,270
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)	(372,428)	(1,835,211)	(3,649,957)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	679,756	(917,658)	(98,460)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	679,756	(917,658)	(98,460)
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)	535,999	(2,100,909)	(2,509,294)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	1,304,491	3,813,785	3,813,785
19.2 End of period (Line 18 plus Line 19.1)	1,840,490	1,712,876	1,304,491

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

20.0001			
20.0002			
20.0003			

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Safeco Surplus Lines Insurance Company (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	30,048	26,283	3,765	26,283	26,322	3/31/2009
59023XAB2	19,925	17,294	2,631	17,294	13,767	12/31/2009
59023XAB2	13,180	12,867	313	12,867	10,067	3/31/2010
61749BAB9	31,359	29,787	1,572	29,787	19,120	12/31/2009
61749BAB9	26,200	25,969	231	25,969	21,187	3/31/2010
61749BAB9	21,149	21,047	102	21,047	19,556	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		(4,447)
Fair Value of Securities with Unrealized Losses		23,300

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.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

No change.

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:

NOTES TO FINANCIAL STATEMENTS

- 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.

- 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				
Issuer Obligations	$ 0	$ 321,412	$ 0	$ 321,412
Commercial Mortgage-Backed Securities	$ 0	$ 7,096	$ 0	$ 7,096
Total Bonds	$ 0	$ 328,508	$ 0	$ 328,508
Preferred Stocks	$ 0	$ 0	$ 0	$ 0
Common Stocks	$ 0	$ 0	$ 0	$ 0
Total assets at fair value	$ 0	$ 328,508	$ 0	$ 328,508
Liabilities at fair value	-	-	-	-
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 Company has no assets or liabilities measured at fair value in the Level 3 category.

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.

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.

NOTES TO FINANCIAL STATEMENTS

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

Note 21 - Other Items

No change.

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

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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? If yes, attach an explanation. Yes [ ] No [X] N/A [ ]

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? If yes, attach an explanation. Yes [ ] No [X]

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			
			4	5	6	7	8	9	10	11
Line of Business	Maximum Interest	Discount Rate	Unpaid Losses	Unpaid LAE	IBNR	TOTAL	Unpaid Losses	Unpaid LAE	IBNR	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

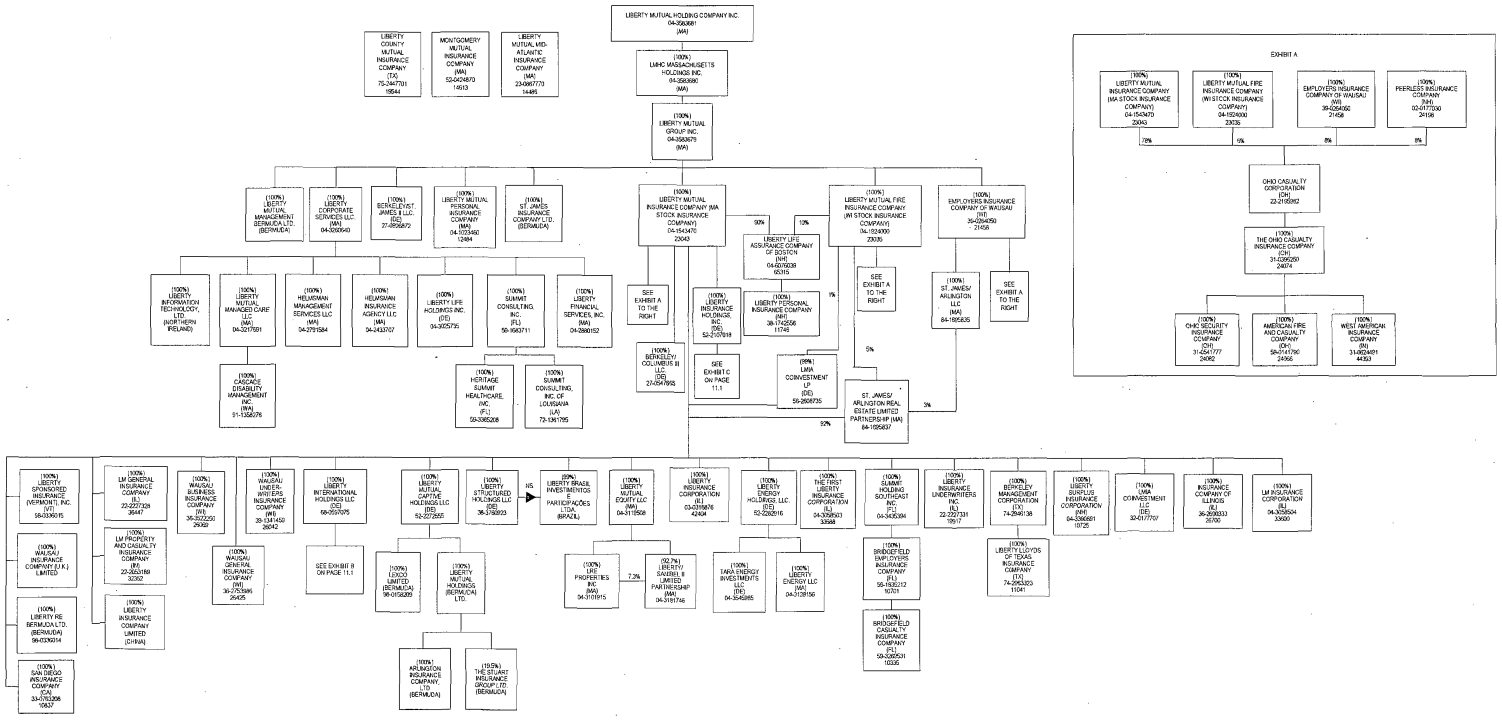
States, Etc.		1 Active Status	Direct Premiums Written 2 Current Year to Date	3 Prior Year to Date	Direct Losses Paid (Deducting Salvage) 4 Current Year to Date	5 Prior Year to Date	Direct Losses Unpaid 6 Current Year to Date	7 Prior Year to Date
1. Alabama	AL	E						30,137
2. Alaska	AK	E						
3. Arizona	AZ	E						732,128
4. Arkansas	AR	E						
5. California	CA	E			(1,425)		471,107	491,949
6. Colorado	CO	E						
7. Connecticut	CT	E						1,734
8. Delaware	DE	E						
9. District of Columbia	DC	E						
10. Florida	FL	E	(2,169)	(82,432)	153,026	70,864	1,645,049	1,707,594
11. Georgia	GA	E				45,000	946,171	1,033,755
12. Hawaii	HI	E						
13. Idaho	ID	E						
14. Illinois	IL	E						5,944
15. Indiana	IN	E						1,680
16. Iowa	IA	E						
17. Kansas	KS	E						
18. Kentucky	KY	E				9,820		10,470
19. Louisiana	LA	E				19,932	11,000	54,181
20. Maine	ME	E						
21. Maryland	MD	E						
22. Massachusetts	MA	E						
23. Michigan	MI	E					95,000	95,000
24. Minnesota	MN	E				310,969	281,271	281,271
25. Mississippi	MS	E						
26. Missouri	MO	E					91,508	91,508
27. Montana	MT	E						
28. Nebraska	NE	E						
29. Nevada	NV	E						1,873
30. New Hampshire	NH	N						
31. New Jersey	NJ	E					21,500	20,972
32. New Mexico	NM	E					58,000	58,000
33. New York	NY	E					304,450	320,226
34. North Carolina	NC	E					210,000	212,423
35. North Dakota	ND	E						
36. Ohio	OH	E						
37. Oklahoma	OK	E						
38. Oregon	OR	E						6,050
39. Pennsylvania	PA	E						
40. Rhode Island	RI	E						
41. South Carolina	SC	E						
42. South Dakota	SD	E						
43. Tennessee	TN	E						27,568
44. Texas	TX	E	(8,885)	(18,563)	36,527	150,275	200,200	195,421
45. Utah	UT	E						
46. Vermont	VT	E						
47. Virginia	VA	E					286,848	289,619
48. Washington	WA	L						
49. West Virginia	WV	N						2,304
50. Wisconsin	WI	E			15,750			1,517
51. Wyoming	WY	E						
52. American Samoa	AS	N						
53. Guam	GU	N						
54. Puerto Rico	PR	E						
55. U.S. Virgin Islands	VI	E						
56. Northern Mariana Islands	MP	N						
57. Canada	CN	N						
58. Aggregate Other Alien	OT	XXX						
59. Totals		(a) 1	(11,054)	(100,995)	203,878	606,860	4,622,104	5,673,324

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.

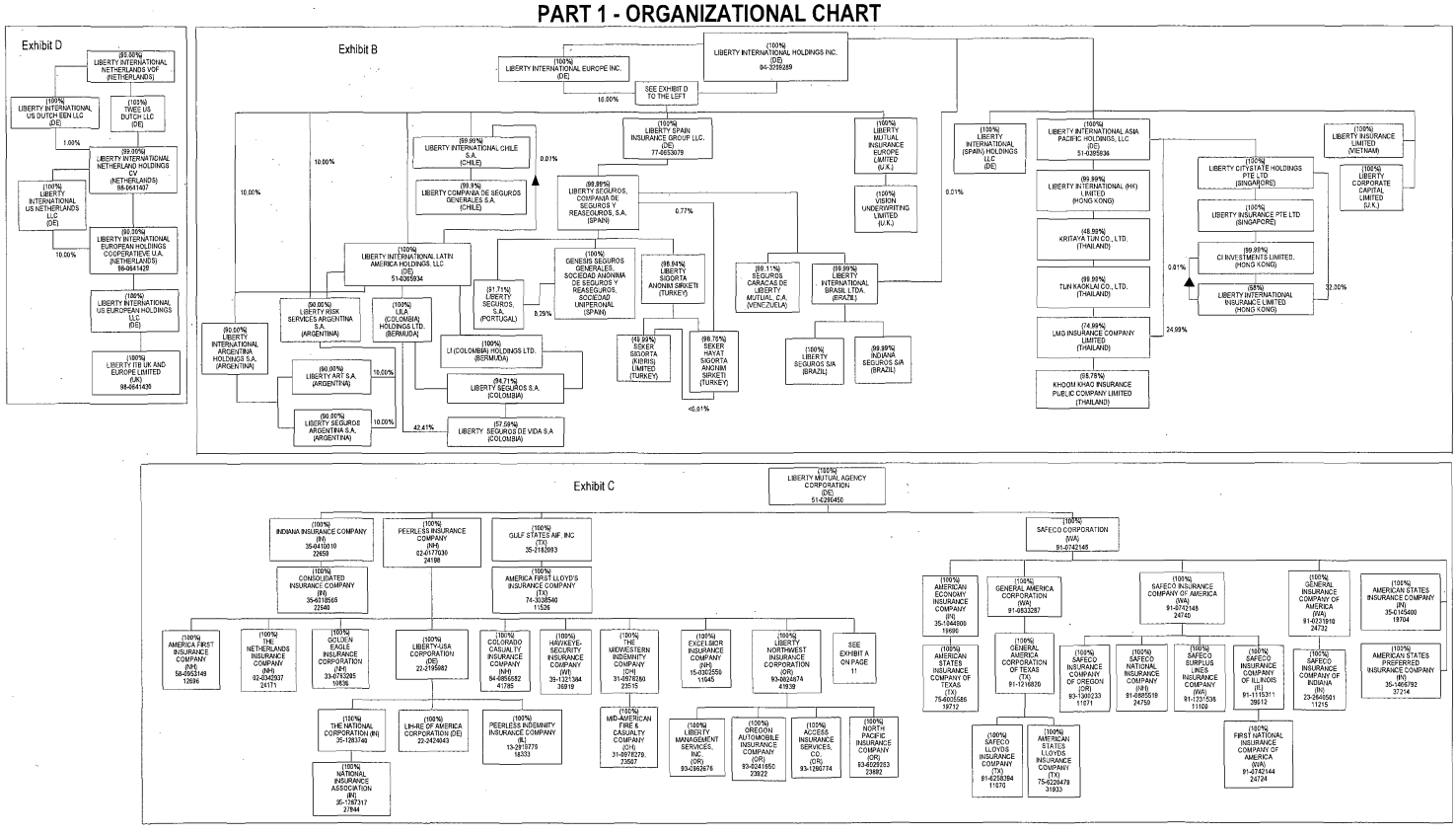
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

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				
2. Allied lines	(11,053)	218,149	-1973.7	2.0
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril		(20)		
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation		(243)		
17.1 Other liability-occurrence		(218,778)		
17.2 Other liability-claims made		(95,052)		
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence				
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability				
19.3, 19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. 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	(11,053)	(95,944)	868.0	-107.8

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			
2. Allied lines	(8,858)	(11,053)	(100,992)
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine			
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability-occurrence			
17.2 Other liability-claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence			
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability			
19.3, 19.4 Commercial auto liability			
21. Auto physical damage			
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. 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	(8,858)	(11,053)	(100,992)

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													
2. 2009													
3. Subtotals 2009 + prior													
4. 2010													
5. Subtotals 2010 + prior													
6. 2011	XXX	XXX	XXX	XXX			XXX				XXX	XXX	XXX
7. Totals													

NONE

8. *Prior Year-End Surplus As Regards Policyholders* 32,416

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.	2.	3.

Col. 13, Line 7 / Line 8

4.

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:

11100201149000020

11100201145500020

11100201136500020

OVERFLOW PAGE FOR WRITE-INS

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	31,000,423	28,430,602
2. Cost of bonds and stocks acquired	1,497,193	14,348,517
3. Accrual of discount	44,073	28,041
4. Unrealized valuation increase (decrease)	(28,090)	(1,579)
5. Total gain (loss) on disposals	35,811	163,957
6. Deduct consideration for bonds and stocks disposed of	1,660,511	11,764,313
7. Deduct amortization of premium	91,085	149,303
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		55,499
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	30,797,814	31,000,423
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	30,797,814	31,000,423

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)	31,922,494	2,161,272	2,185,427	3,554	31,922,494	31,901,893		31,534,858
2. Class 2 (a)	763,290			(348,290)	763,290	415,000		763,290
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)	6,865		6,767	321,313	6,865	321,411		6,766
7. Total Bonds	32,692,649	2,161,272	2,192,194	(23,423)	32,692,649	32,638,304		32,304,914
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	32,692,649	2,161,272	2,192,194	(23,423)	32,692,649	32,638,304		32,304,914

(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 $ 1,840,490; 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	1,840,490	X X X	1,840,490	291	

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	1,304,491	2,891,271
2. Cost of short-term investments acquired	4,347,026	20,340,793
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	3,811,027	21,927,573
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)	1,840,490	1,304,491
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	1,840,490	1,304,491

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		258,257
2. Cost of cash equivalents acquired		367,888
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals		626,145
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

NONE Schedule D - Part 3

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)
690353-ML-8	OVERSEAS PRIVATE INVEST - GTD		04/15/2011	SINKING FUND REDE		9,600	9,600.00	9,299	9,566		34		34		9,600				180	04/15/2015	1
0599999	Total - Bonds - U.S. Governments				XXX	9,600	9,600.00	9,299	9,566		34		34		9,600				180	XXX	XXX
866407-C2-3	SUMNER CNTY		06/01/2011	MATURITY		335,000	335,000.00	351,026	336,967		(1,967)		(1,967)		335,000				8,375	06/01/2011	1FE
2499999	U.S. Total - Bonds - Political Subdivisions of States, Territories and Possessions				XXX	335,000	335,000.00	351,026	336,967		(1,967)		(1,967)		335,000				8,375	XXX	XXX
31412R-BB-2	FN 932534		06/01/2011	MBS PAYMENT		255,560	255,560.00	265,563	257,520		(1,960)		(1,960)		255,560				4,407	10/01/2019	1
31393U-GD-9	FNR 2003-119 XK		06/01/2011	MBS PAYMENT		15,164	15,164.00	15,588	15,177		(13)		(13)		15,164				284	10/01/2011	1
474656-SE-6	JEFFERSON SFM-RF-A		06/01/2011	DIRECT		50,000	50,000.00	52,375	51,566		(88)		(88)		51,478		(1,478)	(1,478)	1,388	06/01/2036	1FE
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl				XXX	320,724	320,724.00	333,526	324,263		(2,061)		(2,061)		322,202		(1,478)	(1,478)	6,079	XXX	XXX
00075W-AB-5	ABFC_06-HE1		06/25/2011	MBS PAYMENT		1,501	1,501.00	1,501	1,501						1,501				2	07/25/2011	1Z*
15132E-GM-4	CDMC_03-9		06/01/2011	VARIOUS		5,525	5,525.00	5,247	5,403		14		14		5,417		108	108	106	08/01/2012	1Z*
362341-D6-3	GSAA_05-15		04/25/2011	MBS PAYMENT		195	195.00	195	195						195					04/25/2011	1Z*
52517P-Q5-3	LEHMAN BROTHERS HOLDINGS INC		04/25/2011	BANK OF AMERICA		28,484	114,509.00										28,484	28,484		12/23/2018	6FE
52517P-W3-1	LEHMAN BROTHERS HOLDINGS INC		04/28/2011	VARIOUS		14,528	57,254.00	5,582	6,766		99		99		6,866		7,662	7,662		03/23/2019	6Z
55275R-AB-8	MABS_06-NC3		06/25/2011	MBS PAYMENT		456	456.00	456	456						456				1	07/25/2011	1Z*
59023X-AB-2	MLMI_06-HE6		06/25/2011	VARIOUS		829	829.00	626	530	97			97		626		202	202	1	02/27/2012	1Z*
61749B-AB-9	MSAC_06-NC5		06/25/2011	MBS PAYMENT		1,366	1,365.00	1,317	1,315						1,314		53	53	2	10/25/2012	1Z*
3899999	Total - Bonds - Industrial and Miscellaneous (Unaffiliated)				XXX	52,884	181,634.00	14,924	16,166	97	113		210		16,375		36,509	36,509	112	XXX	XXX
8399997	Total - Bonds - Part 4				XXX	718,208	846,958.00	708,775	686,962	97	(3,881)		(3,784)		683,177		35,031	35,031	14,746	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	718,208	846,958.00	708,775	686,962	97	(3,881)		(3,784)		683,177		35,031	35,031	14,746	XXX	XXX
9999999	Totals					718,208	XXX	708,775	686,962	97	(3,881)		(3,784)		683,177		35,031	35,031	14,746	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	26,271	26,271	07/01/2011
000000-00-0	BANK OF TOKYO UFJ LTD GC - Time Deposit	1	34,677	34,677	07/01/2011
000000-00-0	BARCLAYS CAPITAL - REPO - A1P1 Money Markets	1	173,386	173,388	07/29/2011
000000-00-0	COMMERZBANK AG FRANKFURT - Time Deposit	1	34,678	34,677	07/20/2011
000000-00-0	COMMERZBANK AG FRANKFURT - Time Deposit	1	13,661	13,661	07/27/2011
000000-00-0	CREDIT AGRICOLE CIB, CAYMAN - Time Deposit	1	47,287	47,287	07/01/2011
000000-00-0	KBC, BRUSSELS - Time Deposit	1	42,035	42,033	07/14/2011
000000-00-0	KBC, BRUSSELS - Time Deposit	1	17,865	17,864	07/27/2011
000000-00-0	NATIXIS FINANCIAL PRODUCTS LLC - Master Note - Floating	1	15,237	15,237	07/01/2011
000000-00-0	RABOBANK NETHERLANDS - Time Deposit	1	14,380	14,380	07/01/2011
000000-00-0	RBC CAPITAL MKS - REPO - AA Corporate Bonds	1	26,271	26,271	08/04/2011
000000-00-0	SUMITOMO MITSUI BANK CORP BRUS - Time Deposit	1	36,779	36,779	07/06/2011
05576V-UB-8	BTM CAPITAL CORP - Commercial Paper	1	42,031	42,024	07/11/2011
2363F7-UB-2	DANSKE CORP - Commercial Paper	1	73,555	73,535	07/11/2011
29603F-DN-3	ERSTE BANK NEW YORK - Yankee C/D - Fixed	1	10,506	10,508	08/02/2011
2960E3-UJ-8	ERSTE FINANCE DELAWARE LLC - Commercial Paper	1	52,538	52,532	07/18/2011
4611K1-UE-3	INTESA FUNDING LLC - Commercial Paper	1	36,776	36,740	07/14/2011
51488H-2S-4	LANDESBANK HESSEN THUR NY - Yankee C/D - Fixed	1	31,526	31,525	07/27/2011
65602Q-DT-1	NORINCHUKIN BANK NY - Yankee C/D - Fixed	1	47,288	47,287	07/11/2011
6931M3-U1-5	PB FINANCE DELAWARE - Commercial Paper	1	24,169	24,136	07/01/2011
80280P-JB-4	SANTANDER CP SA UNIPERSONAL - Commercial Paper	1	36,776	36,767	07/08/2011
80280P-JC-2	SANTANDER CP SA UNIPERSONAL - Commercial Paper	1	26,269	26,262	07/08/2011
85324U-UB-7	STANDARD CHARTERED CP - Commercial Paper	1	57,268	57,261	07/11/2011
86562W-MH-8	SUMITOMO MITSUI BANKING CORP NY - Yankee C/D - Fixed	1	52,541	52,541	07/11/2011
8672E3-UE-4	SUNCORP METWAY LTD - Commercial Paper	1	38,878	38,874	07/14/2011
3299999	Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations		1,012,648	1,012,517	XXX
000000-00-0	BARCLAYS CAPITAL - REPO-PRI LAB CMO'S	1	52,541	52,541	07/29/2011
000000-00-0	CITIGROUP GLOBAL MARKETS INC - REPO - AAA Asset Backed Securities	1	52,541	52,541	08/04/2011
000000-00-0	NOMURA SECURITIES - REPO - U.S. Agency Mortgages	2	99,337	99,337	07/01/2011
000000-00-0	PERSHING LLC - REPO - U.S. Agency Mortgages	1	26,271	26,271	07/01/2011
03663U-V9-3	ANTALIS US FUNDING CORP - Commercial Paper - Asset Backed	1	52,530	52,521	08/09/2011
03846W-U1-7	ARABELLA FINANCE LLC - Commercial Paper - Asset Backed	1	52,541	52,539	07/01/2011
08037M-U5-8	BELMONT FUNDING LLC - Commercial Paper - Asset Backed	1	52,540	52,526	07/05/2011
1373X3-US-4	CANCARA ASSET SECURITISATION LLC - Commercial Paper - Asset Backed	1	47,281	47,258	07/26/2011
76203M-UB-0	RHEIN-MAIN SECURITISATON LIMITED - Commercial Paper - Asset Backed	1	21,158	21,134	07/11/2011
76203M-W6-9	RHEIN-MAIN SECURITISATON LIMITED - Commercial Paper - Asset Backed	1	26,260	26,244	09/06/2011
76205M-U8-5	RHEINGOLD SECURITIZATION - Commercial Paper - Asset Backed	1	27,321	27,319	07/08/2011
76205M-W6-7	RHEINGOLD SECURITIZATION - Commercial Paper - Asset Backed	1	52,520	52,485	09/06/2011
80584U-U7-2	SCALDIS CAPITAL LLC - Commercial Paper - Asset Backed	1	26,270	26,267	07/07/2011
3599999	Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities		589,111	588,983	XXX
3899999	Subtotals – Industrial and Miscellaneous (Unaffiliated)		1,601,759	1,601,500	XXX
7799999	Totals – Issuer Obligations		1,012,648	1,012,517	XXX
8099999	Totals – Other Loan-Backed and Structured Securities		589,111	588,983	XXX
8399999	Total Bonds		1,601,759	1,601,500	XXX
9999999	Totals		1,601,759	1,601,500	XXX

General Interrogatory:

1. Total activity for the year to date — Fair Value $ 535,848 — Book/Adjusted Carrying Value $ 535,747
2. Average balance for the year to date — Fair Value $ 2,372,203 — Book/Adjusted Carrying Value $ 2,383,694
3. Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation:

NAIC 1 $ 1,502,163; NAIC 2 $ 99,337; NAIC 3 $ 0; NAIC 4 $ 0; NAIC 5 $ 0; NAIC 6 $ 0.

NONE Schedule DL - Part 2

NONE Schedule E - Part 1

NONE Schedule E - Part 2

11100201150500102

DIRECTOR AND OFFICER SUPPLEMENT

Year To Date For The Period Ended 2011

NAIC Group Code 0111 NAIC Company Code 11100

Company Name Safeco Surplus Lines Insurance Company

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. $_____

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 I29.and 129.5. The purpose of the audit pursuant to Section I29(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 Profile Audit Review conducted pursuant to Labor Code Section I29(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.I(c)(1), from your claim logs for the years 2006 through 2008. The Audit Unit reviewed fifty-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 ofreimbIJrsements to the worker • Complete and accurate Notice of Closure Summary (FonII 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. 11-157
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
SAFECO SURPLUS LINES	)	AND ORDER ADOPTING REPORT
INSURANCE COMPANY	)	OF FINANCIAL EXAMINATION

A Domestic Insurer.

BACKGROUND

An examination of the financial condition of **SAFECO SURPLUS LINES INSURANCE COMPANY** (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 **SAFECO SURPLUS LINES INSURANCE COMPANY** 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 48.13.030(1) by nonadmitting single issuer investments, other than investments backed fully by the United States (U.S.) government and any state of the U.S., in excess of the four percent limitation. Instruction 1, Examination Report, page 2.

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, Chief Financial Officer and Treasurer

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
OF
SAFECO SURPLUS LINES INSURANCE COMPANY
SEATTLE, WASHINGTON

NAIC CODE 11100
December 31, 2009

Participating States:
Washington
Indiana
Illinois

Safeco Surplus Lines Insurance Company
Order No. 11-157
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

Safeco Surplus Lines Insurance Company
of
Seattle, Washington

hereinafter referred to as "SSLIC," or the "Company" at the home office of the Liberty Mutual group of companies (Liberty Mutual) located at 175 Berkeley Street, Boston, Massachusetts 02116. This report is respectfully submitted showing the financial condition and related corporate matters of SSLIC as of December 31, 2009.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Safeco Surplus Lines Insurance Company of Seattle, Washington. This report shows the financial condition and related corporate matters as of December 31, 2009.

Patrick H. McNaughton
Chief Examiner

6-21-2011
Date

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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 Investment Limitations in One Entity**

   RCW 48.13.030(1) limits the investment in any one entity to four percent of the insurer's total admitted assets. The December 31, 2009 balance for the Company's investments in JPMorgan Chase bonds and short-term investments of $1,930,166 exceeded the admitted asset limitation of the statute by $621,459. No examination adjustment was necessary due to immateriality.

   The Company is instructed to comply with RCW 48.13.030(1) by nonadmitting single issuer investments, other than investments backed fully by the United States (U.S.) government and any state of the U.S., in excess of the four percent limitation.

COMMENTS AND RECOMMENDATIONS

None

COMPANY PROFILE

Company History
The Company was incorporated on August 26, 1983 under the laws of the state of Washington and began active operations in January 1984. The Company is authorized to write property, inland marine, general casualty, vehicle, disability, surety, and ocean marine insurance.

As of December 31, 2009, SSLIC was a wholly-owned subsidiary of Safeco Insurance Company of America (SICA). On September 22, 2008, all of the outstanding and issued common stock shares of SICA's parent, 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 $31,444,848.

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
SSLIC is licensed only in the state of Washington and is qualified as a surplus lines carrier in all states except New Hampshire and West Virginia. The Company is also a qualified carrier in the U.S. Virgin Islands and Puerto Rico.

In 2009, the Company wrote allied lines, and business in Florida and Texas accounted for more than 99 percent of the Company's direct written premiums. Under an intercompany reinsurance pooling agreement, the direct business written by the Company was ceded 100 percent to an affiliate, Peerless Insurance Company (PIC). The Company is not actively writing new business.

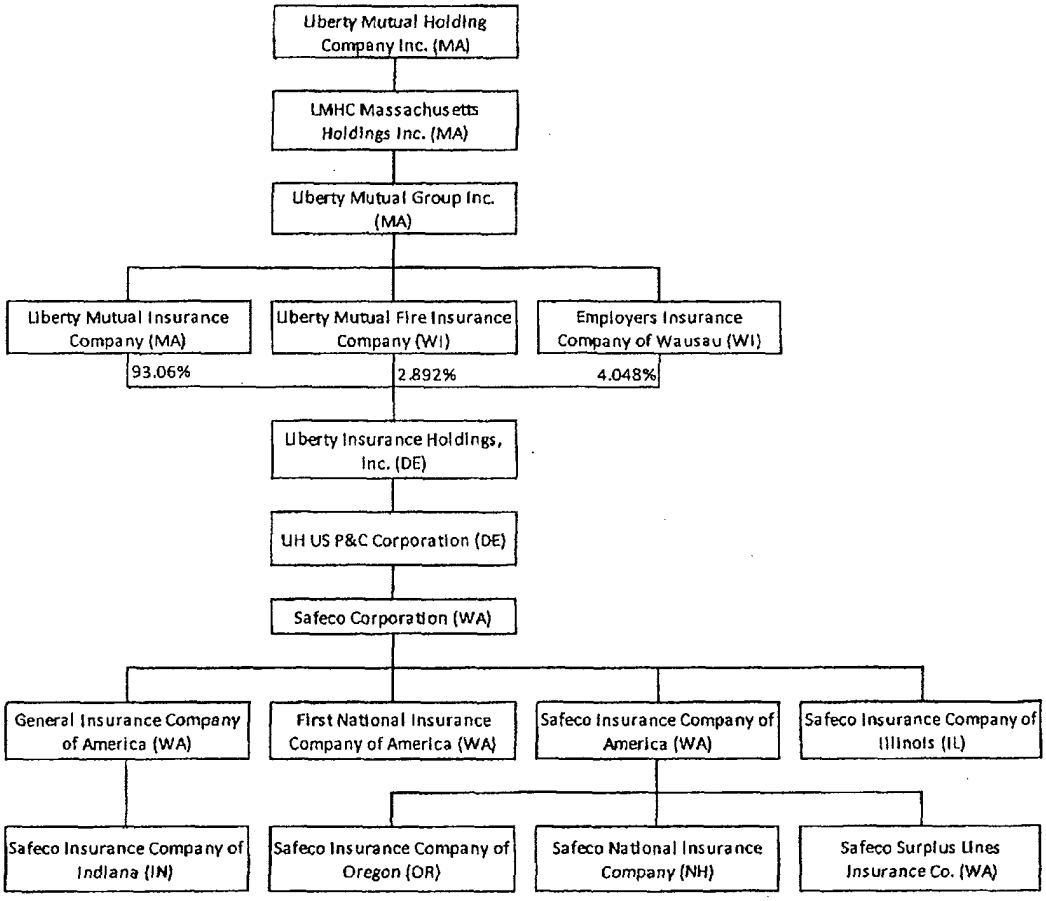
Growth of Company
The following reflects the growth of the Company as reported in its filed NAIC Annual Statements for the four year period under examination:

Year	Admitted Assets	Liabilities	Capital & Surplus
2009	$32,717,685	$1,272,837	$31,444,848
2008	31,479,224	1,079,787	30,399,437
2007	38,273,088	9,391,039	28,882,049
2006	35,190,895	7,134,879	28,056,016

Year	Premium Earned	Net Underwriting Gain (Loss)	Net Investment Gain (Loss)	Net Income
2009	$0	$0	$1,243,371	$954,523
2008	0	0	1,428,938	1,156,532
2007	0	0	1,556,769	1,243,634
2006	0	0	1,399,687	1,081,525

Affiliated Companies

The following is an abbreviated organization chart as of December 31, 2009:



SSLIC is a wholly-owned subsidiary of SICA, an insurance company incorporated under the laws of the state of Washington. SICA 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

The Company is a member of the Peerless Insurance Company Pool (Peerless Pool), and in accordance with the Peerless Pool's intercompany Amended and Restated Reinsurance Pooling Agreement led by PIC, SSLIC cedes 100 percent of its business to PIC, and SSLIC receives no retroceding business from PIC.

Because SSLIC receives no retroceding percentage from the Peerless Pool, the reserves carried by the Company for unpaid losses and loss adjustment expense reserves were $0 and $0, 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 Pool, which includes SSLIC, and concluded that the reserves for the insurance companies in the Peerless Pool are 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

Due to its participation in the Peerless Pool, which was described in the Unpaid Losses and Loss Adjustment Expenses report section, SSLIC reported no net premiums or losses in its 2009 NAIC Annual Statement. As of December 31, 2009, the Company had $156,965 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
Arkansas	Bond	$ 252,712	$ 275,078
Connecticut	Bond	100,646	107,906
Louisiana	Bond	172,250	194,321
Massachusetts	Bond	848,950	971,537
New Hampshire	Bond	561,690	673,475
New Mexico	Bond	229,667	259,094
New York	Bond	3,165,478	3,437,212
Oklahoma	Bond	150,000	163,851
Washington	Bond	2,905,335	3,150,188
Total		**$8,386,728**	**$9,232,662**

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.

SUBSEQUENT EVENTS

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 Safeco Surplus Lines Insurance Company as of December 31, 2009:

Assets, Liabilities, Surplus and Other Funds
Statement of Income and Capital and Surplus Account
Four Year Reconciliation of Surplus

Safeco Surplus Lines Insurance Company
Assets, Liabilities, Surplus and Other Funds
December 31, 2009

	Balance Per Company	Examination Adjustments	Balance Per Examination
Assets			
Bonds	$28,430,602	$0	$28,430,602
Cash, cash equivalents, and short-term investments	3,813,785		3,813,785
Subtotals, cash and invested assets	**32,244,387**	**0**	**32,244,387**
Investment income due and accrued	316,333		316,333
Amounts recoverable from reinsurers	156,965		156,965
Total Assets	**$32,717,685**	**$0**	**$32,717,685**
Liabilities, Surplus and Other Funds			
Losses	$0	$0	$0
Current federal and foreign income taxes	168,472		168,472
Net deferred tax liability	10,150		10,150
Ceded reinsurance premiums payable	(1,527)		(1,527)
Payable to parent, subsidiaries and affiliates	159,379		159,379
Aggregate write-ins for liabilities	936,363		936,363
Total Liabilities	**1,272,837**	**0**	**1,272,837**
Common capital stock	5,000,000		5,000,000
Gross paid in and contributed surplus	5,650,000		5,650,000
Unassigned funds (surplus)	20,794,848		20,794,848
Surplus as regards policyholders	**31,444,848**	**0**	**31,444,848**
Total Liabilities, Surplus and Other Funds	**$32,717,685**	**$0**	**$32,717,685**

Safeco Surplus Lines Insurance Company
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	$0	$0	$0
Deductions			
Losses incurred			
Loss adjustment expenses incurred			
Other underwriting expenses incurred			
Total underwriting deductions	0	0	0
Net underwriting gain or (loss)	0	0	0
Investment Income			
Net investment income earned	1,266,209		1,266,209
Net realized capital gains or (losses)	(22,838)		(22,838)
Net investment gain or (loss)	1,243,371	0	1,243,371
Other Income			
Net gain or (loss) from agents' or premium balances charged off			
Finance and service charges not included in premiums			
Aggregate write-ins for miscellaneous income			
Total other income	0	0	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,243,371		1,243,371
Federal and foreign income taxes incurred	288,848		288,848
Net income	$954,523	$0	$954,523
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year	$30,399,437	$0	$30,399,437
Gains and (losses) in surplus			
Net income	954,523		954,523
Change in net unrealized capital gains or (losses)	51,735		51,735
Change in net deferred income tax	39,153		39,153
Change in surplus as regards policyholders for the year	1,045,411	0	1,045,411
Surplus as regards policyholders, December 31 current year	$31,444,848	$0	$31,444,848

Safeco Surplus Lines Insurance Company
Four Year Reconciliation of Surplus
For the Years Ended December 31,

	2009	2008	2007	2006
Capital and Surplus, December 31, previous year	$30,399,437	$28,882,049	$28,056,016	$26,883,834
Net income or (loss)	954,523	1,156,532	1,243,634	1,081,525
Change in net unrealized capital gains or (losses)	51,735	(46,889)	(4,846)	
Change in net deferred income tax	39,153	(161,216)	156,206	(59,343)
Change in nonadmitted assets		568,961	(568,961)	150,000
Change in surplus as regards policyholders for the year	1,045,411	1,517,388	826,033	1,172,182
Capital and Surplus, December 31, current year	$31,444,848	$30,399,437	$28,882,049	$28,056,016

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 Safeco Surplus Lines Insurance Company 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.

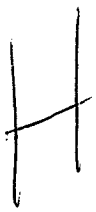
He attests that the examination of Safeco Surplus Lines Insurance Company was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners.

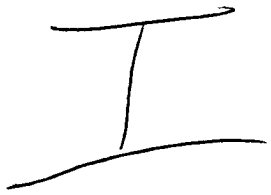
Tarik Subbagh, CPA, CFE
Property and Casualty Field Supervising Examiner
State of Washington

Subscribed and sworn to before me this 21st day of June, 2011.

Notary Public in and for the
State of Washington

COLLEEN JANSEN
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
5-17-12





UNITED STATES OF AMERICA

The State of Washington

Secretary of State

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

certificate that the attached is a true and correct copy of

ARTICLES OF INCORPORATION

of

SAFECO SURPLUS LINES INSURANCE COMPANY

as filed in this office on August 26, 1983.

Date: July 15, 2011

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

Sam Reed

Sam Reed, Secretary of State

APP

STATE of WASHINGTON SECRETARY of STATE

I, **Ralph Munro,** Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF INCORPORATION

to

SAFECO SURPLUS LINES INSURANCE COMPANY

a Washington Insurance corporation. Articles of Incorporation were filed for record in this office on the date indicated below.

Corporation Number: 2-335266-9 Date: August 26, 1983

Given under my hand and the seal of the State of Washington, at Olympia, the State Capitol.

Ralph Munro, Secretary of State

1696
138-141

SSF 57

FILED
AUG 26 1983
SECRETARY OF STATE

ARTICLES OF INCORPORATION

OF

SAFECO SURPLUS LINES INSURANCE COMPANY

FILED
IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON
AUG 26 1982
RICHARD G. MARQUARDT
INSURANCE COMMISSIONER

BE IT KNOWN that the undersigned

S. Fred Bruhn
J. W. Cannon
W. D. Hammersla
C. Bruce Maines
R. M. Trafton

have associated themselves together and do hereby associate themselves together for the purpose of forming a corporation under the laws of the state of Washington, and do declare as follows:

I.

The names and addresses of the incorporators are:

NAME	ADDRESS
S. Fred Bruhn	Seattle, Washington
J. W. Cannon	Seattle, Washington
W. D. Hammersla	Seattle, Washington
C. Bruce Maines	Seattle, Washington
R. M. Trafton	Seattle, Washington

II.

The name of the company is SAFECO Surplus Lines Insurance Company.

III.

The objects for which the company is formed are to transact insurance business, make insurance, and engage in any other lawful businesses.

IV.

The company is formed as a stock insurance company.

V.

The kinds of insurance the company will transact are disability insurance, property insurance, marine and transportation insurance, vehicle insurance, general casualty insurance and surety insurance.

VI.

The amount of capital stock shall be Two Million Five Hundred Thousand Dollars ($2,500,000), and the number of shares shall be Twenty Five Thousand (25,000), and the par value of each of said shares shall be One Hundred Dollars ($100).

VII.

The duration of the existence of this company shall be perpetual.

VIII.

The number of directors of this company shall be fixed as provided in its bylaws, and may be changed from time to time pursuant to the bylaws or by amending the bylaws as therein provided, but the number thereof shall never be less than five (5) nor more than thirty (30). The names and addresses of the directors who shall constitute the Board of Directors of the company for the initial term of not less than two (2) nor more than six (6) months from the date hereof are as follows:

NAME	ADDRESS
S. Fred Bruhn	SAFECO Plaza Seattle, WA 98185
J. W. Cannon	SAFECO Plaza Seattle, WA 98185
W. D. Hammersla	SAFECO Plaza Seattle, WA 98185
Roger Eigsti	SAFECO Plaza Seattle, WA 98185
C. Bruce Maines	SAFECO Plaza Seattle, WA 98185
Bruce Robb	SAFECO Plaza Seattle, WA 98185
R. M. Trafton	SAFECO Plaza Seattle, WA 98185

IX.

The office and principal place of business of the company is to be located in the City of Seattle, State of Washington.

X.

The power to adopt, alter, amend or repeal bylaws shall be vested in the Board of Directors, subject to the power of

the shareholders to change or repeal such bylaws; provided, however, that the Board of Directors shall not make or alter any bylaws fixing their qualifications, classifications or terms of office.

IN WITNESS WHEREOF, the said corporators have hereunto set their hands in quadruplicate this 23rd day of August, 1983.

S. Fred Bruhn

J. W. Cannon

W. D. Hammersla

C. Bruce Maines

R. M. Trafton

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

This is to certify that on the 23rd day of August, 1983, before the undersigned, a Notary Public in and for the State of Washington duly commissioned and sworn, personally came S. Fred Bruhn, J. W. Cannon, W. D. Hammersla, C. Bruce Maines and R. M. Trafton, known to me to be the individuals named in and who executed the foregoing Articles of Incorporation of the SAFECO Surplus Lines Insurance Company and acknowledged to me that they executed the same as the free and voluntary set and deed of each, for the uses and purposes therein expressed.

Witness my hand and seal the day and year in this certificate first above written.

JAMES W. RUDDY, Notary Public in and for the state of Washington, residing at Seattle.

UNITED STATES OF AMERICA

The State of Washington

Secretary of State

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

certificate that the attached is a true and correct copy of

ARTICLES OF AMENDMENT

of

SAFECO SURPLUS LINES INSURANCE COMPANY

as filed in this office on November 10, 1988.

Date: July 15, 2011

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

Sam Reed

Sam Reed, Secretary of State

200-001

AME

STATE of WASHINGTON SECRETARY of STATE

I, **Ralph Munro,** Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF AMENDMENT

to

SAFECO SURPLUS LINES INSURANCE COMPANY

a Washington Insurance corporation. Articles of Amendment were filed for record in this office on the date indicated below.

Increasing capital to $5,125,000.00

Corporation Number: 2-335266-9 Date: November 10, 1988

Given under my hand and the seal of the State of Washington, at Olympia, the State Capitol.

Ralph Munro, Secretary of State

SSF 68

1988 1949 5447 0276-0278

FILED
IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON
NOV 08 1988
RICHARD G. MARQUARDT
INSURANCE COMMISSIONER

FILED
NOV 10 1988
Secretary of State
State of Washington

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
SAFECO SURPLUS LINES INSURANCE COMPANY

The undersigned President and Secretary of SAFECO Surplus Lines Insurance Company certify that:

1. The name of the corporation is SAFECO Surplus Lines Insurance Company.

2. The following amendment to the Articles of Incorporation of the Company has been proposed by the Company's Board of Directors and adopted by unanimous vote of the holder of all the outstanding stock of the Company entitled to vote thereon, all in the manner provided by the Washington Insurance Code and the Revised Code of Washington, whereby Article IV of the Articles of Incorporation is amended to read as follows:

> The amount of the capital stock shall be Five Million One Hundred Twenty-Five Thousand Dollars ($5,125,000), and the number of shares shall be Twenty-Five Thousand (25,000), and the par value of each of said shares shall be $205.

3. The date of the proposal for adoption of the amendment set forth above by the Board of Directors and of the adoption of the amendment by the sole shareholder was November 3, 1988.

4. As of November 3, 1988, the directors of the Company voted unanimously to adopt the amendment. As of that date the sole shareholder of the Company held all of the 17,500 shares outstanding, all of which were entitled to vote upon the amendment, and all of which voted for the amendment. No shares were voted against the adoption of the amendment.

IN WITNESS WHEREOF, these Articles of Amendment have been executed by the President and Secretary of the Company this 3rd day of November, 1988.

SAFECO SURPLUS LINES INSURANCE COMPANY

By _____
J. W. Cannon, President

By _____
Boh A. Dickey, Secretary

1988 1949 5447 0277

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

The undersigned, being first duly sworn on oath, deposes and says:

That he is President of SAFECO Surplus Lines Insurance Company, that he has read the Articles of Amendment set forth above, knows the contents thereof, and that the matters therein certified are in all respects true and correct.

J. W. Cannon

Subscribed and sworn to before me this 3rd day of November, 1988.

James W. Ruddy
Notary Public in and for the State of Washington, residing at Seattle.

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

The undersigned, being first duly sworn on oath, deposes and says:

That he is Secretary of SAFECO Surplus Lines Insurance Company, that he has read the Articles of Amendment set forth above, knows the contents thereof, and that the matters therein certified are in all respects true and correct.

Bob A. Dickey

Subscribed and sworn to before me this 3rd day of November, 1988.

James W. Ruddy
Notary Public in and for the State of Washington, residing at Seattle.

UNITED STATES OF AMERICA

The State of Washington

Secretary of State

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

certificate that the attached is a true and correct copy of

ARTICLES OF AMENDMENT

of

SAFECO SURPLUS LINES INSURANCE COMPANY

as filed in this office on December 2, 1988.

Date: July 15, 2011

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

Sam Reed

Sam Reed, Secretary of State

AME

STATE of WASHINGTON SECRETARY of STATE

I, **Ralph Munro,** Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF AMENDMENT

to

SAFECO SURPLUS LINES INSURANCE COMPANY

a Washington Insurance corporation. Articles of Amendment were filed for record in this office on the date indicated below.

Amending Article VI

Corporation Number: 2-335266-9 Date: December 2, 1988

Given under my hand and the seal of the State of Washington, at Olympia, the State Capitol.

Ralph Munro, Secretary of State

SSF 58

1988 1951 6749 0245-0247

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

The undersigned, being first duly sworn on oath, deposes and says:

That he is President of SAFECO Surplus Lines Insurance Company, that he has read the Articles of Amendment set forth above, knows the contents thereof, and that the matters therein certified are in all respects true and correct.

J. W. Cannon

Subscribed and sworn to before me this 3rd day of November, 1988.

James W. Ruddy
Notary Public in and for the State of Washington, residing at Seattle.

STATE OF WASHINGTON)
) ss.
COUNTY OF K I N G)

The undersigned, being first duly sworn on oath, deposes and says:

That he is Secretary of SAFECO Surplus Lines Insurance Company, that he has read the Articles of Amendment set forth above, knows the contents thereof, and that the matters therein certified are in all respects true and correct.

Boh A. Dickey

Subscribed and sworn to before me this 3rd day of November, 1988.

James W. Ruddy
Notary Public in and for the State of Washington, residing at Seattle.

UNITED STATES OF AMERICA

The State of Washington

Secretary of State

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

certificate that the attached is a true and correct copy of

ARTICLES OF AMENDMENT

of

SAFECO SURPLUS LINES INSURANCE COMPANY

as filed in this office on April 30, 1999.

Date: July 15, 2011

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

Sam Reed

Sam Reed, Secretary of State

AME

STATE of WASHINGTON

SECRETARY of STATE

I, RALPH MUNRO, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF AMENDMENT

to

SAFECO SURPLUS LINES INSURANCE COMPANY

a Washington Insurance Company. Articles of Amendment were filed for record in this office on the date indicated below.

UBI Number: 601 951 212

Date: April 30, 1999

Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

Ralph Munro, Secretary of State

2-335266-9

1999 3403 0892 001 -005

FILED
STATE OF WASHINGTON

APR 30 1999

RALPH MUNRO
SECRETARY OF STATE FILED

APR 23 1999

IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON

RAL: 4/30/99-45011

CERTIFICATE OF AMENDED AND RESTATED ARTICLES OF INCORPORATION OF SAFECO SURPLUS LINES INSURANCE COMPANY

SAFECO Surplus Lines Insurance Company, a Washington corporation, by its President and Secretary, certifies that:

1. The name of the corporation is: SAFECO Surplus Lines Insurance Company

2. Articles of Incorporation of the corporation were originally filed on August 26, 1983.

3. Amended and Restated Articles of Incorporation were approved by the Board of Directors and the sole shareholder of the company on April 8, 1999 pursuant to Sections 23B.10.030, 23B.07.040, 23B.08.210 and 48.07.070 of the Revised Code of Washington.

4. The amendments contained in the Amended and Restated Articles of Incorporation are as follows:

   a. Article I of the Articles of Incorporation is deleted in its entirety and the remaining Articles renumbered accordingly.

   b. Article VI of the Articles of Incorporation is renumbered Article V and is amended in its entirety to read as follows:

V.

The amount of capital stock shall be Five Million Dollars ($5,000,000) and the number of shares shall be Twenty Thousand (20,000) and the par value of each of said shares shall be $250.

   c. Article VIII of the Articles of Incorporation is renumbered Article VII and is amended in its entirety to read as follows:

VII.

The number of directors of this corporation shall be fixed as provided in its bylaws, and may be changed from time to time pursuant to the bylaws or by amending the bylaws as therein provided, but the number thereof shall never be less than five (5) nor more than thirty (30).

5. The company certifies, as required by Section 48.08.10(3) of the Revised Code of Washington, that the increased capital stock of the company has been fully paid in.

DATED this 8th day of April, 1999.

SAFECO SURPLUS LINES INSURANCE COMPANY

By: _____
W. Randall Stoddard, President

By: _____
Rod A. Pierson, Secretary

1999 3403 0892 003

FILED

APR 23 1999

IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON

ARTICLES OF RESTATEMENT OF THE ARTICLES OF INCORPORATION OF SAFECO SURPLUS LINES INSURANCE COMPANY

1. The name of the corporation is: SAFECO Surplus Lines Insurance Company.

2. The text of the Restated Articles of Incorporation is as follows:

I.

The name of the company is SAFECO Surplus Lines Insurance Company.

II.

The objects for which the company is formed are to transact insurance business, make insurance, and engage in any other lawful businesses.

III.

The company is formed as a stock insurance company.

IV.

The kinds of insurance the company will transact are disability insurance, property insurance, marine and transportation insurance, vehicle insurance, general casualty insurance and surety insurance.

V.

The amount of capital stock shall be Five Million Dollars ($5,000,000), and the number of shares shall be Twenty Thousand (20,000), and the par value of each of said shares shall be $250.

VI.

The duration of the existence of this company shall be perpetual.

VII.

The number of directors of this company shall be fixed as provided in its bylaws, and may be changed from time to time pursuant to the bylaws or by amending the bylaws as therein provided, but the number thereof shall never be less than five (5) nor more than thirty (30).

VIII.

The office and principal place of business of the company is to be located in the city of Seattle, state of Washington.

IX.

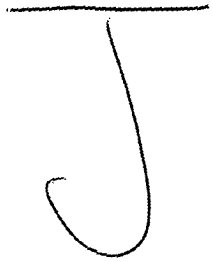
The power to adopt, alter, amend or repeal bylaws shall be vested in the Board of Directors, subject to the power of the shareholders to change or repeal such bylaws; provided, however, that the Board of Directors shall not make or alter any bylaws fixing their qualifications, classifications or terms in office.

DATED this 8th day of April, 1999.

SAFECO SURPLUS LINES INSURANCE COMPANY

By: _____
President

By: _____
Secretary



Applicant Name Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

Uniform Consent to Service of Process

_____Original Designation __X__ Amended Designation
(must be submitted directly to states)

Insurer Name: Safeco Surplus Lines Insurance Company

Previous Name (if applicable): _____

Home Office Address: 62 Maple Avenue

City, State, Zip: Keene, NH 03431 NAIC CoCode: 11100

The entity named above, organized under the laws of New Hampshire, for purposes of complying with the laws of the State(s) designate hereunder relating to the holding of a certificate of authority or the conduct of an insurance business within said State(s), pursuant to a resolution adopted by its board of directors or other governing body, hereby irrevocably appoints the officers of the State(s) and their successors identified in Exhibit A, or where applicable appoints the required agent so designated in Exhibit A hereunder as its attorney in such State(s) upon whom may be served any notice, process or pleading as required by law as reflected on Exhibit A in any action or proceeding against it in the State(s) so designated; and does hereby consent that any lawful action or proceeding against it may be commenced in any court of competent jurisdiction and proper venue within the State(s) so designated; and agrees that any lawful process against it which is served under this appointment shall be of the same legal force and validity as if served on the entity directly. This appointment shall be binding upon any successor to the above named entity that acquires the entity's assets or assumes its liabilities by merger, consolidation or otherwise; and shall be binding as long as there is a contract in force or liability of the entity outstanding in the State. The entity hereby waives all claims of error by reason of such service. The entity named above agrees to submit an amended designation form upon a change in any of the information provided on this power of attorney.

Applicant Officers' Certification and Attestation

ne of the two Officers (listed below) of the Applicant must read the following very carefully and sign:

1. I acknowledge that I am authorized to execute and am executing this document on behalf of the Applicant.

2. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing is true and correct, executed 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

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Uniform Consent to Service of Process

Exhibit A

Place an "X" before the names of all the States for which the person executing this form is appointing the designated agent in that State for receipt of service of process:

___	AL	Commissioner of Insurance # and Resident Agent*	___	MT	Commissioner of Insurance #
___	AK	Director of Insurance #	___	NE	Officer of Company* or Resident Agent* (circle one)
___	AZ	Director of Insurance # ^	X	NH	Commissioner of Insurance #
___	AR	Resident Agent *	___	NV	Commissioner of Insurance of Insurance Commission # ^
___	AS	Commissioner of Insurance #	___	NJ	Commissioner of Banking and Insurance #^
___	CO	Commissioner of Insurance # or Resident Agent* (circle one) ^	___	NM	Superintendent of Insurance #
___	CT	Commissioner of Insurance #	___	NY	Superintendent of Insurance #
___	DE	Commissioner of Insurance #	___	NC	Commissioner of Insurance
___	DC	Local Agent*	___	ND	Commissioner of Insurance # ^
___	FL	Chief Financial Officer # ^	___	OH	Resident Agent*
___	GA	Commissioner of Insurance and Safety Fire # and Resident Agent*	___	OR	Resident Agent*
___	GU	Commissioner of Insurance #	___	OK	Commissioner of Insurance #
___	HI	Insurance Commissioner # and Resident Agent*	___	PR	Commissioner of Insurance #
___	ID	Director of Insurance # ^	___	RI	Commissioner of Insurance ^
___	IL	Director or Insurance #	___	SC	Director of Insurance #
___	IN	Resident Agent* ^	___	SD	Director of Insurance # ^
___	IA	Commissioner of Insurance #	___	TN	Commissioner of Insurance #
___	KS	Commissioner of Insurance ^	___	TX	Resident Agent*
___	KY	Secretary of State #	___	UT	Resident Agent* ^
___	LA	Secretary of State #	___	VT	Secretary of State #
___	MD	Insurance Commissioner #	___	VI	Lieutenant Governor/Commissioner#
___	ME	Resident Agent* ^	___	WA	Insurance Commissioner #
___	MI	Resident Agent *	___	WV	Secretary of State # @
___	MN	Commissioner of Commerce #	___	WY	Commissioner of Insurance #
___	MS	Commissioner of Insurance and Resident Agent* BOTH are required.			

For the forwarding of Service of Process received by a State Officer complete Exhibit B listing by state the entities (one per state) with **full name and address where service of process is to be forwarded**. Use additional pages as necessary. Exhibit not required for New Jersey, and North Carolina. Florida accepts only an individual as the entity and requires an email address. New Jersey allows but does not require a foreign insurer to designate a specific forwarding address on Exhibit B. SC will not forward to an individual by name; however, it will forward to a position, e.g., Attention: President (or Compliance Officer, etc.).

* Attach a completed Exhibit B listing the Resident Agent for the insurer (one per state). Include state name, Resident Agent's **full name and street address**. Use additional pages as necessary. (DC* requires an agent within a ten mile radius of the District).

^ Initial pleadings only. Kansas requires two signatures.

@ Form accepted only as part of a Uniform Certificate of Authority application.

MA will send the required form to the applicant when the approval process reaches that point.

Exhibit A

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Exhibit B

Complete for each state indicated in Exhibit A:

State NH Name of Entity Corporation Service Company d/b/a Lawyers Incorporating Service

Phone Number 888-690-2882 Fax Number 302-636-5454

F Address SOP@cscinfo.com

Mailing Address and Street Address: 14 Centre Street, Concord, New Hampshire 03301

Exhibit B

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Resolution Authorizing Appointment of Attorney

BE IT RESOLVED by the Board of Directors or other governing body of

Safeco Surplus Lines Insurance Company

(company name)

this 20th day of July, 2011, that the President or Secretary of said entity 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 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.

CERTIFICATION

I, Dexter Robert Legg, Secretary of Safeco Surplus Lines Insurance Company,

(company name)

state that this is a true and accurate copy of the resolution adopted effective the 20th day of July, 2011 by the Board of Directors or governing board at a meeting held on the _____ day of _____, 20111 or by written consent dated 20th day of July, 2011.

_____
Secretary

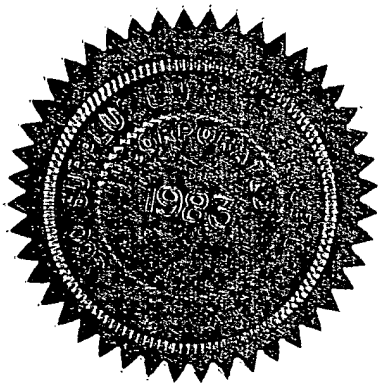
©2000, 2005-2011 National Association of Insurance Commissioners

SAFECO SURPLUS LINES INSURANCE COMPANY

Secretary's Certificate

The undersigned, Dexter R. Legg, hereby certifies that he is the duly elected Secretary of Safeco Surplus Lines Insurance Company (the "Company") and further certifies that attached hereto is a true and complete copy of the Company's Restated Bylaws, effective as of January 1, 2009.

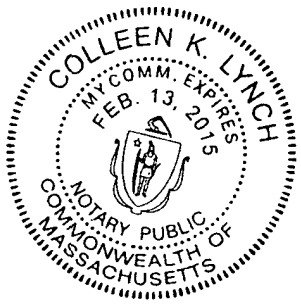
WITNESS my hand and the seal of the said Company this 15th day of July, 2011.



Dexter R. Legg
Secretary

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF SUFFOLK

On the 15th day of July, 2011 before me personally appeared Dexter R. Legg, Secretary of Safeco Surplus Lines Insurance Company, known to me to be the individual described herein and who executed the foregoing instrument, and he duly acknowledged to me that he executed the same.



Notary Public
Commission Expires: 2/13/2015

RESTATED
BY-LAWS
OF
SAFECO SURPLUS LINES INSURANCE COMPANY

ARTICLE I
PLACE OF BUSINESS

The Corporation shall maintain its home office in or out of the State of Washington, unless by law the home office is required to be maintained in the State of Washington, 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 principle place of business, its main administrative office, or the primary location of its books and records. The Corporation shall maintain in the State of Washington a registered office, which shall be the business office of the Corporation's resident agent for service of process in the State of Washington.

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 principle 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.

Notice shall be given no fewer than twenty nor more than sixty days before the meeting date for any shareholders' meeting to act on an amendment to the Articles of Incorporation, a plan of merger or share exchange, a proposed sale of assets pursuant to RCW 23B.12.020, or the dissolution of the corporation.

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. Subject to the provisions of the laws of the State of Washington, and unless otherwise provided in the Articles of Incorporation, each outstanding share, regardless of class, is entitled to one (1) vote on each matter voted on at a shareholders' meeting; provided, however, that for the election of directors, shareholders are entitled to cumulate votes by multiplying the number of votes they are entitled to vote, and to cast the product for a single candidate or distribute the product among two or more candidates.

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 is effective 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 in number, the exact number thereof shall 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. The number of the Board of Directors may be increased and one or more additional directors elected at any special meeting of the shareholders, called at least in part for the purpose or by the directors by vote of a majority of the directors then in office.

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, Board of Directors, President or Secretary, and such resignation shall be effective upon delivery, unless it is specified to be effective at some other time or upon the happening of some other event.

Section 6. Removal. A director of the Corporation may be removed with cause by a vote of a majority of its voting stock at a valid meeting and the said director may be removed without cause by a vote of sixty-seven percent of its voting capital stock at a valid meeting.

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.

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 held 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 two 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 therefore.

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 delivery 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 Chairman 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 the Corporation.

In the event that the Chairman of the Board shall be disabled or incapacitated and thus unable to perform 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 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 attorney-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.

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. Power 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 attorney-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 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 (i) the name of the issuing corporation and that it is organized under the laws of the State of Washington, (ii) the name of the person to whom issued, and (iii) the number and class of shares and designation of the series, if any, the certificate represents and shall be signed, either manually or in facsimile, by the President and Secretary or their designee. 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 may be circular in form, bearing its name, the word "Washington" 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

The Corporation shall provide indemnification to an officer or director as required by Washington law, including but not limited to Revised Code of Washington 23B.08.500, *et seq.*

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.

2010 Form B
Insurance Holding Company System
Annual Registration Statement

Filed with the
State of Washington
Office of the Insurance Commissioner
By

SAFECO INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24740

On Behalf of itself and

FIRST NATIONAL INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24724

GENERAL INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24732

SAFECO SURPLUS LINES INSURANCE COMPANY
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 11100

Dated: May 11, 2011

Name, Address and Telephone Number of Individual to whom
Notices and Correspondence Regarding This Statement Should Be Addressed:

Edmund C. Kenealy
Senior Vice President and General Counsel
Liberty Mutual Agency Corporation
175 Berkeley Street
Boston, MA 02116
Telephone: 617-574-5968
Facsimile: 617-574-5783
edmund.kenealy@libertymutual.com

ITEM 1. IDENTITY AND CONTROL OF REGISTRANTS

The names, home office addresses and principal executive offices of the domestic insurers to which this Registration Statement relates are:

Safeco Insurance Company of America (SICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

First National Insurance Company of America (FNICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

General Insurance Company of America (GICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

Safeco Surplus Lines Insurance Company (SSLIC)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

The dates on which each registrant became part of an insurance holding company system are as follows:

SICA 1953	GICA 1929
FNICA 1929	SSLIC 1984

Together hereinafter referred to as the "Registrants."

The Direct ownership of SICA and GICA rests with Safeco Corporation. As of March 30, 2010, the direct ownership of FNICA rests with Safeco Insurance Company of Illinois. The direct ownership of SSLIC rests with SICA.

ITEM 2. ORGANIZATIONAL CHART

A chart presenting the identities of and interrelationships among all affiliated persons within the holding company system is attached hereto as **Exhibit A**. Such chart indicates the jurisdiction of domicile of each person specified therein. Unless otherwise indicated on such chart or herein, control is maintained by the ownership or control of voting shares, and each parent shown owns one hundred percent (100%) of the outstanding shares of its direct subsidiaries.

ITEM 3. THE ULTIMATE CONTROLLING PERSON

(a) The ultimate controlling person in the holding company system is Liberty Mutual Holding Company Inc. (LMHC).

(b) Home office address: 175 Berkeley Street, Boston, MA 02116.

(c) Principal executive office address: 175 Berkeley Street, Boston, MA 02116.

(d) LMHC is a mutual holding company.

(e) LMHC is a holding company with subsidiaries principally engaged in property and casualty insurance.

(f) Because LMHC is a mutual holding company, its members are entitled to vote at meetings of the company. No such member is entitled to cast 10% or more of the votes. LMHC has issued no voting securities.

(g) Not applicable.

ITEM 4. BIOGRAPHICAL INFORMATION

A schedule of Directors and Executive Officers of the ultimate controlling person and biographical affidavits are attached as **Exhibit B** and made part of this filing.

ITEM 5. TRANSACTIONS, RELATIONSHIPS AND AGREEMENTS

(a) Loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the Registrant or of the Registrant by its affiliates.

SICA, FNICA, GICA and SSLIC are parties to an Intercompany Short-term Borrowing Agreement with Safeco Insurance Company of America (SICA) dated November 1, 2007. No funds were exchanged under the Intercompany Short-term Borrowing Agreement during 2010.

(b) Purchases, sales or exchanges of assets

Effective March 30, 2010, the Office of the Insurance Commissioner approved the Form A Exemption Request whereby FNICA became a wholly-owned subsidiary of Safeco Insurance Company of Illinois (SICIL) as a result of the transfer of 100% of the issued and outstanding stock of FNICA from Safeco Corporation to SICIL. The transfer of stock was completed as of March 30, 2010.

(c) Transactions not in the ordinary course of business.

None.

(d) Guarantees or understandings for the benefit of an affiliate which result in an actual contingent exposure of the Registrant's assets to liability, other than insurance contracts entered into in the ordinary course of the Registrant's business.

None.

(e) All management and service contracts and all cost sharing arrangements.

Services Agreement and Amendments 1 – 6

A Services Agreement (Services Agreement) whereby Peerless Insurance Company provides management services to certain affiliates became effective on January 1, 1999.

Amendment No. 7 to the Services Agreement

Effective January 1, 2009, FNICA, GICA, SICA and SSLIC were added to the Services Agreement via Amendment No. 7. The Services Agreement allows for consolidation of services across the Agency Markets Regional Companies insurance companies. Amendment No. 7 also revised Section 12, Indemnification, of the Agreement to remove gross negligence as a standard for triggering the Service Provider's indemnification obligations and replacing it with a negligence standard. Amendment No. 7 to the Services Agreement was filed with the Department on or about September 24, 2008 and was not disapproved within the statutory time frame.

Effective January 1, 2011, the Services Agreement with Peerless Insurance Company was terminated pursuant to a Termination Amendment.

Management Services Agreement

Effective January 1, 2009, FNICA, GICA, SICA and SSLIC entered into Management Services Agreements with LMIC. Other members of the Agency Markets strategic business unit are parties to similar Management Services Agreements with LMIC. The Management Services Agreements were filed with the Department on or about September 24, 2008 and were not disapproved within the statutory time frame.

Effective January 1, 2011, the Management Services Agreement with LMIC was terminated pursuant to a Termination Amendment.

Management Services Agreeement

SICA, FNICA, GICA and SSLIC each entered into a Management Services Agreement ("MSA") with Peerless Insurance Company effective on January 1, 2011. The agreement was filed with the Department on May 18, 2010 and was not disapproved within the statutory timeframe.

Investment Management Agreements

FNICA, GICA, SICA and SSLIC are parties to Investment Management Agreements with Liberty Mutual Insurance Company (LMIC). The Investment Management Agreement was filed with the Department on or about September 24, 2008 and was not disapproved within the statutory time frame. The Investment Management Agreement went into effect on September 22, 2008. The Investment Management Agreement specifies the services to be performed by LMIC, the authority granted to LMIC , the investment policy and guidelines, and the compensation to be paid. The Investment Management Agreements also contain customary provisions on termination, amendment, choice of law, and assignment.

Effective January 1, 2010, the Investment Management Agreements between the Registrants and LMIC were terminated.

Effective January 1, 2010, GICA and SICA entered into Amended and Restated Investment Management Agreements with LMIA which amended and restated the Investment Management agreement effective on September 22, 2008 . The Amended and Restated Investment Management Agreement was filed with the Department on or about December 31, 2009 and was not disapproved within the statutory timeframe.

Effective January 1, 2010, the Registrants entered into Investment Management Agreements with Liberty Mutual Group, Inc. The Investment Management Agreements were filed with the Department on or about December 31, 2009 and were not disapproved within the statutory timeframe.

Cash Management Agreement

FNICA, GICA, SICA and SSLIC are parties to Cash Management Agreements with LMIA. The Cash Management Agreements were filed with the Department on or about September 24, 2008 and were not disapproved within the statutory time frame. The Cash Management Agreement went into effect September 22, 2008. LMIA provides short-term investment and cost management services. The purpose of the Cash Management Agreements is to achieve an efficient and cost-effective way for FNICA, GICA, SICA and SSLIC to obtain short-term investment and cost management services. The Cash Management Agreements specify the services to be performed by LMIA, the authority granted to LMIA and contains customary provisions on termination, amendment, choice of law, and assignment.

Effective January 1, 2010, the Registrants entered into Amended and Restated Cash Management Agreements with LMIA. The Amended and Restated Cash Management Agreements were filed with the Department on or about December 31, 2009 and were not disapproved within the statutory time frame.

(f) Reinsurance Agreements

Amended and Restated Reinsurance Pooling Agreement

The Amended and Restated Reinsurance Pooling Agreement went into effect on January 1, 2007.

Endorsement Number 2 to the Amended and Restated Reinsurance Pooling Agreement, effective January 1, 2009, added newly-affiliated parties, including SICA, FNICA, GICA and SSLIC, and adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto. Endorsement Number 2 was filed with the Department on or about October 28, 2008 and approved on December 5, 2008.

Endorsement Number 3 to the Amended and Restated Reinsurance Pooling Agreement, effective January 1, 2010, removes certain companies as parties to the Pooling Agreement and reflects the change in domicile of certain of the companies that is a result of their redomestication. Endorsement Number 3 also adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto. Endorsement Number 3 was filed with the Department on or about October 29, 2009 and approved on December 31, 2010.

SICA, FNICA, GICA, SSLIC are parties to the Termination Endorsement to the Amended and Restated Reinsurance Pooling Agreement, effective July 1, 2010, removing Montgomery Mutual Insurance Company as a party to the Pooling Agreement. A Form D filing for the Termination Endorsement was not filed with the Washington Department of Insurance as it did not meet the threshold for filing.

(g) Dividends and other distributions to shareholders.

On February 16, 2010, FNICA, GICA and SICA declared the following dividends to their sole stockholder of record.

Entity	Total Dividend
FNICA	$40,000,000
GICA	$156,000,000
SICA	$425,000,000

These dividends were made in a combination of cash and securities. The notice filing was reviewed by the Department and approval was obtained on March 19, 2010. The dividends were paid on March 29, 2010.

On June 30, 2010, GICA and SICA declared the following dividends to their sole stockholder of record.

Entity	Total Dividend
GICA	$50,000,000
SICA	$328,000,000

The dividends will be paid in a combination of cash and/or securities. The notice filing for each was reviewed by the Department and approval obtained on July 30, 2010. All the dividends are extraordinary and are payable on or after August 1, 2010. The dividends were distributed on August 13, 2010.

(h) Consolidated tax allocation agreements.

Federal Tax Sharing Agreement
Subsidiaries of Liberty Mutual Holding Company Inc. (LMHC) are parties to a consolidated tax allocation agreement pursuant to which they join in the filing of LMHC's consolidated U.S. federal income tax return.

Amendment No. 4 to the Federal Tax Sharing Agreement
Amendment No. 4 added FNICA, GICA, SICA and SSLIC as parties to the Federal Tax Sharing Agreement. Amendment No. 4 was filed with the Department on or about September 24, 2008 and was not disapproved within the statutory time frame. Having recently received all requisite state regulatory approvals, Amendment No. 4 went into effect September 22, 2008.

(i) Any pledge of the insurer's stock, including stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance holding company system.

None.

ITEM 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

There is no litigation or administrative proceedings relative to any types listed in the laws or regulations.

ITEM 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

Transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions whose purpose is to avoid statutory threshold amounts and the review that might otherwise occur.

ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS

The 2010 Financial Statement for Liberty Mutual Holding Company Inc. is attached hereto as **Exhibit C.**

ITEM 9. FORM C

Form C - Summary of Registration Statement is attached hereto.

[Remainder of this page intentionally left blank]

SIGNATURE

Pursuant to the requirements of section 6, chapter 462, Laws of 1993, the Registrants have caused this Statement to be duly signed on their respective behalves in the City of Boston and the Commonwealth of Massachusetts on the 11th day of May, 2011.

SAFECO INSURANCE COMPANY OF AMERICA

By: _____
Edmund C. Kenealy, Assistant Secretary

Attest:

_____

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Statement dated May 11, 2011, on behalf of Safeco Insurance Company of America, that he is the Assistant Secretary of said company, and that he has the authority to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof and that the facts therein set forth are true to the best of his knowledge, information and belief.

_____
Edmund C. Kenealy, Assistant Secretary

2010 Form C
Insurance Holding Company System
Summary of Changes to Annual Registration Statement

Filed with the
State of Washington
Office of the Insurance Commissioner
By

SAFECO INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24740

On Behalf of itself and

FIRST NATIONAL INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24724

GENERAL INSURANCE COMPANY OF AMERICA
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 24732

SAFECO SURPLUS LINES INSURANCE COMPANY
Safeco Plaza, 1001 Fourth Avenue, Seattle, WA 98185
NAIC NO. 11100

Dated: May 11, 2011

Name, Address and Telephone Number of Individual to whom
Notices and Correspondence Regarding This Statement Should Be Addressed:

Edmund C. Kenealy
Senior Vice President and General Counsel
Liberty Mutual Agency Corporation
175 Berkeley Street
Boston, MA 02116
Telephone: 617-574-5968
Facsimile: 617-574-5783
edmund.kenealy@libertymutual.com

ITEM 1. IDENTITY AND CONTROL OF REGISTRANTS

The names, home office addresses and principal executive offices of the domestic insurers to which this Registration Statement relates are:

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1001 Fourth Avenue
Seattle, WA 98185

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Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

General Insurance Company of America (GICA)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

Safeco Surplus Lines Insurance Company (SSLIC)
Safeco Plaza
1001 Fourth Avenue
Seattle, WA 98185

The dates on which each registrant became part of an insurance holding company system are as follows:

SICA 1953	GICA 1929
FNICA 1929	SSLIC 1984

Together hereinafter referred to as the "Registrants."

The Direct ownership of SICA and GICA rests with Safeco Corporation. As of March 30, 2010, the direct ownership of FNICA rests with Safeco Insurance Company of Illinois. The direct ownership of SSLIC rests with SICA.

ITEM 2. ORGANIZATIONAL CHART

A chart presenting the identities of and interrelationships among all affiliated persons within the holding company system is attached hereto as **Exhibit A**. Such chart indicates the jurisdiction of domicile of each person specified therein. Unless otherwise indicated on such chart or herein, control is maintained by the ownership or control of voting shares, and each parent shown owns one hundred percent (100%) of the outstanding shares of its direct subsidiaries.

ITEM 4. BIOGRAPHICAL INFORMATION

A schedule of Directors and Executive Officers of the ultimate controlling person and biographical affidavits are attached as **Exhibit B** and made part of this filing.

ITEM 5. TRANSACTIONS, RELATIONSHIPS AND AGREEMENTS

(b) Purchases, sales or exchanges of assets

Effective March 30, 2010, the Office of the Insurance Commissioner approved the Form A Exemption Request whereby FNICA became a wholly-owned subsidiary of Safeco Insurance Company of Illinois (SICIL) as a result of the transfer of 100% of the issued and outstanding stock of FNICA from Safeco Corporation to SICIL. The transfer of stock was completed as of March 30, 2010.

(e) All management and service contracts and all cost sharing arrangements.

Effective January 1, 2011, the Services Agreement with Peerless Insurance Company was terminated pursuant to a Termination Amendment.

Effective January 1, 2011, the Management Services Agreement with LMIC was terminated pursuant to a Termination Amendment.

Management Services Agreeement
SICA, FNICA, GICA and SSLIC each entered into a Management Services Agreement ("MSA") with Peerless Insurance Company effective on January 1, 2011. The agreement was filed with the Department on May 18, 2010 and was not disapproved within the statutory timeframe.

Investment Management Agreements
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Effective January 1, 2010, GICA and SICA entered into Amended and Restated Investment Management Agreements with LMIA which amended and restated the Investment Management agreement effective on September 22, 2008 . The Amended and Restated Investment Management Agreement was filed with the Department on or about December 31, 2009 and was not disapproved within the statutory timeframe. Effective January 1, 2010, the Registrants entered into Investment Management Agreements with Liberty Mutual Group, Inc. The Investment Management Agreements were filed with the Department on or about December 31, 2009 and were not disapproved within the statutory timeframe.

Cash Management Agreement
Effective January 1, 2010, the Registrants entered into Amended and Restated Cash Management Agreements with LMIA. The Amended and Restated Cash Management Agreements were filed with the Department on or about December 31, 2009 and were not disapproved within the statutory time frame.

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Endorsement Number 3 to the Amended and Restated Reinsurance Pooling Agreement, effective January 1, 2010, removes certain companies as parties to the Pooling Agreement and reflects the change in domicile of certain of the companies that is a result of their redomestication. Endorsement Number 3 also adjusts the percentage shares allocated to certain of the Pooling Agreement participants by amending Schedule A thereto. Endorsement Number 3 was filed with the Department on or about October 29, 2009 and approved on December 31, 2010.

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On February 16, 2010, FNICA, GICA and SICA declared the following dividends to their sole stockholder of record.

Entity	Total Dividend
FNICA	$40,000,000
GICA	$156,000,000
SICA	$425,000,000

These dividends were made in a combination of cash and securities. The notice filing was reviewed by the Department and approval obtained on March 19, 2010. The dividends were paid on or about March 29, 2010.

On June 30, 2010, GICA and SICA declared the following dividends to their sole stockholder of record.

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SICA	$328,000,000

The dividends will be paid in a combination of cash and/or securities. The notice filing for each was reviewed by the Department and approval obtained on July 30, 2010. All the dividends are extraordinary and are payable on or after August 1, 2010. The dividends were distributed on August 13, 2010.

ITEM 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

There is no litigation or administrative proceedings relative to any types listed in the laws or regulations.

ITEM 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

Transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions whose purpose is to avoid statutory threshold amounts and the review that might otherwise occur.

ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS

The 2010 Financial Statement for Liberty Mutual Holding Company Inc. is attached hereto as **Exhibit C**.

[Remainder of this page intentionally left blank]

SIGNATURE

Pursuant to the requirements of section 6, chapter 462, Laws of 1993, the Registrants have caused this Statement to be duly signed on their respective behalves in the City of Boston and the Commonwealth of Massachusetts on the 11th day of May, 2011.

SAFECO INSURANCE COMPANY OF AMERICA

By: _____
Edmund C. Kenealy, Assistant Secretary

Attest:

_____

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Statement dated May 11, 2011, on behalf of Safeco Insurance Company of America, that he is the Assistant Secretary of said company, and that he has the authority to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof and that the facts therein set forth are true to the best of his knowledge, information and belief.

_____
Edmund C. Kenealy, Assistant Secretary

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full Name, Address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable). James Paul Condrin, III
2. a. Are you a citizen of the United States? Yes
   b. Are you a citizen of any other country, if so, what country? No
3. Affiant's Occupation or Profession. Insurance Executive
4. Affiant's business address. 175 Berkeley Street, Boston, MA, USA, 02116
   Business telephone. 617-357-9500
5. Education and Training:

College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Bentley College	Waltham, MA	09/79 to 06/83	B.S.

Graduate Studies: College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
None			

Other Training: Name	City/ State	Dates Attended (MM/YY)	Degree/ Certification Obtained
None			

(Note: If affiant attended a foreign school, please provide full address and telephone number of the college/university. If applicable, provide the foreign student Identification Number in the space provided in the Biographical Affidavit Supplemental Information.)

©2000-2009 National Association of Insurance Commissioners

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

6. List of memberships in professional societies and associations.

Name of Society/Association	Contact Name	Address of Society/Association	Telephone Number of Society/Association
American Institute of Certified Public Accountants	Unknown	1211 Avenue of the Americas, New York, NY, USA, 10036	212-596-6200
Massachusetts Society of Certified Public Accounts	Unknown	105 Chauncy St., 10th Floor, Boston, MA, USA, 02111	617-556-4126

7. Present or proposed position with the applicant entity.

Chairman of the Board, Director, Chief Executive Officer, and President

8. List complete employment record for the past twenty (20) years, whether compensated or otherwise (up to and including present jobs, positions, partnerships, owner of an entity, administrator, manager, operator, directorates or officerships). Please list the most recent first. Attach additional pages if the space provided is insufficient. It is only necessary to provide telephone numbers and supervisory information for the past ten (10) years.

See Below and / or Attached Positions Held Report

Beginning/Ending Dates (MM/YY) 02/11 - Current Employer's Name Peerless Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held President

Supervisor / Contact David H. Long

Beginning/Ending Dates (MM/YY) 01/10 - 02/11 Employer's Name Liberty Mutual Group Inc.

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held Executive Vice President

Supervisor / Contact Edmund F. Kelly

Beginning/Ending Dates (MM/YY) 09/89 - 12/09 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone (617)357-9500 Offices/Positions Held Comptroller; VP & Comptroller; SVP & CFO; EVP

Supervisor / Contact Edmund F. Kelly

See Addendum for Additional Information

©2000-2009 National Association of Insurance Commissioners

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

9. a. Have you ever been in a position which required a fidelity bond? No If any claims were made on the bond, give details. No

b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details. No

10. List any professional, occupational and vocational licenses (including licenses to sell securities) issued by any public or governmental licensing agency or regulatory authority or licensing authority that you presently hold or have held in the past. For any non-insurance regulatory issuer, identify and provide the name, address and telephone number of the licensing authority or regulatory body having jurisdiction over the license (s) issued.. If your professional license number is your Social Security Number (SSN) or embeds your SSN or any sequence of more than five numbers that are reasonably identifiable as your SSN, then write SSN for that portion of the professional license number that is represented by your SSN. (For example, "SSN", "12-SSN-345" or "1234-SSN" (last 6 digits)). Attach additional pages if the space provided is insufficient

Organization/Issuer of License Comm. of MA Board of Public Accountancy Address 239 Causeway St.

City Boston State/Province MA Country USA Postal Code 02114

License Type Certified Public Accountant License # 9587 Date Issued (MM/YY) 07/86

Date Expired (MM/YY) 06/00 Reason for Termination Voluntary lapse of license

Non-insurance Regulatory Phone Number (if known) 617-727-1806

Organization /Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

11. In responding to the following, if the record has been sealed or expunged, and the affiant has personally verified that the record was sealed or expunged, an affiant may respond "no" to the question. Have you ever:

a. Been refused an occupational, professional, or vocational license or permit by any regulatory authority, or any public administrative, or governmental licensing agency?
No

b. Had any occupational, professional, or vocational license or permit you hold or have held, been subject to any judicial, administrative, regulatory, or disciplinary action?
No

c. Been placed on probation or had a fine levied against you or your occupational, professional, or vocational license or permit in any judicial, administrative, regulatory, or disciplinary action?
No

d. Been charged with, or indicted for, any criminal offense(s) other than civil traffic offenses? No

e. Pled guilty, or nolo contendere, or been convicted of, any criminal offense(s) other than civil traffic offenses?
No

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f. Had adjudication of guilt withheld, had a sentence imposed or suspended, had pronouncement of a sentence suspended, or been pardoned, fined, or placed on probation, for any criminal offense(s) other than civil traffic offenses? No

g. Been subject to a cease and desist letter or order, or enjoined, either temporarily or permanently, in any judicial, administrative, regulatory, or disciplinary action, from violating any federal, state law or law of another country regulating the business of insurance, securities or banking, or from carrying out any particular practice or practices in the course of the business of insurance, securities or banking?
No

h. Been, within the last ten (10) years, a party to any civil action involving dishonesty, breach of trust, or a financial dispute? No

i. Had a finding made by the Comptroller of any state or the Federal Government that you have violated any provisions of small loan laws, banking or trust company laws, or credit union laws, or that you have violated any rule or regulation lawfully made by the Comptroller of any state or the Federal Government? No

j. Had a lien or foreclosure action filed against you or any entity while you were associated with that entity?
No

If the response to any question above is answered "Yes", please provide details including dates, locations, disposition, etc. Attach a copy of the complaint and filed adjudication or settlement as appropriate.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. None

If any of the stock is pledged or hypothecated in any way, give details. None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes", please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.
None

If any of the shares of stock are pledged or hypothecated in any way, give details.
None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

14. Have you ever been adjudged a bankrupt? No If yes, provide details None

15. To your knowledge has any company or entity for which you were an officer or director, trustee, investment committee member, key management employee or controlling stockholder, had any of the following events occur while you served in such capacity? If yes, please indicate and give details. When responding to questions (b) and (c) affiant should also include any events within twelve (12) months after his or her departure from the entity.

a. Been refused a permit, license, or certificate of authority by any regulatory authority, or Governmental-licensing agency? No

b. Had its permit, license, or certificate of authority suspended, revoked, canceled, non-renewed, or subjected to any judicial, administrative, regulatory, or disciplinary action (including rehabilitation, liquidation, receivership, conservatorship, federal bankruptcy proceeding, state insolvency, supervision or any other similar proceeding)? No

c. Been placed on probation or had a fine levied against it or against its permit, license, or certificate of authority in any civil, criminal, administrative, regulatory, or disciplinary action? Yes

I am an employee of Peerless Insurance Company and an officer and/or director of various insurance companies in the group. From time to time, in the ordinary course of their insurance businesses, the insurance companies in the group have had fines levied against them as the result of market conduct examinations in some jurisdictions in which the companies are licensed. None of these companies have been placed on probation. I was not personally responsible or culpable in any of those actions.

Note: If an affiant has any doubt about the accuracy of an answer, the question should be answered in the positive and an explanation provided.

Dated and signed this 14th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 14th day of June, 20 11

By James Paul Condrin, III, and:

[X] who is personally known to me, or

[ ] who produced the following identification:

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

Full Name, Address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

1. Affiant's Full Name (Initials Not Acceptable). James Paul Condrin, III

2. Have you ever used any other name including nickname, maiden name or aliases? No If yes, give the reason if any, if none indicate such, and provide the full name(s) and date(s) used.

Beginning/Ending Date(s) Used (MM/YY)	Name(s)	Reason (If None, indicate such)
____ - ____	None	
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		

Note: Dates provided in response to this question may be approximate. Parties using this form understand that there could be an overlap of dates when transitioning from one name to another.

3. Affiant's Social Security Number [redacted]

4. Government Identification Number if not a U.S. Citizen None

5. Foreign Student ID# (if applicable) None

6. Date of Birth: (MM/DD/YY) [redacted] Place of Birth: City Needham
State/Province MA Country USA

7 Name of Affiant's Spouse (if applicable) Susan Condrin

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

8. List your residences for the last ten (10) years starting with your current address, giving:

Beginning/Ending Dates (MM/YY)	Address	City	State/ Province	Country	Postal Code
04/06 to Current	[redacted]	Dover	MA	USA	02030
05/98 to 04/06		Walpole	MA	USA	02081

Note: Dates provided in response to this question may be approximate, except for current address. Parties using this form understand that there could be an overlap of dates when transitioning from one address to another.

Dated and signed this 14th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 14th day of June, 20 11

By James Paul Condrin, III, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

Applicant Name Safeco Surplus Lines Insurance Company

EMPLOYMENT ADDENDUM

Beginning/Ending
Dates (MM/YY) 07/83 - 09/89 Employer's Name KPMG Peat Marwick

Address 99 High Street City Boston State/Province MA

Country USA Postal Code 02110 Phone (617)988-1000 Offices/Positions Held Senior Manager

Supervisor / Contact Donald Holmes

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

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Positions Held Report

Current and Historical Positions

J. Paul Condrin, III

Company/Title	Effective Date	End Date
ALM Services, Inc.		
Director	11/22/1999	05/12/2003
Treasurer	06/28/2002	11/15/2002
AMBCO Capital Corporation		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
America First Insurance Company		
Director	02/01/2011	
Director	12/31/1999	05/12/2003
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
American Economy Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
American Fire and Casualty Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
American States Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
American States Insurance Company of Texas		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
American States Preferred Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Atlas Assurance Company of America		
Director	12/31/1999	12/31/2002
BARCO Assignments Ltd.		
Director	01/30/2008	06/26/2008
Baker Botts		
Financial Consultant	Unknown	
Barrier Ridge LLC		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Berkeley Holding Company Associates, Inc.		
Director	04/16/1998	05/12/2003

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Berkeley Management Corporation		
Director	01/05/2000	01/01/2009
Chairman of the Board	05/12/2003	01/01/2009
Chief Executive Officer	05/12/2003	01/01/2009
Treasurer	06/28/2002	11/15/2002
Better Business Bureau of Eastern Massachusetts, Maine and Vermont		
Director	12/31/1997	
Bridgefield Casualty Insurance Company		
Director	04/28/2010	02/01/2011
Chairman of the Board	04/28/2010	02/01/2011
Chief Executive Officer	04/28/2010	02/01/2011
President	04/28/2010	02/01/2011
Bridgefield Employers Insurance Company		
Director	05/11/2000	05/12/2003
Director	04/28/2010	02/01/2011
Chairman of the Board	04/28/2010	02/01/2011
Chief Executive Officer	04/28/2010	02/01/2011
President	04/28/2010	02/01/2011
Brooke Drilling, LLC		
Director	11/09/2000	05/12/2003
Chief Financial Officer	11/09/2000	05/12/2003
Senior Vice President	11/09/2000	05/12/2003
Capitol Court Corporation		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Cascade Disability Management, Inc.		
Director	01/01/2009	02/01/2011
Chairman of the Board	01/01/2009	02/01/2011
Chief Executive Officer	01/01/2009	02/01/2011
Treasurer	06/25/2002	05/12/2003
Vice President	06/25/2002	05/12/2003
Colorado Casualty Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Commercial Aviation Insurance, Inc.		
Director	03/31/2011	
President	03/31/2011	
Committee - Audit - LM Insurance Corporation		
Committee Member	04/15/1997	
Committee - Audit - Liberty Insurance Corporation		
Committee Member	04/15/1997	
Committee - Audit - The First Liberty Insurance Corporation		
Committee Member	04/15/1997	
Committee - Executive - LM Insurance Corporation		
Committee Member	04/15/1997	
Committee - Executive - Liberty Insurance Corporation		
Committee Member	04/15/1997	
Committee - Executive - The First Liberty Insurance Corporation		
Committee Member	04/15/1997	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Consolidated Insurance Company		
Director	02/01/2011	
Director	12/31/1999	05/12/2003
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Cooling-Grumme-Mumford Company, Inc.		
Director	06/29/1999	10/17/2002
Diversified Settlements, Inc.		
Director	02/01/2011	
Director	06/29/1999	05/12/2003
Chairman of the Board	02/01/2011	
Emerald City Insurance Agency, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Employers Insurance Company of Wausau		
Director	12/31/1998	05/12/2003
Director	12/15/2008	02/01/2011
President	03/02/2009	06/15/2009
Executive Vice President	06/15/2009	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Excelsior Insurance Company		
Director	02/01/2011	
Director	12/31/1999	05/12/2003
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
F.B. Beattie & Co., Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
First National Insurance Company of America		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
First State Agency, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
General America Corporation		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
General America Corporation of Texas		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
General Insurance Company of America		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Globe American Casualty Company		
Director	06/29/1999	02/25/2000
Golden Eagle Insurance Corporation		
Director	02/01/2011	
Director	07/15/1997	05/12/2003
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Gulf States AIF, Inc.		
Director	03/26/2002	05/12/2003
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Hawkeye-Security Insurance Company		
Director	02/01/2011	
Director	06/26/1999	05/12/2003
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Helmsman Insurance Agency of Illinois, Inc.		
Director	04/15/1997	05/12/2003
Helmsman Insurance Agency, LLC		
Director	04/15/1997	05/12/2003
Director	01/01/2009	01/07/2010
Chairman of the Board	01/01/2009	01/07/2010
Chief Executive Officer	01/01/2009	01/07/2010
Helmsman Management Services LLC		
Director	01/01/2009	02/01/2011
Director	04/15/1997	05/12/2003
Chairman of the Board	01/01/2009	02/01/2011
Chief Executive Officer	01/01/2009	02/01/2011
Treasurer	06/28/2002	11/15/2002
Vice President	06/28/2002	11/15/2002
High Yield Investment Advisors, LLC		
Director	04/05/2001	05/12/2003
Chief Financial Officer	04/05/2001	05/12/2003
Treasurer	06/28/2002	11/15/2002
Senior Vice President	04/05/2001	05/12/2003

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Indiana Insurance Company		
Director	06/29/1999	05/12/2003
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Insurance Company of Illinois		
Director	04/12/2010	02/01/2011
Chairman of the Board	04/12/2010	02/01/2011
Chief Executive Officer	04/12/2010	02/01/2011
President	04/12/2010	02/01/2011
Kellen Holdings, LLC		
Director	01/08/2001	05/12/2003
Chief Financial Officer	01/08/2001	05/12/2003
Senior Vice President	01/08/2001	05/12/2003
Keter Consulting LLC		
Director	01/01/2009	02/01/2011
Chairman of the Board	01/01/2009	02/01/2011
LEH China, LLC		
Chief Financial Officer	07/18/2001	05/12/2003
Director	07/18/2001	05/12/2003
Senior Vice President	07/18/2001	05/12/2003
LEXCO Limited		
Director	07/14/2009	
Chairman of the Board	07/14/2009	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
LFC Acquisition Corporation		
Director	05/22/2001	12/12/2001
Treasurer	05/22/2001	12/12/2001
Vice President	05/22/2001	12/12/2001
LFC Holdings, Inc.		
Chief Financial Officer	06/27/1997	01/03/2002
Director	04/14/1997	01/03/2002
Treasurer	04/14/1997	06/27/1997
Vice President	04/14/1997	01/03/2002
LIH-RE of America Corporation		
Director	02/01/2011	
Director	06/29/1999	03/31/2000
Chairman of the Board	02/01/2011	
LLS Insurance Agency of Nevada, Inc.		
Chairman of the Board	05/12/2003	08/22/2006
Chief Executive Officer	05/12/2003	08/22/2006
Director	02/10/2000	08/22/2006
LM General Insurance Company		
Director	10/31/2003	01/01/2009
Chairman of the Board	10/31/2003	01/01/2009
Chief Executive Officer	12/01/2005	01/01/2009
President	10/31/2003	01/01/2009

J. Paul Condrin, III

Company/Title	Effective Date	End Date
LM Insurance Corporation		
Director	04/15/1997	02/01/2011
Chief Financial Officer	04/15/1997	05/12/2003
Treasurer	06/28/2002	11/15/2002
Vice President	05/12/1992	05/12/2003
Vice President	05/12/2003	02/01/2011
Comptroller	05/12/1992	03/13/1998
LM Property and Casualty Insurance Company		
Director	10/31/2003	01/01/2009
Chairman of the Board	10/31/2003	01/01/2009
Chief Executive Officer	12/01/2005	01/01/2009
President	10/31/2003	01/01/2009
LMHC Massachusetts Holdings Inc.		
Director	11/14/2001	05/12/2003
Chief Financial Officer	11/28/2001	05/12/2003
Treasurer	06/28/2002	11/15/2002
Vice President	11/28/2001	05/12/2003
LRE Properties, Inc.		
Director	06/30/1997	05/12/2003
Liberty Assignment Corporation		
Director	05/12/2003	01/01/2009
Chairman of the Board	05/12/2003	01/01/2009
Liberty Citystate Holdings Pte Ltd		
Director	09/24/1999	05/12/2003

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Corporate Holdings, Inc.		
Chief Financial Officer	07/02/1998	01/03/2002
Director	07/02/1998	01/03/2002
Vice President	07/09/1998	01/03/2002
Liberty Corporate Services LLC		
Director	12/12/2001	05/12/2003
Treasurer	12/12/2001	05/12/2003
Vice President	12/12/2001	05/12/2003
Assistant Treasurer	05/14/1997	12/12/2001
Liberty County Mutual Insurance Company		
Chief Financial Officer	12/18/2002	05/12/2003
Treasurer	12/02/2002	12/18/2002
Liberty Energy Gulf Corporation		
Chief Financial Officer	12/01/2000	10/31/2002
Director	06/17/1998	10/31/2002
Senior Vice President	12/01/2000	10/31/2002
Liberty Energy Holdings, LLC		
Director	11/09/2000	05/12/2003
Chief Executive Officer	11/09/2000	05/12/2003
Senior Vice President	11/09/2000	05/12/2003
Liberty Energy, LLC		
Director	06/17/1998	05/12/2003
Chief Financial Officer	12/01/2000	05/12/2003
Senior Vice President	12/01/2000	05/12/2003
Liberty Europe (Holdings) Limited		
Director	10/29/1999	07/03/2002

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Financial Services, Inc.		
Director	05/16/2002	05/12/2003
Treasurer	05/16/2002	11/15/2002
Vice President	05/16/2002	11/15/2002
Liberty Hospitality Group, Inc.		
Director	07/01/1997	05/12/2003
Liberty Information Technology Limited		
Director	01/02/1997	05/12/2003
Liberty Insurance Acquisition Corporation		
Director	12/14/2001	03/19/2002
Liberty Insurance Company of America		
Director	04/15/1997	09/17/2009
Chief Financial Officer	04/15/1997	05/12/2003
Treasurer	06/28/2002	11/15/2002
Vice President	06/30/1995	09/17/2009
Comptroller	06/30/1995	03/13/1998
Liberty Insurance Corporation		
Director	04/15/1997	02/01/2011
Chief Financial Officer	04/15/1997	05/12/2003
Treasurer	06/28/2002	11/15/2002
Vice President	05/12/1992	02/01/2011
Comptroller	05/12/1992	03/13/1998
Liberty Insurance Group Compania de Seguros y Reaseguros, S.A.		
Director	Unknown	05/12/2003
Liberty Insurance Holdings, Inc.		
Director	06/29/1999	05/12/2003

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Insurance Underwriters Inc.		
Director	06/29/1999	05/12/2003
Director	10/31/2003	01/01/2009
Chairman of the Board	10/31/2003	01/01/2009
Chief Executive Officer	12/01/2005	01/01/2009
President	10/31/2003	01/01/2009
Treasurer	06/28/2002	11/15/2002
Liberty International (Spain) Holdings, LLC		
Director	06/25/2002	05/12/2003
Liberty International Aberdeen Inc.		
Treasurer	06/28/2002	11/15/2002
Vice President	06/28/2002	11/15/2002
Liberty International Holdings Inc.		
Director	06/27/1997	05/12/2003
Treasurer	04/16/1997	05/12/2003
Vice President	04/16/1997	05/12/2003
Liberty Life Assurance Company of Boston		
Director	04/15/1997	01/01/2009
Treasurer	06/28/2002	11/15/2002
Vice President	04/15/1997	05/12/2003
Liberty Life Distributors LLC		
Manager	09/14/1998	02/29/2008
Chairman of the Board	05/12/2003	02/29/2008

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Life Holdings Inc.		
Director	04/15/1997	05/12/2003
Chief Financial Officer	06/27/1997	05/12/2003
Treasurer	06/28/2002	11/15/2002
Treasurer	04/15/1997	06/27/1997
Vice President	04/15/1997	05/12/2003
Liberty Life Securities LLC		
Manager	06/07/1999	01/01/2009
Chairman of the Board	05/12/2003	01/01/2009
Liberty Massachusetts Trust		
Chief Financial Officer	06/27/1997	05/12/2003
Treasurer	06/28/2002	11/15/2002
Treasurer	04/15/1997	06/27/1997
Trustee	04/15/1997	05/12/2003
Vice President	04/15/1997	05/12/2003
Liberty Mutual Agency Corporation		
Director	06/29/1999	05/12/2003
Director	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Liberty Mutual Capital Corporation (Boston)		
Chief Financial Officer	06/27/1997	05/12/2003
Director	04/15/1997	05/15/2003
Treasurer	04/15/1997	06/27/1997
Treasurer	06/28/2002	11/15/2002
Vice President	04/15/1997	05/12/2003

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Mutual Captive Holdings LLC		
Director	09/12/2000	05/12/2003
Director	01/01/2009	02/01/2011
President	01/01/2009	02/01/2011
Chief Financial Officer	09/12/2000	05/12/2003
Treasurer	06/28/2002	11/15/2002
Vice President	09/12/2000	05/12/2003
Liberty Mutual Community Investors, LLC		
Director	07/27/1999	06/27/2003
Chief Financial Officer	07/27/1999	05/12/2003
Treasurer	06/28/2002	11/15/2002
Liberty Mutual Equity Corporation		
Chief Financial Officer	06/27/1997	05/15/2003
Director	04/15/1997	05/12/2003
Treasurer	04/15/1997	06/27/1997
Treasurer	06/28/2002	11/15/2002
Vice President	04/15/1997	05/12/2003
Liberty Mutual Fire Insurance Company		
Director	03/19/2002	02/01/2011
Executive Vice President	05/12/2003	
Chief Financial Officer	03/12/1997	05/12/2003
Treasurer	06/28/2002	11/15/2002
Senior Vice President	04/12/2000	05/12/2003
Vice President	05/10/1995	04/12/2000
Comptroller	04/15/1992	03/11/1998

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Mutual Group Inc.		
Director	11/14/2001	05/12/2003
Executive Vice President	01/01/2010	
Chief Financial Officer	11/28/2001	05/12/2003
Treasurer	06/28/2002	11/15/2002
Vice President	11/28/2001	05/12/2003
Liberty Mutual Holding Company Inc.		
Executive Vice President	05/12/2003	
Chief Financial Officer	11/30/2001	05/12/2003
Senior Vice President	11/30/2001	05/12/2003
Liberty Mutual Insurance Company		
Director	11/28/2001	02/01/2011
Executive Vice President	05/12/2003	
Chief Financial Officer	03/12/1997	05/12/2003
Treasurer	06/28/2002	11/15/2002
Senior Vice President	03/12/1997	05/12/2003
Vice President	04/19/1995	03/12/1997
Comptroller	04/15/1992	03/11/1998
Liberty Mutual Insurance Europe Limited		
Director	10/29/1999	07/03/2002
Liberty Mutual Investment Advisors LLC		
Director	07/27/1999	05/12/2003
Chief Financial Officer	07/27/1999	05/12/2003
Treasurer	06/28/2002	11/15/2002

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Mutual Managed Care LLC		
Director	04/15/1997	05/12/2003
Director	01/01/2009	02/01/2011
Chairman of the Board	01/01/2009	02/01/2011
Chief Executive Officer	01/01/2009	02/01/2011
Treasurer	06/28/2002	05/12/2003
Vice President	06/28/2002	05/12/2003
Liberty Mutual Management (South Carolina) LLC		
Manager	01/01/2009	02/01/2011
Liberty Mutual Management (Vermont) LLC		
Manager	01/01/2009	02/01/2011
Liberty Mutual Mid-Atlantic Insurance Company		
Director	04/26/2006	01/01/2009
Chairman of the Board	04/26/2006	01/01/2009
Chief Executive Officer	04/26/2006	01/01/2009
President	04/26/2006	01/01/2009
Liberty Mutual Personal Insurance Company		
Director	01/12/2006	01/01/2009
Chairman of the Board	01/12/2006	01/01/2009
Chief Executive Officer	01/12/2006	01/01/2009
President	01/12/2006	01/01/2009
Liberty Mutual Scholarship Foundation		
Committee Member	12/08/2000	11/12/2003

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Northwest Insurance Corporation		
Director	02/01/2011	
Director	05/15/1997	06/11/1997
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Liberty PAC		
Director	03/01/2005	
Liberty Personal Insurance Company		
Director	05/12/2003	01/01/2009
Chairman of the Board	05/12/2003	01/01/2009
Chief Executive Officer	12/01/2005	01/01/2009
President	05/12/2003	01/01/2009
Chief Financial Officer	07/01/1998	05/12/2003
Treasurer	06/28/2002	11/15/2002
Vice President	07/01/1998	05/12/2003
Liberty Re (Bermuda) Limited		
Deputy Chairman of the Board	09/28/2001	05/12/2003
Liberty Re Limited		
Director	10/29/1999	10/30/2002
Liberty Real Estate Corporation		
Director	05/15/2002	05/12/2003
Treasurer	05/15/2002	11/15/2002
Liberty Seguros, Compania de Seguros y Reaseguros, S.A.		
Director	02/21/2001	10/14/2003

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Liberty Surplus Insurance Corporation		
Director	06/23/1997	05/12/2003
Director	01/01/2009	02/01/2011
Chief Financial Officer	06/27/1997	03/17/2000
Treasurer	06/28/2002	11/15/2002
Vice President	06/27/1997	03/17/2000
Vice President	06/28/2002	11/15/2002
Comptroller	06/27/1997	03/13/1998
Liberty-USA Corporation		
Director	02/01/2011	
Director	06/29/1999	05/12/2003
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Chief Operating Officer	02/01/2011	
McGregor Pointe Properties, Inc.		
Director	07/01/1997	09/28/1999
Mid-American Fire & Casualty Company		
Director	06/29/1999	05/12/2003
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Montgomery Mutual Insurance Company		
Director	02/01/2011	
Director	01/01/1997	04/24/2001
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
North Pacific Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
OCI Printing, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Ocasco Budget, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Ohio Casualty Corporation		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Chief Operating Officer	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Ohio Security Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Open Seas Solutions, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Oregon Automobile Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Peerless Indemnity Insurance Company		
Director	07/31/2002	05/12/2003
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Peerless Insurance Company		
Director	02/01/2011	
Director	06/29/1999	05/12/2003
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Pilot Insurance Services, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Rianoc Research Corporation		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
S.C. Bellevue, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
SAFECARE Company, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
SCIT, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Safeco Corporation		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Safeco General Agency, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Safeco Insurance Company of America		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Safeco Insurance Company of Illinois		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Safeco Insurance Company of Indiana		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Safeco Insurance Company of Oregon		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Safeco National Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Safeco Properties, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Safeco Surplus Lines Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
San Diego Insurance Company		
Director	07/21/1997	05/12/2003
Summit Holding Corporation		
Director	10/17/2002	05/12/2003
Summit Holding Southeast, Inc.		
Director	05/11/2000	05/12/2003
Director	04/28/2010	02/01/2011

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Talbot, Bird & Co., Inc.		
Treasurer	06/28/2002	11/15/2002
Talbot, Bird & Co., Inc. of Texas		
Treasurer	06/28/2002	11/15/2002
Talbot, Bird of New England, Inc.		
Treasurer	06/28/2002	11/15/2002
Tara Energy Investments, LLC		
Director	12/15/2000	05/12/2003
Chief Financial Officer	12/15/2000	05/12/2003
Senior Vice President	12/15/2000	05/12/2003
The First Liberty Insurance Corporation		
Director	04/15/1997	02/01/2011
Chief Financial Officer	04/15/1997	05/12/2003
Treasurer	06/28/2002	11/15/2002
Vice President	05/12/1992	02/01/2011
Comptroller	05/12/1992	03/13/1998
The Midwestern Indemnity Company		
Director	06/29/1999	05/12/2003
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
The National Corporation		
Director	06/29/1999	05/12/2003
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
The Netherlands Insurance Company		
Director	02/01/2011	
Director	06/29/1999	05/12/2003
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
The Ohio Casualty Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Wausau Business Insurance Company		
Director	12/31/1998	05/12/2003
Director	12/15/2008	02/01/2011
President	03/02/2009	06/15/2009
Executive Vice President	06/15/2009	
Wausau General Insurance Company		
Director	12/31/1998	05/12/2003
Director	12/15/2008	02/01/2011
President	03/02/2009	06/15/2009
Executive Vice President	06/15/2009	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Wausau Service Corporation		
Director	12/31/1998	05/12/2003
Director	12/15/2008	10/21/2009
President	03/02/2009	06/15/2009
Executive Vice President	06/15/2009	10/21/2009
Wausau Underwriters Insurance Company		
Director	12/31/1998	05/12/2003
Director	12/15/2008	02/01/2011
President	03/02/2009	06/15/2009
Executive Vice President	06/15/2009	
West American Insurance Company		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Winmar Company, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Winmar Oregon, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

J. Paul Condrin, III

Company/Title	Effective Date	End Date
Winmar of the Desert, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	
Winmar-Metro, Inc.		
Director	02/01/2011	
Chairman of the Board	02/01/2011	
Chief Executive Officer	02/01/2011	
President	02/01/2011	

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full Name, Address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable). John Derek Doyle
2. a. Are you a citizen of the United States? Yes
   b. Are you a citizen of any other country, if so, what country? No
3. Affiant's Occupation or Profession. Insurance Executive
4. Affiant's business address. 175 Berkeley Street, Boston, MA, USA, 02116
   Business telephone. (617) 357-9500
5. Education and Training:

College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Boston College	Chestnut Hill, MA	09/85 to 05/89	B.S.

Graduate Studies: College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
None			

Other Training: Name	City/ State	Dates Attended (MM/YY)	Degree/ Certification Obtained
None			

(Note: If affiant attended a foreign school, please provide full address and telephone number of the college/university. If applicable, provide the foreign student Identification Number in the space provided in the Biographical Affidavit Supplemental Information.)

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

6. List of memberships in professional societies and associations.

Name of Society/Association	Contact Name	Address of Society/Association	Telephone Number of Society/Association
None			

7. Present or proposed position with the applicant entity.

Director and Assistant Treasurer

8. List complete employment record for the past twenty (20) years, whether compensated or otherwise (up to and including present jobs, positions, partnerships, owner of an entity, administrator, manager, operator, directorates or officerships). Please list the most recent first. Attach additional pages if the space provided is insufficient. It is only necessary to provide telephone numbers and supervisory information for the past ten (10) years.

See Below and / or Attached Positions Held Report

Beginning/Ending Dates (MM/YY) 12/08 - Current Employer's Name Liberty Mutual Group Inc.

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held Vice President and Comptroller

Supervisor / Contact Dennis Langwell, CFO

Beginning/Ending Dates (MM/YY) 02/00 - 12/08 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held VP & Comptroller; AVP & Dir. of Accounting Ops.

Supervisor / Contact Dennis Langwell, CFO

Beginning/Ending Dates (MM/YY) 06/88 - 02/00 Employer's Name Ernst & Young, LLP

Address 200 Clarendon Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-266-2000 Offices/Positions Held Intern - Senior Manager

Supervisor / Contact Unknown

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

9. a. Have you ever been in a position which required a fidelity bond? No. If any claims were made on the bond, give details. No

b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details. No

10. List any professional, occupational and vocational licenses (including licenses to sell securities) issued by any public or governmental licensing agency or regulatory authority or licensing authority that you presently hold or have held in the past. For any non-insurance regulatory issuer, identify and provide the name, address and telephone number of the licensing authority or regulatory body having jurisdiction over the license (s) issued.. If your professional license number is your Social Security Number (SSN) or embeds your SSN or any sequence of more than five numbers that are reasonably identifiable as your SSN, then write SSN for that portion of the professional license number that is represented by your SSN. (For example, "SSN", "12-SSN-345" or "1234-SSN" (last 6 digits)). Attach additional pages if the space provided is insufficient

Organization/Issuer of License Comm. of MA Board of Public Accountancy Address 239 Causeway Street

City Boston State/Province MA Country USA Postal Code 02114

License Type Certified Public Accountant License # 15501 Date Issued (MM/YY) 01/93

Date Expired (MM/YY) 06/02 Reason for Termination Voluntary lapse of license

Non-insurance Regulatory Phone Number (if known) None

Organization /Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

11. In responding to the following, if the record has been sealed or expunged, and the affiant has personally verified that the record was sealed or expunged, an affiant may respond "no" to the question. Have you ever:

a. Been refused an occupational, professional, or vocational license or permit by any regulatory authority, or any public administrative, or governmental licensing agency?
No

b. Had any occupational, professional, or vocational license or permit you hold or have held, been subject to any judicial, administrative, regulatory, or disciplinary action?
No

c. Been placed on probation or had a fine levied against you or your occupational, professional, or vocational license or permit in any judicial, administrative, regulatory, or disciplinary action?
No

d. Been charged with, or indicted for, any criminal offense(s) other than civil traffic offenses? No

e. Pled guilty, or nolo contendere, or been convicted of, any criminal offense(s) other than civil traffic offenses?
No

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f. Had adjudication of guilt withheld, had a sentence imposed or suspended, had pronouncement of a sentence suspended, or been pardoned, fined, or placed on probation, for any criminal offense(s) other than civil traffic offenses? No

g. Been subject to a cease and desist letter or order, or enjoined, either temporarily or permanently, in any judicial, administrative, regulatory, or disciplinary action, from violating any federal, state law or law of another country regulating the business of insurance, securities or banking, or from carrying out any particular practice or practices in the course of the business of insurance, securities or banking?
No

h. Been, within the last ten (10) years, a party to any civil action involving dishonesty, breach of trust, or a financial dispute? No

i. Had a finding made by the Comptroller of any state or the Federal Government that you have violated any provisions of small loan laws, banking or trust company laws, or credit union laws, or that you have violated any rule or regulation lawfully made by the Comptroller of any state or the Federal Government? No

j. Had a lien or foreclosure action filed against you or any entity while you were associated with that entity?
No

If the response to any question above is answered "Yes", please provide details including dates, locations, disposition, etc. Attach a copy of the complaint and filed adjudication or settlement as appropriate.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. None

If any of the stock is pledged or hypothecated in any way, give details. None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes", please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.
None

If any of the shares of stock are pledged or hypothecated in any way, give details.
None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

14. Have you ever been adjudged a bankrupt? No If yes, provide details
None

15. To your knowledge has any company or entity for which you were an officer or director, trustee, investment committee member, key management employee or controlling stockholder, had any of the following events occur while you served in such capacity? If yes, please indicate and give details. When responding to questions (b) and (c) affiant should also include any events within twelve (12) months after his or her departure from the entity.

a. Been refused a permit, license, or certificate of authority by any regulatory authority, or Governmental-licensing agency? No

b. Had its permit, license, or certificate of authority suspended, revoked, canceled, non-renewed, or subjected to any judicial, administrative, regulatory, or disciplinary action (including rehabilitation, liquidation, receivership, conservatorship, federal bankruptcy proceeding, state insolvency, supervision or any other similar proceeding)?
No

c. Been placed on probation or had a fine levied against it or against its permit, license, or certificate of authority in any civil, criminal, administrative, regulatory, or disciplinary action? Yes

I am an employee of Liberty Mutual Group Inc. and an officer and/or director of various insurance companies in the Liberty Mutual Group. From time to time, in the ordinary course of their insurance businesses, the insurance companies in the Liberty Mutual Group have had fines levied against them as the result of market conduct examinations in some jurisdictions in which the companies are licensed. None of these companies have been placed on probation. I was not personally responsible or culpable in any of those actions.

Note: If an affiant has any doubt about the accuracy of an answer, the question should be answered in the positive and an explanation provided.

Dated and signed this 13 day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 13 day of June, 20 11

By John D. Doyle, and:

[X] who is personally known to me, or

[ ] who produced the following identification:

[SEAL]

Rae E. Levesque
Notary Public
Rae E. Levesque
Printed Notary Name
3-26-2015
My Commission Expires

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

Full Name, Address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

1. Affiant's Full Name (Initials Not Acceptable). John Derek Doyle

2. Have you ever used any other name including nickname, maiden name or aliases? No If yes, give the reason if any, if none indicate such, and provide the full name(s) and date(s) used.

Beginning/Ending Date(s) Used (MM/YY)	Name(s)	Reason (If None, indicate such)
____ - ____	None	
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		

Note: Dates provided in response to this question may be approximate. Parties using this form understand that there could be an overlap of dates when transitioning from one name to another.

3. Affiant's Social Security Number [redacted]

4. Government Identification Number if not a U.S. Citizen None

5. Foreign Student ID# (if applicable) None

6. Date of Birth: (MM/DD/YY) [redacted] Place of Birth: City Bridgeport
State/Province CT Country USA

7 Name of Affiant's Spouse (if applicable) Janice Marie Doyle

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

8. List your residences for the last ten (10) years starting with your current address, giving:

Beginning/Ending Dates (MM/YY)	Address	City	State/ Province	Country	Postal Code
06/99 to Current	[redacted]	Southborough	MA	USA	01772

Note: Dates provided in response to this question may be approximate, except for current address. Parties using this form understand that there could be an overlap of dates when transitioning from one address to another.

Dated and signed this 13 day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 13 day of June, 20 11

By John D. Doyle, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Rae E. Levesque
Notary Public

Rae E. Levesque
Printed Notary Name

3-26-2015
My Commission Expires

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Positions Held Report

Current and Historical Positions

John Derek Doyle

Company/Title	Effective Date	End Date
America First Insurance Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
American Ambassador Casualty Company		
Director	05/17/2004	10/21/2009
Assistant Treasurer	12/31/2005	10/21/2009
American Economy Insurance Company		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
American Fire and Casualty Company		
Director	08/24/2007	
Assistant Treasurer	08/24/2007	
American States Insurance Company		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
American States Insurance Company of Texas		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
American States Preferred Insurance Company		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
Avomark Insurance Company		
Director	08/24/2007	02/23/2010
Assistant Treasurer	08/24/2007	02/23/2010
Berkeley Management Corporation		
Vice President	07/01/2010	
Comptroller	07/01/2010	

John Derek Doyle

Company/Title	Effective Date	End Date
Bridgefield Casualty Insurance Company		
Director	05/30/2004	
Vice President	07/01/2010	
Comptroller	07/01/2010	
Assistant Treasurer	12/31/2005	04/28/2010
Bridgefield Employers Insurance Company		
Director	05/30/2004	
Vice President	07/01/2010	
Comptroller	07/01/2010	
Assistant Treasurer	12/31/2005	04/28/2010
Colorado Casualty Insurance Company		
Director	12/31/2005	
Assistant Treasurer	12/31/2005	
Consolidated Insurance Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
Diversified Settlements, Inc.		
Director	05/17/2004	
Employers Insurance Company of Wausau		
Vice President	06/15/2009	
Comptroller	06/15/2009	
Excelsior Insurance Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
First National Insurance Company of America		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	

John Derek Doyle

Company/Title	Effective Date	End Date
General America Corporation of Texas		
Director	02/09/2009	
Assistant Treasurer	09/22/2008	
General Insurance Company of America		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
Genesis Seguros Generales, Sociedad Anonima de Seguros y Reaseguros, Sociedad Unipersonal		
Director	05/28/2010	
Globe American Casualty Company		
Director	05/17/2004	12/30/2009
Assistant Treasurer	12/31/2005	12/30/2009
Golden Eagle Insurance Corporation		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
Gulf States AIF, Inc.		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
Hawkeye-Security Insurance Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
High Yield Investment Advisors, LLC		
Vice President	09/10/2003	07/20/2010
Controller	09/10/2003	07/20/2010
Indiana Insurance Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	

John Derek Doyle

Company/Title	Effective Date	End Date
Insurance Company of Illinois		
Director	02/09/2009	
Vice President	07/01/2010	
Comptroller	07/01/2010	
Assistant Treasurer	09/22/2008	07/01/2010
LM General Insurance Company		
Vice President	10/31/2003	
Comptroller	10/31/2003	
LM Insurance Corporation		
Vice President	09/10/2003	
Comptroller	09/10/2003	
LM Property and Casualty Insurance Company		
Vice President	10/31/2003	
Comptroller	10/31/2003	
LMGI LLC		
Director	03/30/2010	
Chief Financial Officer	03/30/2010	
Treasurer	03/30/2010	
Vice President	03/30/2010	
Liberty Assignment Corporation		
Director	09/10/2003	
Liberty Insurance Company of America		
Vice President	09/10/2003	09/17/2009
Comptroller	09/10/2003	09/17/2009
Liberty Insurance Corporation		
Vice President	09/10/2003	
Comptroller	09/10/2003	

John Derek Doyle

Company/Title	Effective Date	End Date
Liberty Insurance Underwriters Inc.		
Vice President	12/31/2009	
Vice President	10/31/2003	12/07/2009
Comptroller	10/31/2003	12/07/2009
Comptroller	12/31/2009	
Liberty International Iberia, S.L.		
Director	09/01/2009	
Liberty Mutual Community Investors, LLC		
Vice President	09/10/2003	
Liberty Mutual Fire Insurance Company		
Vice President	09/10/2003	
Comptroller	09/10/2003	
Liberty Mutual Group Inc.		
Vice President	06/06/2005	
Comptroller	06/06/2005	
Liberty Mutual Holding Company Inc.		
Vice President	09/10/2003	
Comptroller	09/10/2003	
Liberty Mutual Insurance Company		
Vice President	09/10/2003	
Assistant Vice President	08/07/2000	09/10/2003
Comptroller	09/10/2003	
Liberty Mutual Investment Advisors LLC		
Vice President	09/10/2003	
Liberty Mutual Mid-Atlantic Insurance Company		
Vice President	01/13/2006	
Comptroller	01/13/2006	

John Derek Doyle

Company/Title	Effective Date	End Date
Liberty Mutual Personal Insurance Company		
Vice President	01/12/2006	
Comptroller	01/12/2006	
Liberty Northwest Insurance Corporation		
Director	02/16/2006	
Financial Officer	12/31/2005	09/01/2007
Assistant Treasurer	09/01/2007	
Liberty Personal Insurance Company		
Vice President	09/10/2003	
Comptroller	09/10/2003	
Liberty Re (Bermuda) Limited		
Director	06/29/2005	
Vice President	06/29/2005	
Liberty Seguros, Compania de Seguros y Reaseguros, S.A.		
Director	06/10/2010	
Mid-American Fire & Casualty Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
Montgomery Mutual Insurance Company		
Director	12/31/2005	
Assistant Treasurer	12/31/2005	
North Pacific Insurance Company		
Director	02/16/2006	
Assistant Treasurer	12/31/2005	
OCI Printing, Inc.		
Director	08/24/2007	04/16/2008
Ocasco Budget, Inc.		
Director	08/24/2007	04/16/2008

John Derek Doyle

Company/Title	Effective Date	End Date
Ohio Casualty of New Jersey, Inc.		
Director	08/24/2007	09/30/2009
Assistant Treasurer	08/24/2007	09/30/2009
Ohio Security Insurance Company		
Director	08/24/2007	
Assistant Treasurer	08/24/2007	
Oregon Automobile Insurance Company		
Director	02/16/2006	
Assistant Treasurer	12/31/2005	
Peerless Indemnity Insurance Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
Peerless Insurance Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
Safeco Insurance Company of America		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
Safeco Insurance Company of Illinois		
Director	02/09/2009	
Assistant Treasurer	09/22/2008	
Safeco Insurance Company of Indiana		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
Safeco Insurance Company of Oregon		
Director	02/02/2009	
Assistant Treasurer	09/22/2008	

John Derek Doyle

Company/Title	Effective Date	End Date
Safeco National Insurance Company		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
Safeco Surplus Lines Insurance Company		
Director	09/22/2008	
Assistant Treasurer	09/22/2008	
San Diego Insurance Company		
Director	05/17/2004	
Vice President	07/01/2010	
Comptroller	07/01/2010	
St. James Insurance Company Ltd.		
Director	11/27/2003	
Vice President	11/27/2003	
The First Liberty Insurance Corporation		
Vice President	09/10/2003	
Comptroller	09/10/2003	
The Midwestern Indemnity Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
The National Corporation		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
The Netherlands Insurance Company		
Director	05/17/2004	
Assistant Treasurer	12/31/2005	
The Ohio Casualty Insurance Company		
Director	08/24/2007	
Assistant Treasurer	08/24/2007	

John Derek Doyle

Company/Title	Effective Date	End Date
The Ohio Life Brokerage Services, Inc.		
Director	08/24/2007	04/16/2008
Twee US Dutch LLC		
Director	10/12/2009	
Chief Financial Officer	10/12/2009	
Treasurer	10/12/2009	
Vice President	10/12/2009	
Wausau Business Insurance Company		
Vice President	06/15/2009	
Comptroller	06/15/2009	
Wausau General Insurance Company		
Vice President	06/15/2009	
Comptroller	06/15/2009	
Wausau Service Corporation		
Vice President	06/15/2009	10/21/2009
Comptroller	06/15/2009	10/21/2009
Wausau Underwriters Insurance Company		
Vice President	06/15/2009	
Comptroller	06/15/2009	
West American Insurance Company		
Director	08/24/2007	
Assistant Treasurer	08/24/2007	

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full Name, Address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable). Michael Joseph Pallon
2. a. Are you a citizen of the United States? Yes
   b. Are you a citizen of any other country, if so, what country? No
3. Affiant's Occupation or Profession. Insurance Executive
4. Affiant's business address. 175 Berkeley Street, Boston, MA, USA, 02116

   Business telephone. 617-654-3677
5. Education and Training:

College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
University of Massachusetts	Lowell, MA	01/90 to 12/92	B.S. - Accounting

Graduate Studies: College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Boston University	Boston, MA	09/96 to 05/98	MBA - Finance Concentration

Other Training: Name	City/ State	Dates Attended (MM/YY)	Degree/ Certification Obtained
None			

(Note: If affiant attended a foreign school, please provide full address and telephone number of the college/university. If applicable, provide the foreign student Identification Number in the space provided in the Biographical Affidavit Supplemental Information.)

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

6. List of memberships in professional societies and associations.

Name of Society/Association	Contact Name	Address of Society/Association	Telephone Number of Society/Association
None			

7. Present or proposed position with the applicant entity.

Director, Chief Financial, Treasurer, and Vice President

8. List complete employment record for the past twenty (20) years, whether compensated or otherwise (up to and including present jobs, positions, partnerships, owner of an entity, administrator, manager, operator, directorates or officerships). Please list the most recent first. Attach additional pages if the space provided is insufficient. It is only necessary to provide telephone numbers and supervisory information for the past ten (10) years.

See Below and / or Attached Positions Held Report

Beginning/Ending Dates (MM/YY) 01/11 - Current Employer's Name Peerless Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-654-3677 Offices/Positions Held CPO, LMAC

Supervisor / Contact J. Paul Condrin, III

Beginning/Ending Dates (MM/YY) 01/10 - 12/10 Employer's Name Liberty Mutual Group Inc.

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-654-3677 Offices/Positions Held CFO, LMAC

Supervisor / Contact Gary R. Gregg

Beginning/Ending Dates (MM/YY) 10/08 - 12/09 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-654-3677 Offices/Positions Held CFO-Agency Markets

Supervisor / Contact Gary R. Gregg

See Addendum for Additional Information

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

9. a. Have you ever been in a position which required a fidelity bond? No If any claims were made on the bond, give details. No

b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details. No

10. List any professional, occupational and vocational licenses (including licenses to sell securities) issued by any public or governmental licensing agency or regulatory authority or licensing authority that you presently hold or have held in the past. For any non-insurance regulatory issuer, identify and provide the name, address and telephone number of the licensing authority or regulatory body having jurisdiction over the license (s) issued.. If your professional license number is your Social Security Number (SSN) or embeds your SSN or any sequence of more than five numbers that are reasonably identifiable as your SSN, then write SSN for that portion of the professional license number that is represented by your SSN. (For example, "SSN", "12-SSN-345" or "1234-SSN" (last 6 digits)). Attach additional pages if the space provided is insufficient

Organization/Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

Organization /Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

11. In responding to the following, if the record has been sealed or expunged, and the affiant has personally verified that the record was sealed or expunged, an affiant may respond "no" to the question. Have you ever:

a. Been refused an occupational, professional, or vocational license or permit by any regulatory authority, or any public administrative, or governmental licensing agency?
No

b. Had any occupational, professional, or vocational license or permit you hold or have held, been subject to any judicial, administrative, regulatory, or disciplinary action?
No

c. Been placed on probation or had a fine levied against you or your occupational, professional, or vocational license or permit in any judicial, administrative, regulatory, or disciplinary action?
No

d. Been charged with, or indicted for, any criminal offense(s) other than civil traffic offenses? No

e. Pled guilty, or nolo contendere, or been convicted of, any criminal offense(s) other than civil traffic offenses?
No

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f. Had adjudication of guilt withheld, had a sentence imposed or suspended, had pronouncement of a sentence suspended, or been pardoned, fined, or placed on probation, for any criminal offense(s) other than civil traffic offenses? No

g. Been subject to a cease and desist letter or order, or enjoined, either temporarily or permanently, in any judicial, administrative, regulatory, or disciplinary action, from violating any federal, state law or law of another country regulating the business of insurance, securities or banking, or from carrying out any particular practice or practices in the course of the business of insurance, securities or banking?
No

h. Been, within the last ten (10) years, a party to any civil action involving dishonesty, breach of trust, or a financial dispute? No

i. Had a finding made by the Comptroller of any state or the Federal Government that you have violated any provisions of small loan laws, banking or trust company laws, or credit union laws, or that you have violated any rule or regulation lawfully made by the Comptroller of any state or the Federal Government? No

j. Had a lien or foreclosure action filed against you or any entity while you were associated with that entity?
No

If the response to any question above is answered "Yes", please provide details including dates, locations, disposition, etc. Attach a copy of the complaint and filed adjudication or settlement as appropriate.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. None

If any of the stock is pledged or hypothecated in any way, give details. None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes", please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.
None

If any of the shares of stock are pledged or hypothecated in any way, give details.
None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

14. Have you ever been adjudged a bankrupt? No If yes, provide details None

15. To your knowledge has any company or entity for which you were an officer or director, trustee, investment committee member, key management employee or controlling stockholder, had any of the following events occur while you served in such capacity? If yes, please indicate and give details. When responding to questions (b) and (c) affiant should also include any events within twelve (12) months after his or her departure from the entity.

    a. Been refused a permit, license, or certificate of authority by any regulatory authority, or Governmental-licensing agency? No

    b. Had its permit, license, or certificate of authority suspended, revoked, canceled, non-renewed, or subjected to any judicial, administrative, regulatory, or disciplinary action (including rehabilitation, liquidation, receivership, conservatorship, federal bankruptcy proceeding, state insolvency, supervision or any other similar proceeding)? No

    c. Been placed on probation or had a fine levied against it or against its permit, license, or certificate of authority in any civil, criminal, administrative, regulatory, or disciplinary action? Yes

I am an employee of Peerless Insurance Company and an officer and/or director of various insurance companies in the group. From time to time, in the ordinary course of their insurance businesses, the insurance companies in the group have had fines levied against them as the result of market conduct examinations in some jurisdictions in which the companies are licensed. None of these companies have been placed on probation. I was not personally responsible or culpable in any of those actions.

Note: If an affiant has any doubt about the accuracy of an answer, the question should be answered in the positive and an explanation provided.

Dated and signed this 24th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 24th day of June, 20 11

By Michael J. Fallon, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

Full Name, Address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

1. Affiant's Full Name (Initials Not Acceptable). Michael Joseph Fallon

2. Have you ever used any other name including nickname, maiden name or aliases? No If yes, give the reason if any, if none indicate such, and provide the full name(s) and date(s) used.

Beginning/Ending Date(s) Used (MM/YY)	Name(s)	Reason (If None, indicate such)
-	None	
-		
-		
-		
-		
-		
-		
-		
-		

Note: Dates provided in response to this question may be approximate. Parties using this form understand that there could be an overlap of dates when transitioning from one name to another.

3. Affiant's Social Security Number [redacted]

4. Government Identification Number if not a U.S. Citizen None

5. Foreign Student ID# (if applicable) None

6. Date of Birth: (MM/DD/YY) [redacted] Place of Birth: City Boston
State/Province MA Country US

7 Name of Affiant's Spouse (if applicable) Karen Marie Fallon

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

8. List your residences for the last ten (10) years starting with your current address, giving:

Beginning/Ending Dates (MM/YY)	Address	City	State/ Province	Country	Postal Code
02/08 to Current	[redacted]	Bedford	MA	USA	01730
10/01 to 02/08		Bedford	MA	USA	01730
10/00 to 10/01		Billerica	MA	USA	01821
06/94 to 10/00		Cambridge	MA	USA	02141

Note: Dates provided in response to this question may be approximate, except for current address. Parties using this form understand that there could be an overlap of dates when transitioning from one address to another.

Dated and signed this 24th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 24th day of June, 20 11

By Michael J. Fallon, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

Applicant Name Safeco Surplus Lines Insurance Company

EMPLOYMENT ADDENDUM

Beginning/Ending
Dates (MM/YY) 05/08 - 10/08 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-654-3677 Offices/Positions Held Director of Integration

Supervisor / Contact Gary R. Gregg

Beginning/Ending
Dates (MM/YY) 09/03 - 05/08 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-654-3677 Offices/Positions Held Director of Corporate Finance

Supervisor / Contact Laurance Yahia

Beginning/Ending
Dates (MM/YY) 01/93 - 09/03 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-654-3677 Offices/Positions Held Held Various Accounting and Audit Positions

Supervisor / Contact Dennis Langwell

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

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Positions Held Report

Current and Historical Positions

Michael Joseph Fallon

Company/Title	Effective Date	End Date
AMBCO Capital Corporation		
Chief Financial Officer	11/19/2008	
Senior Vice President	11/19/2008	
America First Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
American Ambassador Casualty Company		
Director	11/19/2008	10/21/2009
Chief Financial Officer	11/19/2008	10/21/2009
Treasurer	11/19/2008	10/21/2009
Vice President	11/19/2008	10/21/2009
Assistant Treasurer	12/31/2005	11/19/2008
American Economy Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
American Fire and Casualty Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	08/24/2007	11/19/2008

Michael Joseph Fallon

Company/Title	Effective Date	End Date
American States Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
American States Insurance Company of Texas		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
American States Preferred Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
Avomark Insurance Company		
Director	11/19/2008	02/23/2010
Chief Financial Officer	11/19/2008	02/23/2010
Treasurer	11/19/2008	02/23/2010
Vice President	11/19/2008	02/23/2010
Assistant Treasurer	08/24/2007	11/19/2008
Barrier Ridge LLC		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Berkeley Holding Company Associates, Inc.		
Vice President	02/08/2007	
Big Apple Merger Corporation		
President	09/22/2008	09/22/2008
Bridgefield Casualty Insurance Company		
Director	11/19/2008	04/28/2010
Chief Financial Officer	11/19/2008	04/28/2010
Treasurer	11/19/2008	04/28/2010
Vice President	11/19/2008	04/28/2010
Assistant Treasurer	12/31/2005	11/19/2008
Bridgefield Employers Insurance Company		
Director	11/19/2008	04/28/2010
Chief Financial Officer	11/19/2008	04/28/2010
Treasurer	11/19/2008	04/28/2010
Vice President	11/19/2008	04/28/2010
Assistant Treasurer	12/31/2005	11/19/2008
Capitol Court Corporation		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Colorado Casualty Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Commercial Aviation Insurance, Inc.		
Treasurer	03/31/2011	
Committee - Audit - Bridgefield Casualty Insurance Company		
Chair	11/24/2008	04/28/2010
Committee - Audit - Bridgefield Employers Insurance Company		
Chair	11/24/2008	04/28/2010
Committee - Audit - Liberty Mutual Agency Corporation		
Committee Member	04/12/2010	05/03/2010
Committee - Nominating - Montgomery Mutual Insurance Company		
Committee Member	11/19/2008	
Consolidated Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
Diversified Settlements, Inc.		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Senior Vice President	11/19/2008	
Emerald City Insurance Agency, Inc.		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Excelsior Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
F.B. Beattie & Co., Inc.		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
First National Insurance Company of America		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
First State Agency, Inc.		
Chief Financial Officer	11/19/2008	
Senior Vice President	11/19/2008	
Florida State Agency, Inc.		
Chief Financial Officer	11/19/2008	08/20/2010
Senior Vice President	11/19/2008	08/20/2010
General America Corporation		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	

Michael Joseph Fallon

Company/Title	Effective Date	End Date
General America Corporation of Texas		
Director	02/09/2009	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
General Insurance Company of America		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
Globe American Casualty Company		
Director	11/19/2008	12/30/2009
Chief Financial Officer	11/19/2008	12/30/2009
Treasurer	11/19/2008	12/30/2009
Vice President	11/19/2008	12/30/2009
Assistant Treasurer	12/31/2005	11/19/2008
Golden Eagle Insurance Corporation		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Gulf States AIF, Inc.		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
Hawkeye-Security Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
Indiana Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
Insurance Company of Illinois		
Director	02/09/2009	04/12/2010
Chief Financial Officer	11/19/2008	04/12/2010
Treasurer	11/19/2008	04/12/2010
Vice President	11/19/2008	04/12/2010
Assistant Treasurer	09/22/2008	11/19/2008

Michael Joseph Fallon

Company/Title	Effective Date	End Date
LIH-RE of America Corporation		
Director	11/19/2008	
President	11/19/2008	
Chief Financial Officer	11/19/2008	
Senior Vice President	11/19/2008	
LMHC Massachusetts Holdings Inc.		
Vice President	06/27/2008	
LRE Properties, Inc.		
Vice President	02/08/2007	06/27/2008
Liberty Information Technology Limited		
Director	03/25/2009	
Liberty Insurance Holdings, Inc.		
Director	11/19/2008	09/09/2010
Chief Financial Officer	11/19/2008	09/09/2010
Senior Vice President	11/19/2008	09/09/2010
Vice President	06/27/2008	11/18/2008
Liberty Mutual Agency Corporation		
Director	11/19/2008	04/30/2010
Chief Financial Officer	11/19/2008	
Treasurer	08/17/2010	
Senior Vice President	11/19/2008	
Vice President	06/27/2008	11/18/2008
Liberty Mutual Group Inc.		
Vice President	01/01/2010	09/23/2010
Vice President, Corporate Finance	05/19/2005	12/31/2009

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Liberty Mutual Insurance Company		
Senior Vice President	05/07/2008	03/24/2009
Vice President	09/04/2003	05/06/2008
Vice President	03/25/2009	12/31/2009
Liberty Northwest Insurance Corporation		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Financial Officer	12/31/2005	09/01/2007
Assistant Treasurer	09/01/2007	11/19/2008
Liberty Real Estate Holdings LLC		
Vice President	10/01/2007	
Liberty-USA Corporation		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Senior Vice President	11/19/2008	
Liberty/Hoffman Estates LLC		
Vice President	02/14/2007	06/27/2008
Liberty/Milwaukee LLC		
Vice President	06/28/2007	06/27/2008
Liberty/Warrenville LLC		
Vice President	02/14/2007	06/27/2008
Mid-American Agency, Inc.		
Chief Financial Officer	11/19/2008	08/20/2010
Senior Vice President	11/19/2008	08/20/2010

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Mid-American Fire & Casualty Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
Missouri Agency, Inc.		
Chief Financial Officer	11/19/2008	12/30/1994
Senior Vice President	11/19/2008	12/30/1994
Montgomery Mutual Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
North Pacific Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
OCI Printing, Inc.		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Ocasco Budget, Inc.		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Ohio Casualty Corporation		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Senior Vice President	11/19/2008	
Ohio Casualty of New Jersey, Inc.		
Director	11/19/2008	09/30/2009
Chief Financial Officer	11/19/2008	09/30/2009
Treasurer	11/19/2008	09/30/2009
Vice President	11/19/2008	09/30/2009
Assistant Treasurer	08/24/2007	11/19/2008
Ohio Security Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	08/24/2007	11/19/2008
Open Seas Solutions, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Oregon Automobile Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
Peerless Indemnity Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
Peerless Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
Pilot Insurance Services, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Rianoc Research Corporation		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
S.C. Bellevue, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	

Michael Joseph Fallon

Company/Title	Effective Date	End Date
SAFECARE Company, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
SCIT, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Safeco Corporation		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Senior Vice President	11/19/2008	
Safeco General Agency, Inc.		
Director	02/01/2011	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Safeco Insurance Company of America		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
Safeco Insurance Company of Illinois		
Director	02/09/2009	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Safeco Insurance Company of Indiana		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
Safeco Insurance Company of Oregon		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
Safeco National Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
Safeco Offshore Sourcing Private, Ltd.		
Director	06/17/2009	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Safeco Properties, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Safeco Surplus Lines Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	09/22/2008	11/19/2008
San Diego Insurance Company		
Director	11/19/2008	04/12/2010
Chief Financial Officer	11/19/2008	04/12/2010
Treasurer	11/19/2008	04/12/2010
Vice President	11/19/2008	04/12/2010
Assistant Treasurer	12/31/2005	11/19/2008
St. James Insurance Company Ltd.		
Vice President	11/27/2003	06/13/2008
St. James/Arlington LLC		
Vice President	10/27/2005	06/27/2008
St. James/Arlington Management LLC		
Vice President	01/06/2006	06/27/2008
State Agency, Inc. (a Wisconsin Corporation)		
Chief Financial Officer	11/19/2008	08/24/2010
Senior Vice President	11/19/2008	08/24/2010
State Agency, Inc. (an Indiana Corporation)		
Chief Financial Officer	11/19/2008	08/23/2010
Senior Vice President	11/19/2008	08/23/2010

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Summit Holding Southeast, Inc.		
Director	11/19/2008	04/28/2010
Chief Financial Officer	11/19/2008	04/28/2010
Treasurer	11/19/2008	04/28/2010
Senior Vice President	11/19/2008	04/28/2010
The Capitol Agency, Inc. (AZ)		
Chief Financial Officer	11/19/2008	01/20/2011
Senior Vice President	11/19/2008	01/20/2011
The Capitol Agency, Inc. (OH)		
Chief Financial Officer	11/19/2008	11/17/2010
Senior Vice President	11/19/2008	11/17/2010
The Capitol Agency, Inc. (TN)		
Chief Financial Officer	11/19/2008	07/01/2010
Senior Vice President	11/19/2008	07/01/2010
The Midwestern Indemnity Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
The National Corporation		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008

Michael Joseph Fallon

Company/Title	Effective Date	End Date
The Netherlands Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	12/31/2005	11/19/2008
The Ohio Casualty Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	08/24/2007	11/19/2008
The Ohio Life Brokerage Services, Inc.		
Director	11/19/2008	11/01/1995
Chief Financial Officer	11/19/2008	11/01/1995
Treasurer	11/19/2008	11/01/1995
Waterfall Merger Corp.		
Vice President	05/03/2007	08/24/2007
West American Insurance Company		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Vice President	11/19/2008	
Assistant Treasurer	08/24/2007	11/19/2008

Michael Joseph Fallon

Company/Title	Effective Date	End Date
Winmar Company, Inc.		
Director	11/19/2008	
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Winmar Oregon, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Winmar of the Desert, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	
Winmar-Metro, Inc.		
Chief Financial Officer	11/19/2008	
Treasurer	11/19/2008	

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full Name, Address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable). Anthony Alexander Fontanes
2. a. Are you a citizen of the United States? Yes
   b. Are you a citizen of any other country, if so, what country? No
3. Affiant's Occupation or Profession. Insurance Executive
4. Affiant's business address. 175 Berkeley Street, Boston, MA, USA, 02116
   Business telephone. 617-357-9500
5. Education and Training:

College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Siena College	Loudonville, NY	09/72 to 06/76	B.S.

Graduate Studies: College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Rensselaer Polytechnic Institute	Troy, NY	09/79 to 08/80	M.B.A.

Other Training: Name	City/ State	Dates Attended (MM/YY)	Degree/ Certification Obtained
None			

(Note: If affiant attended a foreign school, please provide full address and telephone number of the college/university. If applicable, provide the foreign student Identification Number in the space provided in the Biographical Affidavit Supplemental Information.)

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

6. List of memberships in professional societies and associations.

Name of Society/Association	Contact Name	Address of Society/Association	Telephone Number of Society/Association
Assoc. for Investment Management Research	Kitty Kennedy	184 High St., Boston, MA, USA, 02110	617-426-0270
Boston Municipal Analyst Forum	Paul Flynn	2 International Place, Boston, MA, USA, 02119	617-443-2018 fax

7. Present or proposed position with the applicant entity.

Chief Investment Officer and Executive Vice President

8. List complete employment record for the past twenty (20) years, whether compensated or otherwise (up to and including present jobs, positions, partnerships, owner of an entity, administrator, manager, operator, directorates or officerships). Please list the most recent first. Attach additional pages if the space provided is insufficient. It is only necessary to provide telephone numbers and supervisory information for the past ten (10) years.

See Below and / or Attached Positions Held Report

Beginning/Ending Dates (MM/YY) 01/10 - Current Employer's Name Liberty Mutual Group Inc.

Address 175 Berkeley St. City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held EVP and Chief Investment Officer

Supervisor / Contact Edmund F. Kelly

Beginning/Ending Dates (MM/YY) 11/80 - 12/09 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley St. City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held Various including EVP & CIO

Supervisor / Contact Edmund F. Kelly

Beginning/Ending Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

9. a. Have you ever been in a position which required a fidelity bond? No If any claims were made on the bond, give details. No

b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details. No

10. List any professional, occupational and vocational licenses (including licenses to sell securities) issued by any public or governmental licensing agency or regulatory authority or licensing authority that you presently hold or have held in the past. For any non-insurance regulatory issuer, identify and provide the name, address and telephone number of the licensing authority or regulatory body having jurisdiction over the license (s) issued.. If your professional license number is your Social Security Number (SSN) or embeds your SSN or any sequence of more than five numbers that are reasonably identifiable as your SSN, then write SSN for that portion of the professional license number that is represented by your SSN. (For example, "SSN", "12-SSN-345" or "1234-SSN" (last 6 digits)). Attach additional pages if the space provided is insufficient

Organization/Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

Organization /Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

11. In responding to the following, if the record has been sealed or expunged, and the affiant has personally verified that the record was sealed or expunged, an affiant may respond "no" to the question. Have you ever:

a. Been refused an occupational, professional, or vocational license or permit by any regulatory authority, or any public administrative, or governmental licensing agency?
No

b. Had any occupational, professional, or vocational license or permit you hold or have held, been subject to any judicial, administrative, regulatory, or disciplinary action?
No

c. Been placed on probation or had a fine levied against you or your occupational, professional, or vocational license or permit in any judicial, administrative, regulatory, or disciplinary action?
No

d. Been charged with, or indicted for, any criminal offense(s) other than civil traffic offenses? No

e. Pled guilty, or nolo contendere, or been convicted of, any criminal offense(s) other than civil traffic offenses?
No

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f. Had adjudication of guilt withheld, had a sentence imposed or suspended, had pronouncement of a sentence suspended, or been pardoned, fined, or placed on probation, for any criminal offense(s) other than civil traffic offenses? No

g. Been subject to a cease and desist letter or order, or enjoined, either temporarily or permanently, in any judicial, administrative, regulatory, or disciplinary action, from violating any federal, state law or law of another country regulating the business of insurance, securities or banking, or from carrying out any particular practice or practices in the course of the business of insurance, securities or banking?
No

h. Been, within the last ten (10) years, a party to any civil action involving dishonesty, breach of trust, or a financial dispute? No

i. Had a finding made by the Comptroller of any state or the Federal Government that you have violated any provisions of small loan laws, banking or trust company laws, or credit union laws, or that you have violated any rule or regulation lawfully made by the Comptroller of any state or the Federal Government? No

j. Had a lien or foreclosure action filed against you or any entity while you were associated with that entity?
No

If the response to any question above is answered "Yes", please provide details including dates, locations, disposition, etc. Attach a copy of the complaint and filed adjudication or settlement as appropriate.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. None

If any of the stock is pledged or hypothecated in any way, give details. None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes", please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.
None

If any of the shares of stock are pledged or hypothecated in any way, give details.

None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

14. Have you ever been adjudged a bankrupt? No If yes, provide details None

15. To your knowledge has any company or entity for which you were an officer or director, trustee, investment committee member, key management employee or controlling stockholder, had any of the following events occur while you served in such capacity? If yes, please indicate and give details. When responding to questions (b) and (c) affiant should also include any events within twelve (12) months after his or her departure from the entity.

a. Been refused a permit, license, or certificate of authority by any regulatory authority, or Governmental-licensing agency? No

b. Had its permit, license, or certificate of authority suspended, revoked, canceled, non-renewed, or subjected to any judicial, administrative, regulatory, or disciplinary action (including rehabilitation, liquidation, receivership, conservatorship, federal bankruptcy proceeding, state insolvency, supervision or any other similar proceeding)? No

c. Been placed on probation or had a fine levied against it or against its permit, license, or certificate of authority in any civil, criminal, administrative, regulatory, or disciplinary action? Yes

I am an employee of Liberty Mutual Group Inc. and an officer and/or director of various insurance companies in the Liberty Mutual Group. From time to time, in the ordinary course of their insurance businesses, the insurance companies in the Liberty Mutual Group have had fines levied against them as the result of market conduct examinations in some jurisdictions in which the companies are licensed. None of these companies have been placed on probation. I was not personally responsible or culpable in any of those actions.

Note: If an affiant has any doubt about the accuracy of an answer, the question should be answered in the positive and an explanation provided.

Dated and signed this 15th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 15th day of June, 20 11

By A. Alexander Fontanes, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

Full Name, Address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

1. Affiant's Full Name (Initials Not Acceptable). Anthony Alexander Fontanes

2. Have you ever used any other name including nickname, maiden name or aliases? No If yes, give the reason if any, if none indicate such, and provide the full name(s) and date(s) used.

Beginning/Ending Date(s) Used (MM/YY)	Name(s)	Reason (If None, indicate such)
____ - ____	None	
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		

Note: Dates provided in response to this question may be approximate. Parties using this form understand that there could be an overlap of dates when transitioning from one name to another.

3. Affiant's Social Security Number [redacted]

4. Government Identification Number if not a U.S. Citizen None

5. Foreign Student ID# (if applicable) None

6. Date of Birth: (MM/DD/YY) [redacted] Place of Birth: City New York
State/Province NY Country USA

7 Name of Affiant's Spouse (if applicable) Elisa A. Fontanes

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

8. List your residences for the last ten (10) years starting with your current address, giving:

Beginning/Ending Dates (MM/YY)	Address	City	State/ Province	Country	Postal Code
09/00 to Current	[redacted]	Hingham	MA	USA	02043

Note: Dates provided in response to this question may be approximate, except for current address. Parties using this form understand that there could be an overlap of dates when transitioning from one address to another.

Dated and signed this 15th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 15th day of June, 20 11

By A. Alexander Fontanes, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

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Positions Held Report

Current and Historical Positions

A. Alexander Fontanes

Company/Title	Effective Date	End Date
America First Insurance Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
American Ambassador Casualty Company		
Executive Vice President	06/29/1999	10/21/2009
Chief Investment Officer	06/29/1999	10/21/2009
American Economy Insurance Company		
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
American Fire and Casualty Company		
Executive Vice President	08/24/2007	
Chief Investment Officer	08/24/2007	
American States Insurance Company		
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
American States Insurance Company of Texas		
Director	09/22/2008	03/08/2011
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
American States Preferred Insurance Company		
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
Atlas Assurance Company of America		
Chief Investment Officer	12/31/1999	12/31/2002
Executive Vice President	12/31/1999	12/31/2002
Avomark Insurance Company		
Executive Vice President	08/24/2007	02/23/2010
Chief Investment Officer	08/24/2007	02/23/2010

A. Alexander Fontanes

Company/Title	Effective Date	End Date
Berkeley/Columbus II LLC		
Vice President	06/23/2009	
Berkeley/Columbus III LLC		
Vice President	06/23/2009	
Berkeley/Columbus Real Estate LLC		
Vice President	06/23/2009	
Berkeley/St. James II LLC		
Vice President	09/14/2009	
Berkeley/St. James Real Estate LLC		
Vice President	09/14/2009	
Bridgefield Casualty Insurance Company		
Executive Vice President	07/05/2005	04/28/2010
Chief Investment Officer	07/05/2005	
Vice President	04/28/2010	
Bridgefield Employers Insurance Company		
Executive Vice President	07/05/2005	04/28/2010
Chief Investment Officer	07/05/2005	
Vice President	04/28/2010	
Brooke Drilling, LLC		
Director	11/09/2000	
Chairman of the Board	11/09/2000	
Charbella Energy, Ltd.		
Director	12/15/2003	09/21/2010
Colorado Casualty Insurance Company		
Executive Vice President	07/05/2005	
Chief Investment Officer	07/05/2005	
Committee - Audit - Liberty Mutual Agency Corporation		
Committee Member	05/03/2010	

A. Alexander Fontanes

Company/Title	Effective Date	End Date
Committee - Investment - LM Insurance Corporation		
Committee Member	04/15/1997	
Committee - Investment - Liberty Insurance Corporation		
Committee Member	04/15/1997	
Committee - Investment - The First Liberty Insurance Corporation		
Committee Member	04/15/1997	
Consolidated Insurance Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
Cooling-Grumme-Mumford Company, Inc.		
Chief Investment Officer	06/29/1999	10/17/2002
Executive Vice President	06/29/1999	10/17/2002
Diversified Settlements, Inc.		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
Employers Insurance Company of Wausau		
Director	12/31/1998	
Executive Vice President	06/15/2009	
Chief Investment Officer	09/14/2005	
Vice President	09/14/2005	06/15/2009
Excelsior Insurance Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
First National Insurance Company of America		
Director	09/22/2008	02/09/2009
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	

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Company/Title	Effective Date	End Date
General America Corporation of Texas		
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
General Insurance Company of America		
Director	09/22/2008	02/09/2009
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
Globe American Casualty Company		
Executive Vice President	06/29/1999	12/30/2009
Chief Investment Officer	06/29/1999	12/30/2009
Golden Eagle Insurance Corporation		
Executive Vice President	07/05/2005	
Chief Investment Officer	07/05/2005	
Gulf States AIF, Inc.		
Executive Vice President	07/05/2005	
Chief Investment Officer	07/05/2005	
Hawkeye-Security Insurance Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
High Yield Investment Advisors, LLC		
Director	04/05/2001	07/20/2010
President	04/05/2001	07/20/2010
Indiana Insurance Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	

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Company/Title	Effective Date	End Date
Insurance Company of Illinois		
Director	04/12/2010	
Executive Vice President	09/22/2008	04/12/2010
Chief Investment Officer	09/22/2008	
Vice President	04/12/2010	
Kellen Holdings, LLC		
Director	01/08/2001	
Chairman of the Board	01/08/2001	
LEH China, LLC		
Chairman of the Board	07/18/2001	10/03/2006
Director	07/18/2001	10/03/2006
LIH-RE of America Corporation		
Executive Vice President	06/29/1999	03/31/2000
Chief Investment Officer	06/29/1999	03/31/2000
LLS Insurance Agency of Nevada, Inc.		
Director	02/10/2000	06/24/2005
LM General Insurance Company		
Chief Investment Officer	03/31/2011	
Vice President	10/31/2003	
Assistant Treasurer	10/31/2003	
LM Insurance Corporation		
Director	05/12/1992	
Chief Investment Officer	03/31/2011	
Vice President	05/12/1992	
Assistant Treasurer	05/12/1992	

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Company/Title	Effective Date	End Date
LM Property and Casualty Insurance Company		
Vice President	10/31/2003	
Assistant Treasurer	10/31/2003	
LMIA Coinvestment LLC		
Director	07/18/2006	
Chairman of the Board	07/18/2006	
Chief Executive Officer	07/18/2006	
President	07/18/2006	
Liberty China LLC		
Director	12/07/2005	
President	12/07/2005	
Liberty Energy Canada, Inc.		
Director	12/05/2006	
Chairman of the Board	12/05/2006	
Liberty Energy Gulf Corporation		
Chairman of the Board	06/21/2000	10/31/2002
Director	06/21/2000	10/31/2002
Liberty Energy Holdings, LLC		
Director	11/09/2000	
Chairman of the Board	11/09/2000	
Liberty Energy, LLC		
Director	06/21/2000	
Chairman of the Board	06/21/2000	
Liberty Insurance Acquisition Corporation		
Director	12/14/2001	03/19/2002
Liberty Insurance Company of America		
Director	05/31/1995	09/17/2009
Vice President	06/30/1995	09/17/2009

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Company/Title	Effective Date	End Date
Liberty Insurance Corporation		
Director	05/12/1992	
Chief Investment Officer	09/14/2005	
Vice President	05/12/1992	
Assistant Treasurer	05/12/1992	
Liberty Insurance Holdings, Inc.		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
Liberty Insurance Underwriters Inc.		
Executive Vice President	11/16/1999	01/03/2011
Chief Investment Officer	03/31/2011	
Chief Investment Officer	11/16/1999	01/03/2011
Vice President	03/31/2011	
Vice President	10/31/2003	12/07/2009
Assistant Treasurer	10/31/2003	12/07/2009
Liberty International Iberia, S.L.		
Counsel	10/28/2002	
Liberty Investment Re LLC		
Director	12/17/2007	
Chairman of the Board	12/17/2007	
Chief Executive Officer	12/17/2007	
President	12/17/2007	
Liberty Life Assurance Company of Boston		
Director	08/10/1995	
Chief Investment Officer	02/10/2010	
Vice President	03/11/1992	
Assistant Treasurer	09/12/1990	03/11/1992

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Company/Title	Effective Date	End Date
Liberty Life Distributors LLC		
Manager	09/14/1998	06/24/2005
Liberty Life Securities LLC		
Manager	06/07/1999	06/24/2005
Liberty Metals & Mining Holdings, LLC		
Director	05/27/2009	
Chairman of the Board	05/27/2009	
Liberty Mutual Agency Corporation		
Director	05/03/2010	
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
Liberty Mutual Community Investors, LLC		
Director	07/27/1999	
President	07/27/1999	
Liberty Mutual Equity Corporation		
Director	05/04/1992	06/04/1993
Liberty Mutual Fire Insurance Company		
Director	03/19/2002	
Executive Vice President	03/09/2005	
Chief Investment Officer	04/12/2000	
Senior Vice President	04/12/2000	03/09/2005
Vice President	03/11/1992	04/12/2000
Assistant Treasurer	09/12/1990	04/15/1992
Liberty Mutual Foundation Inc.		
Director	08/06/2003	
Chief Investment Officer	04/27/2007	
Vice President	04/27/2007	

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Company/Title	Effective Date	End Date
Liberty Mutual Group Asset Management Inc.		
Director	04/25/2011	
Chief Executive Officer	04/25/2011	
President	04/25/2011	
Liberty Mutual Group Inc.		
Executive Vice President	01/01/2010	
Chief Investment Officer	01/01/2010	
Liberty Mutual Holding Company Inc.		
Executive Vice President	03/09/2005	
Chief Investment Officer	11/30/2001	
Senior Vice President	11/30/2001	03/09/2005
Liberty Mutual Insurance Company		
Director	11/28/2001	
Executive Vice President	03/09/2005	
Chief Investment Officer	03/11/1992	
Senior Vice President	03/11/1992	03/09/2005
Vice President	07/10/1991	03/11/1992
Assistant Vice President	01/02/1990	09/12/1990
Assistant Treasurer	09/12/1990	04/14/1992
Liberty Mutual Investment Advisors LLC		
Director	07/27/1999	
President	07/27/1999	

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Company/Title	Effective Date	End Date
Liberty Mutual Mid-Atlantic Insurance Company		
Executive Vice President	07/05/2005	01/13/2006
Chief Investment Officer	07/05/2005	01/13/2006
Chief Investment Officer	04/26/2006	
Vice President	01/13/2006	
Assistant Treasurer	01/13/2006	
Liberty Mutual Personal Insurance Company		
Vice President	01/12/2006	
Assistant Treasurer	01/12/2006	
Liberty Northwest Insurance Corporation		
Executive Vice President	12/31/2005	
Chief Investment Officer	12/31/2005	
Vice President	06/11/1999	12/31/2005
Liberty Parkwood Crossing LLC		
Vice President	10/14/2008	
Liberty Personal Insurance Company		
Vice President	07/01/1998	
Assistant Treasurer	07/01/1998	
Liberty Real Estate Holdings LLC		
Vice President	10/01/2007	
Liberty Structured Holdings LLC		
Director	06/20/2007	
Chairman of the Board	06/20/2007	
Chief Executive Officer	06/20/2007	
President	06/20/2007	

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Company/Title	Effective Date	End Date
Liberty Surplus Insurance Corporation		
Director	06/23/1997	06/27/2008
Vice President	06/27/1997	
Assistant Treasurer	06/27/1997	
Liberty-USA Corporation		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
Liberty/Hoffman Estates LLC		
Vice President	02/14/2007	
Liberty/Milwaukee LLC		
Vice President	06/28/2007	
Liberty/Warrenville LLC		
Vice President	02/14/2007	
Mid-American Fire & Casualty Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
Montgomery Indemnity Company		
Director	Unknown	06/23/2003
Montgomery Mutual Insurance Company		
Director	01/01/1997	03/08/2011
Executive Vice President	07/05/2005	
Chief Investment Officer	07/05/2005	
North Pacific Insurance Company		
Executive Vice President	12/31/2005	
Chief Investment Officer	12/31/2005	
Vice President	11/17/2005	12/31/2005

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Company/Title	Effective Date	End Date
OCI Printing, Inc.		
Executive Vice President	04/16/2008	
Chief Investment Officer	08/24/2007	
Ocasco Budget, Inc.		
Executive Vice President	04/16/2008	
Chief Investment Officer	08/24/2007	
Ohio Casualty Corporation		
Executive Vice President	08/24/2007	
Chief Investment Officer	08/24/2007	
Ohio Casualty Foundation, Inc.		
Trustee	07/01/2010	
Chief Investment Officer	01/12/2009	
Vice President	01/12/2009	
Ohio Casualty of New Jersey, Inc.		
Executive Vice President	08/24/2007	09/30/2009
Chief Investment Officer	08/24/2007	09/30/2009
Ohio Security Insurance Company		
Executive Vice President	08/24/2007	
Chief Investment Officer	08/24/2007	
Oregon Automobile Insurance Company		
Executive Vice President	12/31/2005	
Chief Investment Officer	12/31/2005	
Vice President	11/17/2005	12/31/2005
Peerless Indemnity Insurance Company		
Executive Vice President	08/01/2002	
Chief Investment Officer	08/01/2002	

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Company/Title	Effective Date	End Date
Peerless Insurance Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
Safeco Corporation		
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
Safeco Insurance Company of America		
Director	09/22/2008	02/09/2009
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
Safeco Insurance Company of Illinois		
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
Safeco Insurance Company of Indiana		
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
Safeco Insurance Company of Oregon		
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
Safeco Insurance Foundation		
Director	07/01/2010	
Chief Investment Officer	01/12/2009	
Vice President	01/12/2009	
Safeco National Insurance Company		
Director	09/22/2008	10/01/2009
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	

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Company/Title	Effective Date	End Date
Safeco Surplus Lines Insurance Company		
Director	09/22/2008	02/09/2009
Executive Vice President	09/22/2008	
Chief Investment Officer	09/22/2008	
San Diego Insurance Company		
Director	04/12/2010	
Executive Vice President	07/05/2005	04/12/2010
Chief Investment Officer	07/05/2005	
Vice President	04/12/2010	
St. James/Arlington LLC		
Vice President	01/20/2006	
St. James/Arlington Management LLC		
Vice President	01/20/2006	
Tara Energy Investments, LLC		
Director	12/15/2000	
Chairman of the Board	12/15/2000	
The First Liberty Insurance Corporation		
Director	05/12/1992	
Chief Investment Officer	03/31/2011	
Vice President	05/12/1992	
Assistant Treasurer	05/12/1992	
The Mass. P&C Ins. Co. Community and Economic Dev't Investment Initiative		
Chairman of the Board	12/31/1999	
The Midwestern Indemnity Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	

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Company/Title	Effective Date	End Date
The National Corporation		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
The Netherlands Insurance Company		
Executive Vice President	06/29/1999	
Chief Investment Officer	06/29/1999	
The Ohio Casualty Insurance Company		
Executive Vice President	08/24/2007	
Chief Investment Officer	08/24/2007	
The Ohio Life Brokerage Services, Inc.		
Executive Vice President	04/16/2008	11/01/1995
Chief Investment Officer	08/24/2007	11/01/1995
Wausau Business Insurance Company		
Director	12/31/1998	
Executive Vice President	06/15/2009	
Chief Investment Officer	05/23/2006	
Vice President	05/23/2006	06/15/2009
Wausau General Insurance Company		
Director	12/31/1998	
Executive Vice President	06/15/2009	
Chief Investment Officer	05/23/2006	
Vice President	05/23/2006	06/15/2009
Wausau Service Corporation		
Director	12/31/1998	10/21/2009
Executive Vice President	06/15/2009	10/21/2009
Chief Investment Officer	05/23/2006	10/21/2009
Vice President	05/23/2006	06/15/2009

A. Alexander Fontanes

Company/Title	Effective Date	End Date
Wausau Underwriters Insurance Company		
Director	12/31/1998	
Executive Vice President	06/15/2009	
Chief Investment Officer	05/23/2006	
Vice President	05/23/2006	06/15/2009
West American Insurance Company		
Executive Vice President	08/24/2007	
Chief Investment Officer	08/24/2007	

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full Name, Address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable). Scott Rhodes Goodby
2. a. Are you a citizen of the United States? Yes
   b. Are you a citizen of any other country, if so, what country? No
3. Affiant's Occupation or Profession. Insurance Executive
4. Affiant's business address. 175 Berkeley Street, Boston, MA, US, 02116
   Business telephone. 617-357-9500
5. Education and Training:

College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Tufts University	Medford, MA	09/73 to 05/78	B.A.

Graduate Studies: College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Boston University	Boston, MA	09/78 to 05/83	M.B.A.

Other Training: Name	City/ State	Dates Attended (MM/YY)	Degree/ Certification Obtained
None			

(Note: If affiant attended a foreign school, please provide full address and telephone number of the college/university. If applicable, provide the foreign student Identification Number in the space provided in the Biographical Affidavit Supplemental Information.)

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

6. List of memberships in professional societies and associations.

Name of Society/Association	Contact Name	Address of Society/Association	Telephone Number of Society/Association
None			

7. Present or proposed position with the applicant entity. Director, Chief Operating Officer and Executive Vice President

8. List complete employment record for the past twenty (20) years, whether compensated or otherwise (up to and including present jobs, positions, partnerships, owner of an entity, administrator, manager, operator, directorates or officerships). Please list the most recent first. Attach additional pages if the space provided is insufficient. It is only necessary to provide telephone numbers and supervisory information for the past ten (10) years.

See Below and / or Attached Positions Held Report

Beginning/Ending Dates (MM/YY) 01/11 - Current Employer's Name Peerless Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country US Postal Code 02116 Phone 617-357-9500 Offices/Positions Held President, Regional Companies Group

Supervisor / Contact J. Paul Condrin, III

Beginning/Ending Dates (MM/YY) 01/10 - 12/10 Employer's Name Liberty Mutual Group Inc.

Address 175 Berkeley Street City Boston State/Province MA

Country US Postal Code 02116 Phone 617-357-9500 Offices/Positions Held Various Positions

Supervisor / Contact Gary R. Gregg

Beginning/Ending Dates (MM/YY) 01/79 - 12/09 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country US Postal Code 02116 Phone 617-357-9500 Offices/Positions Held Various Positions

Supervisor / Contact Gary R. Gregg

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

9. a. Have you ever been in a position which required a fidelity bond? Yes If any claims were made on the bond, give details. (See addendum)

b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details. No

10. List any professional, occupational and vocational licenses (including licenses to sell securities) issued by any public or governmental licensing agency or regulatory authority or licensing authority that you presently hold or have held in the past. For any non-insurance regulatory issuer, identify and provide the name, address and telephone number of the licensing authority or regulatory body having jurisdiction over the license (s) issued.. If your professional license number is your Social Security Number (SSN) or embeds your SSN or any sequence of more than five numbers that are reasonably identifiable as your SSN, then write SSN for that portion of the professional license number that is represented by your SSN. (For example, "SSN", "12-SSN-345" or "1234-SSN" (last 6 digits)). Attach additional pages if the space provided is insufficient

Organization/Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

Organization /Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

11. In responding to the following, if the record has been sealed or expunged, and the affiant has personally verified that the record was sealed or expunged, an affiant may respond "no" to the question. Have you ever:

a. Been refused an occupational, professional, or vocational license or permit by any regulatory authority, or any public administrative, or governmental licensing agency?
No

b. Had any occupational, professional, or vocational license or permit you hold or have held, been subject to any judicial, administrative, regulatory, or disciplinary action?
No

c. Been placed on probation or had a fine levied against you or your occupational, professional, or vocational license or permit in any judicial, administrative, regulatory, or disciplinary action?
No

d. Been charged with, or indicted for, any criminal offense(s) other than civil traffic offenses? No

e. Pled guilty, or nolo contendere, or been convicted of, any criminal offense(s) other than civil traffic offenses?
No

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f. Had adjudication of guilt withheld, had a sentence imposed or suspended, had pronouncement of a sentence suspended, or been pardoned, fined, or placed on probation, for any criminal offense(s) other than civil traffic offenses? No

g. Been subject to a cease and desist letter or order, or enjoined, either temporarily or permanently, in any judicial, administrative, regulatory, or disciplinary action, from violating any federal, state law or law of another country regulating the business of insurance, securities or banking, or from carrying out any particular practice or practices in the course of the business of insurance, securities or banking?
No

h. Been, within the last ten (10) years, a party to any civil action involving dishonesty, breach of trust, or a financial dispute? No

i. Had a finding made by the Comptroller of any state or the Federal Government that you have violated any provisions of small loan laws, banking or trust company laws, or credit union laws, or that you have violated any rule or regulation lawfully made by the Comptroller of any state or the Federal Government? No

j. Had a lien or foreclosure action filed against you or any entity while you were associated with that entity?
No

If the response to any question above is answered "Yes", please provide details including dates, locations, disposition, etc. Attach a copy of the complaint and filed adjudication or settlement as appropriate.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. (See addendum)

If any of the stock is pledged or hypothecated in any way, give details. None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes", please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.
None

If any of the shares of stock are pledged or hypothecated in any way, give details.

None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

14. Have you ever been adjudged a bankrupt? No If yes, provide details None

15. To your knowledge has any company or entity for which you were an officer or director, trustee, investment committee member, key management employee or controlling stockholder, had any of the following events occur while you served in such capacity? If yes, please indicate and give details. When responding to questions (b) and (c) affiant should also include any events within twelve (12) months after his or her departure from the entity.

a. Been refused a permit, license, or certificate of authority by any regulatory authority, or Governmental-licensing agency? No

b. Had its permit, license, or certificate of authority suspended, revoked, canceled, non-renewed, or subjected to any judicial, administrative, regulatory, or disciplinary action (including rehabilitation, liquidation, receivership, conservatorship, federal bankruptcy proceeding, state insolvency, supervision or any other similar proceeding)? No

c. Been placed on probation or had a fine levied against it or against its permit, license, or certificate of authority in any civil, criminal, administrative, regulatory, or disciplinary action? Yes

I am an employee of Peerless Insurance Company and an officer and/or director of various insurance companies in the group. From time to time, in the ordinary course of their insurance businesses, the insurance companies in the group have had fines levied against them as the result of market conduct examinations in some jurisdictions in which the companies are licensed. None of these companies have been placed on probation. I was not personally responsible or culpable in any of those actions.

Note: If an affiant has any doubt about the accuracy of an answer, the question should be answered in the positive and an explanation provided.

Dated and signed this 24th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

Scott R Goodby
(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 24th day of June, 20 11

By Scott R. Goodby, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Colleen K. Lynch
Notary Public

Colleen K. Lynch
Printed Notary Name

2/13/2015
My Commission Expires

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

Full Name, Address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

1. Affiant's Full Name (Initials Not Acceptable). Scott Rhodes Goodby

2. Have you ever used any other name including nickname, maiden name or aliases? No If yes, give the reason if any, if none indicate such, and provide the full name(s) and date(s) used.

Beginning/Ending Date(s) Used (MM/YY)	Name(s)	Reason (If None, indicate such)
-	None	
-		
-		
-		
-		
-		
-		
-		
-		

Note: Dates provided in response to this question may be approximate. Parties using this form understand that there could be an overlap of dates when transitioning from one name to another.

3. Affiant's Social Security Number [redacted]

4. Government Identification Number if not a U.S. Citizen None

5. Foreign Student ID# (if applicable) None

6. Date of Birth: (MM/DD/YY) [redacted] Place of Birth: City Warwick
State/Province RI Country US

7 Name of Affiant's Spouse (if applicable) None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

8. List your residences for the last ten (10) years starting with your current address, giving:

Beginning/Ending Dates (MM/YY)	Address	City	State/ Province	Country	Postal Code
01/93 to Current	[redacted]	Marblehead	MA	US	01945

Note: Dates provided in response to this question may be approximate, except for current address. Parties using this form understand that there could be an overlap of dates when transitioning from one address to another.

Dated and signed this 29th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 29th day of June, 20 11

By Scott R. Goodby, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

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Applicant Name Safeco Surplus Lines Insurance Company

ADDITIONAL INFORMATION ADDENDUM

9a. Have you ever been in a position which required a fidelity bond? If any claims were made on the bond give details.

Commercial Markets Controller for Liberty Mutual Group - no claims.

9b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing ten percent (10%) or more of the voting securities of any other person.

Stuart Insurance Company

If any of the stock is pledged or hypothecated in any way, give details.

None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes," please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.

None

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Positions Held Report

Current and Historical Positions

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
ALM Services, Inc.		
Director	11/22/1999	11/12/2004
President	11/22/1999	11/12/2004
AMBCO Capital Corporation		
Director	07/05/2005	
Executive Vice President	07/05/2005	
America First Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
American Ambassador Casualty Company		
Director	07/05/2005	10/21/2009
Executive Vice President	07/05/2005	10/21/2009
Chief Operating Officer	12/31/2005	10/21/2009
American Economy Insurance Company		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
American Fire and Casualty Company		
Director	08/24/2007	
Executive Vice President	08/24/2007	
Chief Operating Officer	08/24/2007	
American States Insurance Company		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
American States Insurance Company of Texas		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
American States Preferred Insurance Company		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
Avomark Insurance Company		
Director	08/24/2007	02/23/2010
Executive Vice President	08/24/2007	02/23/2010
Chief Operating Officer	08/24/2007	02/23/2010
Barrier Ridge LLC		
Director	09/22/2008	
Bridgefield Casualty Insurance Company		
Director	07/05/2005	10/04/2005
Executive Vice President	07/05/2005	10/04/2005
Bridgefield Employers Insurance Company		
Director	07/05/2005	10/04/2005
Executive Vice President	07/05/2005	10/04/2005
Capitol Court Corporation		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Cascade Disability Management, Inc.		
Director	01/03/1991	06/28/1994
Treasurer	01/03/1991	06/28/1994

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
Colorado Casualty Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Commercial Aviation Insurance, Inc.		
Director	03/31/2011	
Committee - Nominating - Montgomery Mutual Insurance Company		
Committee Member	04/11/2006	
Consolidated Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Diversified Settlements, Inc.		
Director	09/07/2007	
Emerald City Insurance Agency, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Employers Insurance Company of Wausau		
Vice President	03/25/2003	05/23/2006
Excelsior Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
F.B. Beattie & Co., Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
First National Insurance Company of America		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
First State Agency, Inc.		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Florida State Agency, Inc.		
Director	07/05/2005	08/20/2010
Executive Vice President	07/05/2005	08/20/2010
General America Corporation		
Director	09/22/2008	
Executive Vice President	09/22/2008	
General America Corporation of Texas		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
General Insurance Company of America		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
Globe American Casualty Company		
Director	07/05/2005	12/30/2009
Executive Vice President	07/05/2005	12/30/2009
Chief Operating Officer	12/31/2005	12/30/2009

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
Golden Eagle Insurance Corporation		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Gulf States AIF, Inc.		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Hawkeye-Security Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Helmsman Insurance Agency of Illinois, Inc.		
Director	03/17/2000	07/05/2005
Helmsman Insurance Agency, LLC		
Director	06/28/1994	06/23/1995
Helmsman Management Services LLC		
Director	06/28/1994	06/27/1997
Indiana Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Insurance Company of Illinois		
Director	02/09/2009	04/12/2010
Executive Vice President	09/22/2008	04/12/2010
Chief Operating Officer	09/22/2008	04/12/2010

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
LEXCO Limited		
Alternate Director	05/15/1989	12/31/1994
Treasurer	12/25/1991	12/31/1994
LM Insurance Corporation		
Director	06/28/1994	06/28/1996
Vice President	06/28/1994	06/23/2000
LMB Ltd.		
Alternate Director	05/15/1989	12/31/1994
Director	08/21/2000	12/28/2006
President	08/21/2000	12/28/2006
Vice President	05/18/1987	12/31/1994
Liberty Insurance Corporation		
Director	06/28/1994	06/28/1996
Vice President	06/28/1994	06/23/2000
Liberty Insurance Holdings, Inc.		
Senior Vice President	06/30/2006	09/09/2010
Liberty International Underwriting Services Limited		
Director	01/28/2003	01/29/2008
Liberty Mutual Agency Corporation		
President, Commercial Segment	05/03/2010	
Senior Vice President	06/30/2006	05/03/2010
Liberty Mutual Fire Insurance Company		
Vice President	08/10/1994	04/12/2000
Liberty Mutual Group Inc.		
Vice President	01/01/2010	09/23/2010

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
Liberty Mutual Insurance Company		
Executive Vice President	08/11/1999	04/12/2000
Executive Vice President	06/22/2005	03/24/2009
Chief Operating Officer	08/07/2000	06/22/2005
Senior Vice President	03/09/1994	08/11/1999
Vice President	03/25/2009	12/31/2009
Vice President	04/19/1989	03/09/1994
Assistant Vice President	08/14/1986	04/19/1989
Liberty Mutual Management (South Carolina) LLC		
Manager	10/15/2004	07/05/2005
Chief Executive Officer	10/15/2004	07/05/2005
President	10/15/2004	07/05/2005
Liberty Mutual Management (Vermont) LLC		
Director	01/20/2005	07/05/2005
Chief Executive Officer	01/20/2005	07/05/2005
President	01/20/2005	07/05/2005
Liberty Mutual Mid-Atlantic Insurance Company		
Director	07/05/2005	04/26/2006
Executive Vice President	07/05/2005	01/13/2006
Liberty Northwest Insurance Corporation		
Director	11/17/2005	
Vice Chairman of the Board	12/31/2005	06/11/2008
Executive Vice President	12/31/2005	
Chief Operating Officer	12/31/2005	

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
Liberty Surplus Insurance Corporation		
Director	03/17/2000	07/05/2005
President	03/17/2000	06/28/2002
Executive Vice President	06/28/2002	07/05/2005
Vice President	06/27/1997	03/17/2000
Liberty-USA Corporation		
Senior Vice President	06/30/2006	
Mid-American Agency, Inc.		
Director	07/05/2005	08/20/2010
Executive Vice President	07/05/2005	08/20/2010
Mid-American Fire & Casualty Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Missouri Agency, Inc.		
Director	07/05/2005	12/30/1994
Executive Vice President	07/05/2005	12/30/1994
Montgomery Mutual Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
North Pacific Insurance Company		
Director	11/17/2005	
Executive Vice President	12/31/2005	
Chief Operating Officer	12/31/2005	

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
OCI Printing, Inc.		
Director	08/24/2007	
Executive Vice President	04/16/2008	
Chief Operating Officer	08/24/2007	
Ocasco Budget, Inc.		
Director	08/24/2007	
Executive Vice President	04/16/2008	
Chief Operating Officer	08/24/2007	
Ohio Casualty Corporation		
Senior Vice President	08/24/2007	
Ohio Casualty of New Jersey, Inc.		
Director	08/24/2007	09/30/2009
Executive Vice President	08/24/2007	09/30/2009
Chief Operating Officer	08/24/2007	09/30/2009
Ohio Security Insurance Company		
Director	08/24/2007	
Executive Vice President	08/24/2007	
Chief Operating Officer	08/24/2007	
Open Seas Solutions, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Oregon Automobile Insurance Company		
Director	11/17/2005	
Executive Vice President	12/31/2005	
Chief Operating Officer	12/31/2005	

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
Peerless Indemnity Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Peerless Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
Pilot Insurance Services, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Rianoc Research Corporation		
Director	09/22/2008	
Executive Vice President	09/22/2008	
S.C. Bellevue, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
SAFECARE Company, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
SCIT, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Safeco Corporation		
Senior Vice President	09/22/2008	
Safeco General Agency, Inc.		
Executive Vice President	09/22/2008	

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
Safeco Insurance Company of America		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
Safeco Insurance Company of Illinois		
Director	02/09/2009	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
Safeco Insurance Company of Indiana		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
Safeco Insurance Company of Oregon		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
Safeco National Insurance Company		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
Safeco Offshore Sourcing Private, Ltd.		
Executive Vice President	09/22/2008	
Safeco Properties, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
Safeco Surplus Lines Insurance Company		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Chief Operating Officer	09/22/2008	
San Diego Insurance Company		
Director	07/05/2005	04/12/2010
Executive Vice President	07/05/2005	04/12/2010
Chief Operating Officer	12/31/2005	04/12/2010
State Agency, Inc. (a Wisconsin Corporation)		
Director	07/05/2005	08/24/2010
Executive Vice President	07/05/2005	08/24/2010
State Agency, Inc. (an Indiana Corporation)		
Director	07/05/2005	08/23/2010
Executive Vice President	07/05/2005	08/23/2010
The Capitol Agency, Inc. (AZ)		
Director	07/05/2005	01/20/2011
Executive Vice President	07/05/2005	01/20/2011
The Capitol Agency, Inc. (OH)		
Director	07/05/2005	11/17/2010
Executive Vice President	07/05/2005	11/17/2010
The Capitol Agency, Inc. (TN)		
Director	07/05/2005	07/01/2010
Executive Vice President	07/05/2005	07/01/2010
The First Liberty Insurance Corporation		
Director	06/28/1994	06/28/1996
Vice President	06/28/1994	06/23/2000

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
The Midwestern Indemnity Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
The National Corporation		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
The Netherlands Insurance Company		
Director	07/05/2005	
Executive Vice President	07/05/2005	
Chief Operating Officer	12/31/2005	
The Ohio Casualty Insurance Company		
Director	08/24/2007	
Executive Vice President	08/24/2007	
Chief Operating Officer	08/24/2007	
The Ohio Life Brokerage Services, Inc.		
Director	08/24/2007	11/01/1995
Executive Vice President	04/16/2008	11/01/1995
Chief Operating Officer	08/24/2007	11/01/1995
The Stuart Insurance Group, Ltd.		
Director	05/20/2004	05/17/2006
Waterfall Merger Corp.		
Vice President	05/03/2007	08/24/2007
Wausau Business Insurance Company		
Vice President	05/21/2003	05/23/2006
Wausau General Insurance Company		
Vice President	05/21/2003	05/23/2006

Scott Rhodes Goodby

Company/Title	Effective Date	End Date
Wausau Insurance Company (U.K.) Limited		
Director	12/17/1999	01/13/2006
Wausau Service Corporation		
Vice President	03/25/2003	05/23/2006
Wausau Underwriters Insurance Company		
Vice President	05/21/2003	05/23/2006
West American Insurance Company		
Director	08/24/2007	
Executive Vice President	08/24/2007	
Chief Operating Officer	08/24/2007	
Winmar Company, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Winmar Oregon, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Winmar of the Desert, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	
Winmar-Metro, Inc.		
Director	09/22/2008	
Executive Vice President	09/22/2008	

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full Name, Address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable). Dexter Robert Legg
2. a. Are you a citizen of the United States? Yes
   b. Are you a citizen of any other country, if so, what country? No
3. Affiant's Occupation or Profession. Insurance Executive
4. Affiant's business address. 175 Berkeley Street, Boston, MA, USA, 02116
   Business telephone. 617-357-9500
5. Education and Training:

College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Tufts University	Medford, MA	09/71 to 06/75	B.A.

Graduate Studies: College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
None			

Other Training: Name	City/ State	Dates Attended (MM/YY)	Degree/ Certification Obtained
None			

(Note: If affiant attended a foreign school, please provide full address and telephone number of the college/university. If applicable, provide the foreign student Identification Number in the space provided in the Biographical Affidavit Supplemental Information.)

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

6. List of memberships in professional societies and associations.

Name of Society/Association	Contact Name	Address of Society/Association	Telephone Number of Society/Association
None			

7. Present or proposed position with the applicant entity.

Secretary and Vice President

8. List complete employment record for the past twenty (20) years, whether compensated or otherwise (up to and including present jobs, positions, partnerships, owner of an entity, administrator, manager, operator, directorates or officerships). Please list the most recent first. Attach additional pages if the space provided is insufficient. It is only necessary to provide telephone numbers and supervisory information for the past ten (10) years.

See Below and / or Attached Positions Held Report

Beginning/Ending
Dates (MM/YY) 01/10 - Current Employer's Name Liberty Mutual Group Inc.

Address 175 Berkeley St City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held VP, Secretary and Chief of Staff to the CEO

Supervisor / Contact Edmund Kelly

Beginning/Ending
Dates (MM/YY) 01/77 - 12/09 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley St City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held Various incl. VP, Secretary & Chief of Staff to the CEO

Supervisor / Contact Edmund Kelly

Beginning/Ending
Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

9. a. Have you ever been in a position which required a fidelity bond? No If any claims were made on the bond, give details. No

b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details. No

10. List any professional, occupational and vocational licenses (including licenses to sell securities) issued by any public or governmental licensing agency or regulatory authority or licensing authority that you presently hold or have held in the past. For any non-insurance regulatory issuer, identify and provide the name, address and telephone number of the licensing authority or regulatory body having jurisdiction over the license (s) issued.. If your professional license number is your Social Security Number (SSN) or embeds your SSN or any sequence of more than five numbers that are reasonably identifiable as your SSN, then write SSN for that portion of the professional license number that is represented by your SSN. (For example, "SSN", "12-SSN-345" or "1234-SSN" (last 6 digits)). Attach additional pages if the space provided is insufficient

Organization/Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

Organization /Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

11. In responding to the following, if the record has been sealed or expunged, and the affiant has personally verified that the record was sealed or expunged, an affiant may respond "no" to the question. Have you ever:

a. Been refused an occupational, professional, or vocational license or permit by any regulatory authority, or any public administrative, or governmental licensing agency?
No

b. Had any occupational, professional, or vocational license or permit you hold or have held, been subject to any judicial, administrative, regulatory, or disciplinary action?
No

c. Been placed on probation or had a fine levied against you or your occupational, professional, or vocational license or permit in any judicial, administrative, regulatory, or disciplinary action?
No

d. Been charged with, or indicted for, any criminal offense(s) other than civil traffic offenses? No

e. Pled guilty, or nolo contendere, or been convicted of, any criminal offense(s) other than civil traffic offenses?
No

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f. Had adjudication of guilt withheld, had a sentence imposed or suspended, had pronouncement of a sentence suspended, or been pardoned, fined, or placed on probation, for any criminal offense(s) other than civil traffic offenses? No

g. Been subject to a cease and desist letter or order, or enjoined, either temporarily or permanently, in any judicial, administrative, regulatory, or disciplinary action, from violating any federal, state law or law of another country regulating the business of insurance, securities or banking, or from carrying out any particular practice or practices in the course of the business of insurance, securities or banking?
No

h. Been, within the last ten (10) years, a party to any civil action involving dishonesty, breach of trust, or a financial dispute? No

i. Had a finding made by the Comptroller of any state or the Federal Government that you have violated any provisions of small loan laws, banking or trust company laws, or credit union laws, or that you have violated any rule or regulation lawfully made by the Comptroller of any state or the Federal Government? No

j. Had a lien or foreclosure action filed against you or any entity while you were associated with that entity?
No

If the response to any question above is answered "Yes", please provide details including dates, locations, disposition, etc. Attach a copy of the complaint and filed adjudication or settlement as appropriate.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. None

If any of the stock is pledged or hypothecated in any way, give details. None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes", please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.
None

If any of the shares of stock are pledged or hypothecated in any way, give details.

None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

14. Have you ever been adjudged a bankrupt? No If yes, provide details None

15. To your knowledge has any company or entity for which you were an officer or director, trustee, investment committee member, key management employee or controlling stockholder, had any of the following events occur while you served in such capacity? If yes, please indicate and give details. When responding to questions (b) and (c) affiant should also include any events within twelve (12) months after his or her departure from the entity.

a. Been refused a permit, license, or certificate of authority by any regulatory authority, or Governmental-licensing agency? No

b. Had its permit, license, or certificate of authority suspended, revoked, canceled, non-renewed, or subjected to any judicial, administrative, regulatory, or disciplinary action (including rehabilitation, liquidation, receivership, conservatorship, federal bankruptcy proceeding, state insolvency, supervision or any other similar proceeding)? No

c. Been placed on probation or had a fine levied against it or against its permit, license, or certificate of authority in any civil, criminal, administrative, regulatory, or disciplinary action? Yes

I am an employee of Liberty Mutual Group Inc. and an officer and/or director of various insurance companies in the Liberty Mutual Group. From time to time, in the ordinary course of their insurance businesses, the insurance companies in the Liberty Mutual Group have had fines levied against them as the result of market conduct examinations in some jurisdictions in which the companies are licensed. None of these companies have been placed on probation. I was not personally responsible or culpable in any of those actions.

Note: If an affiant has any doubt about the accuracy of an answer, the question should be answered in the positive and an explanation provided.

Dated and signed this 9th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 9th day of June, 20 11

By Dexter R. Legg, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch
Printed Notary Name

2/13/2015
My Commission Expires

©2000-2009 National Association of Insurance Commissioners

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

Full Name, Address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

1. Affiant's Full Name (Initials Not Acceptable). Dexter Robert Legg

2. Have you ever used any other name including nickname, maiden name or aliases? No If yes, give the reason if any, if none indicate such, and provide the full name(s) and date(s) used.

Beginning/Ending Date(s) Used (MM/YY)	Name(s)	Reason (If None, indicate such)
____ - ____	None	
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		

Note: Dates provided in response to this question may be approximate. Parties using this form understand that there could be an overlap of dates when transitioning from one name to another.

3. Affiant's Social Security Number [redacted]

4. Government Identification Number if not a U.S. Citizen None

5. Foreign Student ID# (if applicable) None

6. Date of Birth: (MM/DD/YY) [redacted] Place of Birth: City Boston
State/Province MA Country USA

7 Name of Affiant's Spouse (if applicable) Ellen Legg

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

8. List your residences for the last ten (10) years starting with your current address, giving:

Beginning/Ending Dates (MM/YY)	Address	City	State/ Province	Country	Postal Code
11/94 to Current	[redacted]	Portsmouth	NH	USA	03801

Note: Dates provided in response to this question may be approximate, except for current address. Parties using this form understand that there could be an overlap of dates when transitioning from one address to another.

Dated and signed this 9th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 9th day of June, 20 11

By Dexter R. Legg, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch
Printed Notary Name

2/13/2015
My Commission Expires

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Positions Held Report

Current and Historical Positions

Dexter Robert Legg

Company/Title	Effective Date	End Date
ALM Services, Inc.		
Clerk	12/15/2000	11/12/2004
AMBCO Capital Corporation		
Secretary	12/31/2008	
Access Insurance Services, Co.		
Secretary	12/31/2008	
America First Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
American Ambassador Casualty Company		
Secretary	12/31/2008	10/21/2009
American Economy Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
American Fire and Casualty Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
American States Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
American States Insurance Company of Texas		
Director	03/08/2011	
Secretary	12/31/2008	
Vice President	06/14/2010	
American States Preferred Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	

Dexter Robert Legg

Company/Title	Effective Date	End Date
Avomark Insurance Company		
Secretary	12/31/2008	02/23/2010
Barrier Ridge LLC		
Secretary	12/31/2008	
Berkeley Holding Company Associates, Inc.		
Clerk	12/15/2000	07/01/2010
Secretary	07/01/2010	
Berkeley Management Corporation		
Secretary	12/15/2000	
Berkeley/Columbus II LLC		
Secretary	06/23/2009	
Vice President	06/23/2009	
Berkeley/Columbus III LLC		
Secretary	06/23/2009	
Vice President	06/23/2009	
Berkeley/Columbus Real Estate LLC		
Secretary	06/23/2009	
Vice President	06/23/2009	
Berkeley/St. James II LLC		
Secretary	09/14/2009	
Vice President	09/14/2009	
Berkeley/St. James Real Estate LLC		
Secretary	09/14/2009	
Vice President	09/14/2009	
Bridgefield Casualty Insurance Company		
Secretary	12/31/2008	
Vice President	04/28/2010	

Dexter Robert Legg

Company/Title	Effective Date	End Date
Bridgefield Employers Insurance Company		
Secretary	12/31/2008	
Vice President	04/28/2010	
Brooke Drilling, LLC		
Clerk	12/15/2000	
Vice President	12/15/2000	
Capitol Court Corporation		
Secretary	12/31/2008	
Cascade Disability Management, Inc.		
Secretary	12/15/2000	
Vice President	12/15/2000	
Colorado Casualty Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Commercial Aviation Insurance, Inc.		
Secretary	03/31/2011	
Consolidated Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Copley Venture Capital, Inc.		
Secretary	03/23/2007	
Vice President	03/23/2007	
Countrywide Services Corporation		
Assistant Secretary	08/13/2001	10/17/2008
Datachem Software, Inc.		
Clerk	12/15/2000	01/03/2002
Secretary	12/15/2000	01/03/2002
Vice President	12/15/2000	01/03/2002

Dexter Robert Legg

Company/Title	Effective Date	End Date
Diversified Settlements, Inc.		
Secretary	12/31/2008	
Emerald City Insurance Agency, Inc.		
Secretary	12/31/2008	
Employers Insurance Company of Wausau		
Director	12/31/2008	
Secretary	06/15/2009	
Vice President	06/22/2001	
Assistant Secretary	06/22/2001	06/15/2009
Excelsior Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
F.B. Beattie & Co., Inc.		
Secretary	12/31/2008	
First National Insurance Company of America		
Secretary	12/31/2008	
Vice President	06/14/2010	
First State Agency, Inc.		
Secretary	12/31/2008	
Florida State Agency, Inc.		
Secretary	12/31/2008	08/20/2010
General America Corporation		
Secretary	12/31/2008	
General America Corporation of Texas		
Secretary	12/31/2008	
Vice President	06/14/2010	

Dexter Robert Legg

Company/Title	Effective Date	End Date
General Insurance Company of America		
Secretary	12/31/2008	
Vice President	06/14/2010	
Globe American Casualty Company		
Secretary	12/31/2008	12/30/2009
Golden Eagle Insurance Corporation		
Secretary	12/31/2008	
Vice President	06/14/2010	
Gulf States AIF, Inc.		
Secretary	12/31/2008	
Vice President	06/14/2010	
Hawkeye-Security Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Helmsman Insurance Agency of Illinois, Inc.		
Secretary	12/15/2000	04/10/2007
Vice President	12/15/2000	04/10/2007
Helmsman Insurance Agency, LLC		
Clerk	12/15/2000	01/07/2010
Secretary	12/15/2000	
Vice President	12/15/2000	
Helmsman Management Services LLC		
Clerk	12/15/2000	07/01/2010
Secretary	12/15/2000	
Vice President	12/15/2000	
Heritage Summit HealthCare, Inc.		
Secretary	12/31/2008	
Vice President	07/01/2010	

Dexter Robert Legg

Company/Title	Effective Date	End Date
High Yield Investment Advisors, LLC		
Secretary	04/05/2001	07/20/2010
Indiana Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Insurance Company of Illinois		
Director	04/12/2010	
Secretary	12/22/2008	
Kellen Holdings, LLC		
Clerk	01/08/2001	
Vice President	01/08/2001	
Keter Consulting LLC		
Secretary	02/13/2007	
Vice President	02/13/2007	
LEH China, LLC		
Secretary	07/18/2001	10/03/2006
Vice President	07/18/2001	10/03/2006
LFC Acquisition Corporation		
Secretary	05/22/2001	12/12/2001
Vice President	05/22/2001	12/12/2001
LFC Holdings, Inc.		
Clerk	12/15/2000	01/03/2002
Secretary	12/15/2000	01/03/2002
Vice President	12/15/2000	01/03/2002

Dexter Robert Legg

Company/Title	Effective Date	End Date
LFC Management Corporation		
Clerk	12/15/2000	01/03/2002
Director	12/15/2000	01/03/2002
Secretary	12/15/2000	01/03/2002
Vice President	12/15/2000	01/03/2002
LIH-RE of America Corporation		
Secretary	12/31/2008	
LIU Specialty Insurance Agency Inc.		
Secretary	12/11/2003	
LLS Insurance Agency of Nevada, Inc.		
Secretary	12/15/2000	08/22/2006
LM General Insurance Company		
Secretary	10/31/2003	
Vice President	10/31/2003	
LM Insurance Corporation		
Director	12/15/2000	
Secretary	12/15/2000	
Vice President	12/15/2000	
LM Property and Casualty Insurance Company		
Secretary	10/31/2003	
Vice President	10/31/2003	
LMG Film Productions, LLC		
Secretary	04/01/2008	
Vice President	04/01/2008	
LMGI Finance LLC		
Director	03/30/2010	
Secretary	03/30/2010	
Vice President	03/30/2010	

Dexter Robert Legg

Company/Title	Effective Date	End Date
LMGI LLC		
Secretary	03/30/2010	
Vice President	03/30/2010	
LMHC Massachusetts Holdings Inc.		
Secretary	11/28/2001	
Vice President	11/28/2001	
LMIA Coinvestment LLC		
Director	07/18/2006	
Secretary	07/18/2006	
Vice President	07/18/2006	
LRE Properties, Inc.		
Clerk	12/15/2000	07/01/2010
Secretary	07/01/2010	
Liberty Assignment Corporation		
Secretary	06/26/2001	
Liberty China LLC		
Secretary	12/07/2005	
Liberty Contractors Retro Group		
Secretary	12/31/2008	
Liberty Corporate Holdings, Inc.		
Clerk	12/15/2000	01/03/2002
Secretary	12/15/2000	01/03/2002
Vice President	12/15/2000	01/03/2002
Liberty Corporate Services LLC		
Secretary	12/12/2001	
Vice President	12/12/2001	
Assistant Clerk	02/14/2001	12/12/2001

Dexter Robert Legg

Company/Title	Effective Date	End Date
Liberty County Mutual Insurance Company		
Secretary	12/02/2002	
Liberty Energy Canada, Inc.		
Secretary	12/05/2006	
Vice President	12/05/2006	
Liberty Energy Gulf Corporation		
Clerk	12/15/2000	10/31/2002
Vice President	12/15/2000	10/31/2002
Liberty Energy Holdings, LLC		
Clerk	12/15/2000	
Vice President	12/15/2000	
Liberty Energy, LLC		
Clerk	12/15/2000	07/01/2010
Secretary	07/01/2010	
Vice President	12/15/2000	
Liberty Financial Services, Inc.		
Secretary	05/16/2002	
Vice President	05/16/2002	
Liberty Hospitality Group, Inc.		
Secretary	12/15/2000	
Liberty Insurance Acquisition Corporation		
Clerk	12/14/2001	03/19/2002
Liberty Insurance Company of America		
Director	12/15/2000	09/17/2009
Secretary	12/15/2000	09/17/2009
Vice President	12/15/2000	09/17/2009

Dexter Robert Legg

Company/Title	Effective Date	End Date
Liberty Insurance Corporation		
Director	12/15/2000	
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty Insurance Holdings, Inc.		
Secretary	12/15/2000	
Liberty Insurance Underwriters Inc.		
Secretary	12/15/2000	01/03/2011
Secretary	10/31/2003	
Vice President	10/31/2003	
Liberty International (Spain) Holdings, LLC		
Secretary	06/25/2002	
Vice President	06/25/2002	
Liberty International Aberdeen Inc.		
Secretary	12/15/2000	09/01/2004
Liberty International Asia Pacific Holdings LLC		
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty International Europe Inc.		
Secretary	10/08/2009	
Vice President	10/08/2009	
Liberty International Holdings Inc.		
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty International Holdings LLC		
Secretary	10/28/2004	
Vice President	10/28/2004	

Dexter Robert Legg

Company/Title	Effective Date	End Date
Liberty International Latin America Holdings, LLC		
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty International Services Inc. (dba Liberty International Risk Services)		
Secretary	12/15/2000	06/14/2001
Liberty International US Dutch Een LLC		
Secretary	10/12/2009	10/11/2010
Vice President	10/12/2009	10/11/2010
Liberty International US European Holdings LLC		
Secretary	10/29/2009	10/11/2010
Vice President	10/29/2009	10/11/2010
Liberty International US Netherlands LLC		
Secretary	10/15/2009	10/11/2010
Vice President	10/15/2009	10/11/2010
Liberty Investment Re LLC		
Director	12/17/2007	
Secretary	12/17/2007	
Vice President	12/17/2007	
Liberty Life Assurance Company of Boston		
Secretary	12/15/2000	
Vice President	10/31/2006	
Liberty Life Distributors LLC		
Secretary	12/15/2000	02/29/2008
Liberty Life Holdings Inc.		
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty Life Securities LLC		
Secretary	12/15/2000	12/31/2010

Dexter Robert Legg

Company/Title	Effective Date	End Date
Liberty Management Services, Inc.		
Secretary	12/31/2008	
Liberty Massachusetts Trust		
Secretary	12/15/2000	12/27/2004
Liberty Metals & Mining Holdings, LLC		
Secretary	05/27/2009	
Vice President	05/27/2009	
Liberty Mexico Holdings Inc.		
Clerk	12/15/2000	
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty Mutual Agency Corporation		
Secretary	12/15/2000	06/24/2010
Liberty Mutual Capital Corporation (Boston)		
Secretary	12/15/2000	10/08/2004
Vice President	12/15/2000	10/08/2004
Liberty Mutual Captive Holdings LLC		
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty Mutual Community Investors, LLC		
Secretary	12/15/2000	
Liberty Mutual Equity Corporation		
Clerk	12/15/2000	10/22/2003
Secretary	12/15/2000	10/22/2003
Vice President	12/15/2000	10/22/2003
Liberty Mutual Equity LLC		
Secretary	08/28/2003	
Vice President	08/28/2003	

Dexter Robert Legg

Company/Title	Effective Date	End Date
Liberty Mutual Fire Insurance Company		
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty Mutual Foundation Inc.		
Director	01/12/2009	
Clerk	08/06/2003	01/12/2009
Secretary	08/06/2003	01/12/2009
Secretary	07/01/2010	
Vice President	08/06/2003	
Liberty Mutual Group Asset Management Inc.		
Secretary	04/25/2011	
Vice President	04/25/2011	
Liberty Mutual Group Inc.		
Secretary	11/28/2001	
Vice President	11/28/2001	
Liberty Mutual Holding Company Inc.		
Secretary	11/30/2001	
Vice President	11/30/2001	
Liberty Mutual Insurance Company		
Secretary	12/15/2000	
Vice President	04/19/1995	04/12/2000
Vice President	12/15/2000	
Vice President	08/07/2000	12/15/2000
Assistant Vice President	03/22/1994	04/19/1995
Liberty Mutual Investment Advisors LLC		
Secretary	12/15/2000	

Dexter Robert Legg

Company/Title	Effective Date	End Date
Liberty Mutual Managed Care LLC		
Clerk	12/15/2000	07/01/2010
Secretary	12/15/2000	
Vice President	12/15/2000	
Liberty Mutual Management (South Carolina) LLC		
Secretary	10/15/2004	
Vice President	10/15/2004	
Liberty Mutual Management (Vermont) LLC		
Secretary	01/20/2005	
Vice President	01/20/2005	
Liberty Mutual Mid-Atlantic Insurance Company		
Secretary	01/13/2006	
Vice President	01/13/2006	
Liberty Mutual Personal Insurance Company		
Secretary	01/12/2006	
Vice President	01/12/2006	
Liberty Mutual Scholarship Foundation		
Committee Member	12/08/2000	
Liberty Northwest Insurance Corporation		
Secretary	12/31/2008	
Vice President	06/14/2010	
Liberty Parkwood Crossing LLC		
Secretary	10/14/2008	
Vice President	10/14/2008	
Liberty Personal Insurance Company		
Secretary	12/15/2000	
Vice President	12/15/2000	

Dexter Robert Legg

Company/Title	Effective Date	End Date
Liberty Real Estate Corporation		
Clerk	12/15/2000	04/05/2007
Liberty Real Estate Holdings LLC		
Secretary	10/01/2007	
Vice President	10/01/2007	
Liberty Spain Insurance Group LLC		
Secretary	11/24/2004	
Vice President	11/24/2004	
Liberty Structured Holdings LLC		
Director	06/20/2007	
Secretary	06/20/2007	
Vice President	06/20/2007	
Liberty Surplus Insurance Corporation		
Secretary	10/03/2000	
Vice President	10/03/2000	
Liberty-USA Corporation		
Secretary	12/15/2000	
Liberty/Hoffman Estates LLC		
Secretary	02/14/2007	
Vice President	02/14/2007	
Liberty/Milwaukee LLC		
Secretary	06/28/2007	
Vice President	06/28/2007	
Liberty/Warrenville LLC		
Secretary	02/14/2007	
Vice President	02/14/2007	
Mass Mentoring Partnership		
Clerk	12/31/2003	12/31/2007

Dexter Robert Legg

Company/Title	Effective Date	End Date
Mid-American Agency, Inc.		
Secretary	12/31/2008	08/20/2010
Mid-American Fire & Casualty Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Missouri Agency, Inc.		
Secretary	12/31/2008	12/30/1994
Montgomery Mutual Insurance Company		
Director	03/08/2011	
Secretary	12/31/2008	
Vice President	06/14/2010	
North Pacific Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
OCI Printing, Inc.		
Secretary	12/31/2008	
Ocasco Budget, Inc.		
Secretary	12/31/2008	
Ohio Casualty Corporation		
Secretary	08/24/2007	
Ohio Casualty Foundation, Inc.		
Trustee	07/01/2010	
Secretary	07/01/2010	
Vice President	07/01/2010	
Ohio Casualty of New Jersey, Inc.		
Secretary	12/31/2008	09/30/2009

Dexter Robert Legg

Company/Title	Effective Date	End Date
Ohio Security Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Open Seas Solutions, Inc.		
Secretary	12/31/2008	
Oregon Automobile Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Peerless Indemnity Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Peerless Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Pilot Insurance Services, Inc.		
Secretary	12/31/2008	
Rianoc Research Corporation		
Secretary	12/31/2008	
Risktrac, Inc.		
Secretary	12/15/2000	11/01/2002
S.C. Bellevue, Inc.		
Secretary	12/31/2008	
SAFECARE Company, Inc.		
Secretary	12/31/2008	
SCIT, Inc.		
Clerk	12/31/2008	
Safeco Corporation		
Secretary	09/22/2008	

Dexter Robert Legg

Company/Title	Effective Date	End Date
Safeco General Agency, Inc.		
Secretary	12/31/2008	
Safeco Insurance Company of America		
Secretary	12/31/2008	
Vice President	06/14/2010	
Safeco Insurance Company of Illinois		
Secretary	12/22/2008	
Vice President	06/14/2010	
Safeco Insurance Company of Indiana		
Secretary	12/31/2008	
Vice President	06/14/2010	
Safeco Insurance Company of Oregon		
Secretary	12/31/2008	
Vice President	06/14/2010	
Safeco Insurance Foundation		
Director	07/01/2010	
Secretary	07/01/2010	
Vice President	07/01/2010	
Safeco National Insurance Company		
Director	02/09/2009	10/01/2009
Secretary	12/31/2008	
Vice President	06/14/2010	
Safeco Properties, Inc.		
Secretary	12/31/2008	
Safeco Surplus Lines Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	

Dexter Robert Legg

Company/Title	Effective Date	End Date
San Diego Insurance Company		
Secretary	12/31/2008	
Vice President	04/12/2010	
St. James/Arlington LLC		
Secretary	10/27/2005	
Vice President	10/27/2005	
St. James/Arlington Management LLC		
Secretary	01/06/2006	
Vice President	01/06/2006	
State Agency, Inc. (a Wisconsin Corporation)		
Secretary	12/31/2008	08/24/2010
State Agency, Inc. (an Indiana Corporation)		
Secretary	12/31/2008	08/23/2010
Summit Consulting, Inc.		
Secretary	12/31/2008	
Summit Consulting, Inc. of Louisiana		
Secretary	12/31/2008	
Summit Holding Southeast, Inc.		
Secretary	12/15/2000	
Vice President	07/01/2010	
Talbot, Bird & Co., Inc.		
Secretary	12/15/2000	03/01/2002
Talbot, Bird & Co., Inc. of Texas		
Assistant Secretary	Unknown	08/25/2000
Secretary	08/25/2000	12/15/2000
Talbot, Bird of New England, Inc.		
Secretary	08/31/1998	12/15/2000

Dexter Robert Legg

Company/Title	Effective Date	End Date
Tara Energy Investments, LLC		
Clerk	12/15/2000	
Vice President	12/15/2000	
The Capitol Agency, Inc. (AZ)		
Secretary	12/31/2008	01/20/2011
The Capitol Agency, Inc. (OH)		
Secretary	12/31/2008	11/17/2010
The Capitol Agency, Inc. (TN)		
Secretary	12/31/2008	07/01/2010
The First Liberty Insurance Corporation		
Director	12/15/2000	
Secretary	12/15/2000	
Vice President	12/15/2000	
The Midwestern Indemnity Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
The National Corporation		
Secretary	12/31/2008	
Vice President	06/14/2010	
The Netherlands Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
The Ohio Casualty Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
The Ohio Life Brokerage Services, Inc.		
Secretary	12/31/2008	11/01/1995

Dexter Robert Legg

Company/Title	Effective Date	End Date
Twee US Dutch LLC		
Secretary	10/12/2009	10/11/2010
Vice President	10/12/2009	10/11/2010
Waterfall Merger Corp.		
Secretary	05/03/2007	08/24/2007
Vice President	05/03/2007	08/24/2007
Wausau Business Insurance Company		
Director	12/31/2008	
Secretary	06/15/2009	
Vice President	06/22/2001	
Assistant Secretary	06/22/2001	06/15/2009
Wausau General Insurance Company		
Director	12/31/2008	
Secretary	06/15/2009	
Vice President	06/22/2001	
Assistant Secretary	06/22/2001	06/15/2009
Wausau Service Corporation		
Director	12/31/2008	10/21/2009
Secretary	06/15/2009	10/21/2009
Vice President	06/22/2001	10/21/2009
Assistant Secretary	06/22/2001	06/15/2009
Wausau Signature Agency LLC		
Secretary	07/26/2010	
Vice President	07/26/2010	

Dexter Robert Legg

Company/Title	Effective Date	End Date
Wausau Underwriters Insurance Company		
Director	12/31/2008	
Secretary	06/15/2009	
Vice President	05/22/2002	
Assistant Secretary	06/22/2001	06/15/2009
West American Insurance Company		
Secretary	12/31/2008	
Vice President	06/14/2010	
Winmar Company, Inc.		
Secretary	12/31/2008	
Winmar Oregon, Inc.		
Secretary	12/31/2008	
Winmar of the Desert, Inc.		
Secretary	12/31/2008	
Winmar-Metro, Inc.		
Secretary	12/31/2008	
Workwell Health & Safety, Inc.		
Director	01/02/1997	10/26/1998
Vice President	01/01/1997	10/26/1998

Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full Name, Address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable). Christopher Charles Mansfield
2. a. Are you a citizen of the United States? Yes
   b. Are you a citizen of any other country, if so, what country? No
3. Affiant's Occupation or Profession. Insurance Executive
4. Affiant's business address. 175 Berkeley Street, Boston, MA, USA, 02116
   Business telephone. 617-357-9500
5. Education and Training:

College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Boston College	Chestnut Hill, MA	09/68 to 06/72	B.A. Economics

Graduate Studies: College/ University	City/ State	Dates Attended (MM/YY)	Degree Obtained
Boston College Law School	Chestnut Hill, MA	09/72 to 06/75	J.D.

Other Training: Name	City/ State	Dates Attended (MM/YY)	Degree/ Certification Obtained
None			

(Note: If affiant attended a foreign school, please provide full address and telephone number of the college/university. If applicable, provide the foreign student Identification Number in the space provided in the Biographical Affidavit Supplemental Information.)

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

6. List of memberships in professional societies and associations.

Name of Society/Association	Contact Name	Address of Society/Association	Telephone Number of Society/Association
American Bar Association	Carolyn B. Lamm	321 N. Clark Street, Chicago, IL, USA, 60610	800-285-2221
Association of Corporate Counsel	Jim Way	1025 Connecticut Ave. NW, Washington, DC, USA, 20036	202-293-4103
Federation of Defense and Corporate Counsel	Martha Streeper	11812 North 56th Street, Tampa, FL, USA, 33617	813-983-0022

See Addendum for Additional Information

7. Present or proposed position with the applicant entity.

Director

8. List complete employment record for the past twenty (20) years, whether compensated or otherwise (up to and including present jobs, positions, partnerships, owner of an entity, administrator, manager, operator, directorates or officerships). Please list the most recent first. Attach additional pages if the space provided is insufficient. It is only necessary to provide telephone numbers and supervisory information for the past ten (10) years.

See Below and / or Attached Positions Held Report

Beginning/Ending Dates (MM/YY) 01/10 - Current Employer's Name Liberty Mutual Group Inc.

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held SVP and General Counsel

Supervisor / Contact Edmund F. Kelly

Beginning/Ending Dates (MM/YY) 08/75 - 12/09 Employer's Name Liberty Mutual Insurance Company

Address 175 Berkeley Street City Boston State/Province MA

Country USA Postal Code 02116 Phone 617-357-9500 Offices/Positions Held Various from Sr. Trial Atty to SVP & General Counsel

Supervisor / Contact Edmund F. Kelly

Beginning/Ending Dates (MM/YY) None - None Employer's Name None

Address None City None State/Province None

Country None Postal Code None Phone None Offices/Positions Held None

Supervisor / Contact None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

9. a. Have you ever been in a position which required a fidelity bond? Yes If any claims were made on the bond, give details. (See addendum)

b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details. No

10. List any professional, occupational and vocational licenses (including licenses to sell securities) issued by any public or governmental licensing agency or regulatory authority or licensing authority that you presently hold or have held in the past. For any non-insurance regulatory issuer, identify and provide the name, address and telephone number of the licensing authority or regulatory body having jurisdiction over the license (s) issued.. If your professional license number is your Social Security Number (SSN) or embeds your SSN or any sequence of more than five numbers that are reasonably identifiable as your SSN, then write SSN for that portion of the professional license number that is represented by your SSN. (For example, "SSN", "12-SSN-345" or "1234-SSN" (last 6 digits)). Attach additional pages if the space provided is insufficient

Organization/Issuer of License U.S. Supreme Court Address 1 First Street, NE

City Washington State/Province DC Country USA Postal Code 20453

License Type Admitted to U.S. Supreme Court License # None Date Issued (MM/YY) 01/81

Date Expired (MM/YY) Current Reason for Termination None

Non-insurance Regulatory Phone Number (if known) Unknown

Organization /Issuer of License Court of Appeals - District of Columbia Address 500 Indiana Way

City Washington State/Province DC Country USA Postal Code 20001

License Type Adm. to US Court of Appeals - DC License # None Date Issued (MM/YY) 01/80

Date Expired (MM/YY) Current Reason for Termination None

Non-insurance Regulatory Phone Number (if known) Unknown

See Addendum for Additional Information

11. In responding to the following, if the record has been sealed or expunged, and the affiant has personally verified that the record was sealed or expunged, an affiant may respond "no" to the question. Have you ever:

a. Been refused an occupational, professional, or vocational license or permit by any regulatory authority, or any public administrative, or governmental licensing agency?
No

b. Had any occupational, professional, or vocational license or permit you hold or have held, been subject to any judicial, administrative, regulatory, or disciplinary action?
No

c. Been placed on probation or had a fine levied against you or your occupational, professional, or vocational license or permit in any judicial, administrative, regulatory, or disciplinary action?
No

d. Been charged with, or indicted for, any criminal offense(s) other than civil traffic offenses? No

e. Pled guilty, or nolo contendere, or been convicted of, any criminal offense(s) other than civil traffic offenses?
No

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f. Had adjudication of guilt withheld, had a sentence imposed or suspended, had pronouncement of a sentence suspended, or been pardoned, fined, or placed on probation, for any criminal offense(s) other than civil traffic offenses? No

g. Been subject to a cease and desist letter or order, or enjoined, either temporarily or permanently, in any judicial, administrative, regulatory, or disciplinary action, from violating any federal, state law or law of another country regulating the business of insurance, securities or banking, or from carrying out any particular practice or practices in the course of the business of insurance, securities or banking?
No

h. Been, within the last ten (10) years, a party to any civil action involving dishonesty, breach of trust, or a financial dispute? No

i. Had a finding made by the Comptroller of any state or the Federal Government that you have violated any provisions of small loan laws, banking or trust company laws, or credit union laws, or that you have violated any rule or regulation lawfully made by the Comptroller of any state or the Federal Government? No

j. Had a lien or foreclosure action filed against you or any entity while you were associated with that entity?
No

If the response to any question above is answered "Yes", please provide details including dates, locations, disposition, etc. Attach a copy of the complaint and filed adjudication or settlement as appropriate.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. None

If any of the stock is pledged or hypothecated in any way, give details. None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes", please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.
None

If any of the shares of stock are pledged or hypothecated in any way, give details.
None

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

14. Have you ever been adjudged a bankrupt? No If yes, provide details None

15. To your knowledge has any company or entity for which you were an officer or director, trustee, investment committee member, key management employee or controlling stockholder, had any of the following events occur while you served in such capacity? If yes, please indicate and give details. When responding to questions (b) and (c) affiant should also include any events within twelve (12) months after his or her departure from the entity.

a. Been refused a permit, license, or certificate of authority by any regulatory authority, or Governmental-licensing agency? No

b. Had its permit, license, or certificate of authority suspended, revoked, canceled, non-renewed, or subjected to any judicial, administrative, regulatory, or disciplinary action (including rehabilitation, liquidation, receivership, conservatorship, federal bankruptcy proceeding, state insolvency, supervision or any other similar proceeding)? No

c. Been placed on probation or had a fine levied against it or against its permit, license, or certificate of authority in any civil, criminal, administrative, regulatory, or disciplinary action? Yes

I am an employee of Liberty Mutual Group Inc. and an officer and/or director of various insurance companies in the Liberty Mutual Group. From time to time, in the ordinary course of their insurance businesses, the insurance companies in the Liberty Mutual Group have had fines levied against them as the result of market conduct examinations in some jurisdictions in which the companies are licensed. None of these companies have been placed on probation. I was not personally responsible or culpable in any of those actions.

Note: If an affiant has any doubt about the accuracy of an answer, the question should be answered in the positive and an explanation provided.

Dated and signed this 17th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 17th day of June, 20 11

By Christopher C. Mansfield, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

Full Name, Address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Safeco Surplus Lines Insurance Company

175 Berkeley Street, Boston, MA 02116, 617-357-9500

1. Affiant's Full Name (Initials Not Acceptable). Christopher Charles Mansfield

2. Have you ever used any other name including nickname, maiden name or aliases? No If yes, give the reason if any, if none indicate such, and provide the full name(s) and date(s) used.

Beginning/Ending Date(s) Used (MM/YY)	Name(s)	Reason (If None, indicate such)
____ - ____	None	
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		
____ - ____		

Note: Dates provided in response to this question may be approximate. Parties using this form understand that there could be an overlap of dates when transitioning from one name to another.

3. Affiant's Social Security Number [redacted]

4. Government Identification Number if not a U.S. Citizen None

5. Foreign Student ID# (if applicable) None

6. Date of Birth: (MM/DD/YY) [redacted] Place of Birth: City Northampton
State/Province MA Country USA

7 Name of Affiant's Spouse (if applicable) Laura Margaret Mansfield

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Applicant Name (Company) Safeco Surplus Lines Insurance Company NAIC No. 11100
FEIN: 91-1231536

8. List your residences for the last ten (10) years starting with your current address, giving:

Beginning/Ending Dates (MM/YY)	Address	City	State/ Province	Country	Postal Code
10/87 to Current	[redacted]	Dedham	MA	USA	02026

Note: Dates provided in response to this question may be approximate, except for current address. Parties using this form understand that there could be an overlap of dates when transitioning from one address to another.

Dated and signed this 17th day of June, 20 11 at Boston, MA I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of Massachusetts

County of Suffolk

The foregoing instrument was acknowledged before me this 17th day of June, 20 11

By Christopher C. Mansfield, and:

[X] who is personally known to me, or

[ ] who produced the following identification: _____

[SEAL]

Notary Public

Colleen K. Lynch

Printed Notary Name

2/13/2015

My Commission Expires

Applicant Name Safeco Surplus Lines Insurance Company

MEMBERSHIP ADDENDUM

Name of Society/Association	Contact Name	Address of Society/Association	Telephone Number of Society/Association
International Association of Defense Counsel	Carmela Balice	303 West Madison, Suite 925, Chicago, IL, USA, 60606	312-368-1494

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Applicant Name Safeco Surplus Lines Insurance Company

LICENSE ADDENDUM

Organization/Issuer of License First Circuit Court of Appeals Address One Court House Way

City Boston State/Province MA Country USA Postal Code 02210

License Type Admitted to US Court of Appeals - 1st Circuit License # None Date Issued (MM/YY) 01/79

Date Expired (MM/YY) Current Reason for Termination None

Non-insurance Regulatory Phone Number (if known) Unknown

Organization /Issuer of License USDC for the District of Massachusetts Address One Court House Way

City Boston State/Province MA Country USA Postal Code 02110

License Type Admitted to USDC for District of Massachusetts License #None Date Issued (MM/YY) 01/76

Date Expired (MM/YY) Current Reason for Termination None

Non-insurance Regulatory Phone Number (if known) Unknown

Organization/Issuer of License MA Supreme Judicial Court Board of Bar Address 99 High Street

City Boston State/Province MA Country USA Postal Code 02110

License Type Admitted to Massachusetts Bar License # 318300 Date Issued (MM/YY) 12/75

Date Expired (MM/YY) Current Reason for Termination None

Non-insurance Regulatory Phone Number (if known) 617-728-8700

Organization /Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License #None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

Organization /Issuer of License None Address None

City None State/Province None Country None Postal Code None

License Type None License # None Date Issued (MM/YY) None

Date Expired (MM/YY) None Reason for Termination None

Non-insurance Regulatory Phone Number (if known) None

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Applicant Name Safeco Surplus Lines Insurance Company

ADDITIONAL INFORMATION ADDENDUM

9a. Have you ever been in a position which required a fidelity bond? If any claims were made on the bond give details.

None

9b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? If yes, give details.

None

12. List any entity subject to regulation by an insurance regulatory authority that you control directly or indirectly. The term "control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing ten percent (10%) or more of the voting securities of any other person.

None

If any of the stock is pledged or hypothecated in any way, give details.

None

13. Do [Will] you or members of your immediate family individually or cumulatively subscribe to or own, beneficially or of record, 10% or more of the outstanding shares of stock of any entity subject to regulation by an insurance regulatory authority, or its affiliates? An "affiliate" of, or person "affiliated" with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. If the answer is "Yes," please identify the company or companies in which the cumulative stock holdings represent 10% or more of the outstanding voting securities.

None

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Christopher Charles Mansfield

Company/Title	Effective Date	End Date
Berkeley/Columbus II LLC		
Director	06/23/2009	
Vice President	06/23/2009	
General Counsel	06/23/2009	
Berkeley/Columbus III LLC		
Director	06/23/2009	
Vice President	06/23/2009	
General Counsel	06/23/2009	
Berkeley/Columbus Real Estate LLC		
Director	06/23/2009	
Vice President	06/23/2009	
General Counsel	06/23/2009	
Berkeley/St. James II LLC		
Director	09/14/2010	
Vice President	09/14/2009	
General Counsel	09/14/2009	
Berkeley/St. James Real Estate LLC		
Director	09/14/2010	
Vice President	09/14/2009	
General Counsel	09/14/2009	
Big Apple Merger Corporation		
Director	04/23/2008	09/22/2008
Boston College		
Overseer	10/01/2006	
Bridgefield Casualty Insurance Company		
Director	12/31/2005	06/07/2010
Bridgefield Employers Insurance Company		
Director	05/11/2000	06/07/2010

Christopher Charles Mansfield

Company/Title	Effective Date	End Date
Brooke Drilling, LLC		
Director	11/09/2000	
Senior Vice President	11/09/2000	
General Counsel	11/09/2000	
Cascade Disability Management, Inc.		
Director	01/03/1991	06/23/1995
Secretary	01/03/1991	06/28/1994
Cascade Rehabilitation Counseling-Colorado		
Secretary	12/25/1991	12/30/1992
Charbella Energy, Ltd.		
Director	12/15/2003	09/21/2010
Colorado Casualty Insurance Company		
Director	12/31/2005	
Committee - Audit - Liberty Mutual Agency Corporation		
Committee Member	04/12/2010	
Consolidated Insurance Company		
Director	06/29/1999	
Cooling-Grumme-Mumford Company, Inc.		
Director	06/29/1999	10/17/2002
Dedham Youth Commission		
Member	12/31/1997	12/31/1999
Diversified Settlements, Inc.		
Director	06/29/1999	05/07/2001
Employers Insurance Company of Wausau		
Director	12/31/1998	
Senior Vice President	06/15/2009	
General Counsel	06/15/2009	

Christopher Charles Mansfield

Company/Title	Effective Date	End Date
Excelsior Insurance Company		
Director	06/29/1999	
First National Insurance Company of America		
Director	09/22/2008	
Gallaher Settlements and Insurance Services Co., Inc.		
Director	01/01/1992	05/01/1999
General America Corporation of Texas		
Director	02/09/2009	
General Insurance Company of America		
Director	09/22/2008	
Genesis Seguros Generales, Sociedad Anonima de Seguros y Reaseguros, Sociedad Unipersonal		
Director	09/01/2004	
Globe American Casualty Company		
Director	12/31/2005	12/30/2009
Golden Eagle Insurance Corporation		
Director	07/15/1997	
Gulf States AIF, Inc.		
Director	03/26/2002	
Hawkeye-Security Insurance Company		
Director	06/29/1999	
Helmsman Insurance Agency of Illinois, Inc.		
Director	07/23/1996	04/10/2007
Helmsman Insurance Agency, LLC		
Director	06/28/1994	
Helmsman Management Services LLC		
Director	06/28/1994	

Christopher Charles Mansfield

Company/Title	Effective Date	End Date
High Yield Investment Advisors, LLC		
Director	04/05/2001	07/20/2010
Senior Vice President	04/05/2001	07/20/2010
General Counsel	04/05/2001	07/20/2010
Indiana Insurance Company		
Director	06/29/1999	
Institute for Legal Reform		
Director	06/01/2008	
Insurance Company of Illinois		
Director	02/09/2009	
Kellen Holdings, LLC		
Director	01/08/2001	
Senior Vice President	01/08/2001	
General Counsel	01/08/2001	
Keter Consulting LLC		
Director	02/13/2007	
LEH China, LLC		
Director	07/18/2001	10/03/2006
General Counsel	07/18/2001	10/03/2006
Senior Vice President	07/18/2001	10/03/2006
LEXCO Limited		
Director	12/13/2004	06/29/2005
LFC Acquisition Corporation		
Director	05/22/2001	12/12/2001
LFC Holdings, Inc.		
Director	06/30/1995	01/03/2002
General Counsel	06/30/1995	01/03/2002
Vice President	06/30/1995	01/03/2002

Christopher Charles Mansfield

Company/Title	Effective Date	End Date
LFC Management Corporation		
Director	11/11/1998	01/03/2002
President	11/11/1998	01/03/2002
LLS Insurance Agency of Nevada, Inc.		
Director	02/10/2000	06/24/2005
LM Insurance Corporation		
Director	06/16/1989	
Vice President	06/20/1989	
Assistant Secretary	06/20/1989	
LMB Ltd.		
Director	05/16/1988	12/28/2006
Vice President	05/16/1988	10/29/1999
LMG Film Productions, LLC		
Director	04/01/2008	
LMGI Finance LLC		
Director	03/30/2010	
President	03/30/2010	
General Counsel	03/30/2010	
LMHC Massachusetts Holdings Inc.		
Director	11/14/2001	
Vice President	11/28/2001	
General Counsel	11/28/2001	
LRE Properties, Inc.		
Director	06/30/1997	
President	06/23/2000	05/15/2002
Liberty China LLC		
Director	12/07/2005	
Vice President	12/07/2005	

Christopher Charles Mansfield

Company/Title	Effective Date	End Date
Liberty Corporate Holdings, Inc.		
Director	07/02/1998	01/03/2002
General Counsel	07/02/1998	01/03/2002
Vice President	07/02/1998	01/03/2002
Liberty Corporate Services LLC		
Director	12/12/2001	
Liberty Energy Canada, Inc.		
Director	12/05/2006	
Senior Vice President	12/05/2006	
General Counsel	12/05/2006	
Liberty Energy Gulf Corporation		
Director	06/17/1998	10/31/2002
General Counsel	12/01/2000	10/31/2002
Senior Vice President	12/01/2000	10/31/2002
Liberty Energy Holdings, LLC		
Director	11/09/2000	
Senior Vice President	11/09/2000	
General Counsel	11/09/2000	
Liberty Energy, LLC		
Director	06/17/1998	
Senior Vice President	12/01/2000	
General Counsel	12/01/2000	
Liberty Financial Companies, Inc. (DE)		
Director	09/01/1989	04/01/1991
President	09/01/1989	09/01/1990

Christopher Charles Mansfield

Company/Title	Effective Date	End Date
Liberty Financial Services, Inc.		
Director	05/07/1991	12/31/1995
Director	05/16/2002	
Liberty Guarantee Insurance Co. Ltd.		
Director	12/23/2001	
Liberty Hospitality Group, Inc.		
Director	02/24/1997	
President	06/23/2000	05/15/2002
Liberty Iberia, S.A.		
Director	Unknown	12/21/2006
Liberty Insurance Acquisition Corporation		
Director	12/14/2001	03/19/2002
Liberty Insurance Company of America		
Director	05/31/1995	09/17/2009
Vice President	06/30/1995	09/17/2009
Liberty Insurance Corporation		
Director	10/21/1988	
Vice President	09/14/2005	
Vice President	06/28/1994	09/14/2005
General Counsel	09/14/2005	
Assistant Secretary	09/14/2005	
Assistant Secretary	06/28/1994	09/14/2005
Liberty Insurance Group Compania de Seguros y Reaseguros, S.A.		
Director	10/14/2003	01/17/2007
Liberty Insurance Holdings, Inc.		
Director	06/29/1999	
Vice President	05/07/2008	

Christopher Charles Mansfield

Company/Title	Effective Date	End Date
Liberty Insurance Underwriters Inc.		
Director	06/29/1999	01/03/2011
Liberty International Holdings Inc.		
Director	10/26/1993	
Liberty International Holdings LLC		
Director	10/28/2004	
Vice President	10/28/2004	
General Counsel	10/28/2004	
Liberty International Iberia, S.L.		
Director	06/30/2008	
Director	11/12/2003	06/29/2008
Liberty Life Assurance Company of Boston		
Director	08/10/1995	
Liberty Life Distributors LLC		
Manager	09/14/1998	06/24/2005
Liberty Life Holdings Inc.		
Director	10/19/1988	
Vice President	10/19/1988	
General Counsel	10/19/1988	
Liberty Life Securities LLC		
Manager	06/07/1999	06/24/2005
Liberty Massachusetts Trust		
General Counsel	12/29/1995	12/27/2004
Trustee	12/22/1995	12/27/2004
Vice President	12/29/1995	12/27/2004
Liberty Metals & Mining Holdings, LLC		
Director	05/27/2009	
Senior Vice President	05/27/2009	

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Company/Title	Effective Date	End Date
Liberty Mutual Agency Corporation		
Director	06/29/1999	
Vice President	05/07/2008	
Liberty Mutual Capital Corporation (Boston)		
Director	05/10/1988	10/08/2004
General Counsel	06/25/1986	10/08/2004
Vice President	06/25/1986	10/08/2004
Liberty Mutual Captive Holdings LLC		
Director	09/12/2000	
Vice President	09/12/2000	
General Counsel	09/12/2000	
Liberty Mutual Community Investors, LLC		
Director	07/27/1999	
Liberty Mutual Equity Corporation		
Director	05/07/1991	10/22/2003
General Counsel	06/04/1993	10/22/2003
President	05/07/1991	06/04/1993
Vice President	06/04/1993	10/22/2003
Liberty Mutual Equity LLC		
Director	08/28/2003	
Vice President	08/28/2003	
General Counsel	08/28/2003	
Liberty Mutual Fire Insurance Company		
Director	03/19/2002	
Senior Vice President	04/12/2000	
Vice President	01/09/1985	04/12/2000
General Counsel	01/09/1985	

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Company/Title	Effective Date	End Date
Liberty Mutual Foundation Inc.		
Director	08/06/2003	
Vice President	07/01/2010	
General Counsel	07/01/2010	
Liberty Mutual Group Asset Management Inc.		
Director	04/25/2011	
Vice President	04/25/2011	
Liberty Mutual Group Inc.		
Director	11/14/2001	
Senior Vice President	01/01/2010	
Vice President	11/28/2001	12/31/2009
General Counsel	11/28/2001	
Liberty Mutual Holding Company Inc.		
Senior Vice President	11/30/2001	
General Counsel	11/30/2001	
Liberty Mutual Insurance Company		
Director	11/28/2001	
Senior Vice President	12/09/1987	
Vice President	03/09/1983	12/09/1987
General Counsel	12/09/1987	
Liberty Mutual Investment Advisors LLC		
Director	07/27/1999	
Liberty Mutual Managed Care LLC		
Director	12/17/1993	

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Company/Title	Effective Date	End Date
Liberty Mutual Management (Bermuda) Ltd		
Director	12/28/2000	06/10/2005
Director	11/20/1987	05/15/1998
Vice President	06/05/1996	05/16/1997
Liberty Mutual Management (South Carolina) LLC		
Manager	10/15/2004	
Vice President	10/15/2004	
General Counsel	10/15/2004	
Liberty Mutual Management (Vermont) LLC		
Manager	01/20/2005	
Vice President	01/20/2005	
General Counsel	01/20/2005	
Liberty Mutual Political Action Committee		
Chairman of the Board	01/01/1985	
Liberty Northwest Insurance Corporation		
Director	12/31/2005	
Liberty PAC		
Director	03/01/2005	
Chairman of the Board	03/27/2007	
Liberty Parkwood Crossing LLC		
Director	10/14/2008	
Vice President	10/14/2008	
General Counsel	10/14/2008	
Liberty Real Estate Corporation		
Director	06/05/1996	04/05/2007
President	01/01/1997	06/24/2005

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Company/Title	Effective Date	End Date
Liberty Real Estate Holdings LLC		
Director	10/01/2007	
Vice President	10/01/2007	
General Counsel	10/01/2007	
Liberty Seguros, Compania de Seguros y Reaseguros, S.A.		
Director	10/14/2003	
Liberty Spain Insurance Group LLC		
Director	11/24/2004	
Vice President	11/24/2004	
General Counsel	11/24/2004	
Liberty Surplus Insurance Corporation		
Director	06/23/1997	
Vice President	06/27/1997	
Assistant Secretary	06/27/1997	
Liberty-USA Corporation		
Director	06/29/1999	
Liberty/Hoffman Estates LLC		
Director	02/14/2007	
Vice President	02/14/2007	
General Counsel	02/14/2007	
Liberty/Milwaukee LLC		
Director	06/28/2007	
Vice President	06/28/2007	
General Counsel	06/28/2007	

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Company/Title	Effective Date	End Date
Liberty/Warrenville LLC		
Director	02/14/2007	
Vice President	02/14/2007	
General Counsel	02/14/2007	
Massachusetts Taxpayers Foundation		
Director	04/01/2007	
McGregor Pointe Properties, Inc.		
Director	Unknown	09/28/1999
Mid-American Fire & Casualty Company		
Director	06/29/1999	
Montgomery Mutual Insurance Company		
Director	12/31/2005	
New England Legal Foundation		
Director	12/31/2001	
North Pacific Insurance Company		
Director	12/31/2005	
OCI Printing, Inc.		
Director	08/24/2007	04/16/2008
Ocasco Budget, Inc.		
Director	08/24/2007	04/16/2008
Ohio Casualty Corporation		
Director	08/24/2007	
Ohio Casualty Foundation, Inc.		
Trustee	07/01/2010	
Vice President	07/01/2010	
General Counsel	07/01/2010	
Ohio Casualty of New Jersey, Inc.		
Director	08/24/2007	09/30/2009

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Company/Title	Effective Date	End Date
Ohio Security Insurance Company		
Director	08/24/2007	
Oregon Automobile Insurance Company		
Director	12/31/2005	
Peerless Indemnity Insurance Company		
Director	12/31/2005	
Peerless Insurance Company		
Director	06/29/1999	
Pine Street Inn		
Director	12/31/2001	
Property Loss Research Bureau		
Director	01/01/2004	
Safeco Corporation		
Director	09/22/2008	
Senior Vice President	09/22/2008	
General Counsel	09/22/2008	
Safeco Insurance Company of America		
Director	09/22/2008	
Safeco Insurance Company of Illinois		
Director	02/09/2009	
Safeco Insurance Company of Indiana		
Director	09/22/2008	
Safeco Insurance Company of Oregon		
Director	09/22/2008	

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Company/Title	Effective Date	End Date
Safeco Insurance Foundation		
Director	09/22/2008	
Senior Vice President	06/26/2009	07/01/2010
Vice President	07/01/2010	
General Counsel	06/26/2009	
Safeco National Insurance Company		
Director	09/22/2008	
Safeco Surplus Lines Insurance Company		
Director	09/22/2008	
San Diego Insurance Company		
Director	07/21/1997	
Seguros Genesis, Sociedad Anonima de Seguros y Reaseguros		
Director	Unknown	12/21/2006
St. James Insurance Company Ltd.		
Director	11/27/2003	
Vice President	11/27/2003	
St. James Realty Corporation		
Director	06/28/1994	12/31/1996
St. James/Arlington LLC		
Director	10/27/2005	
Vice President	10/27/2005	
General Counsel	10/27/2005	
St. James/Arlington Management LLC		
Director	01/06/2006	
Vice President	01/06/2006	
General Counsel	01/06/2006	
SteinRoe Services Inc.		
Vice President	05/07/1991	12/31/1995

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Company/Title	Effective Date	End Date
Summit Holding Corporation		
Director	Unknown	06/09/2003
Summit Holding Southeast, Inc.		
Director	05/11/2000	
Tara Energy Investments, LLC		
Director	12/15/2000	
Senior Vice President	12/15/2000	
General Counsel	12/15/2000	
The First Liberty Insurance Corporation		
Director	06/16/1989	
Vice President	06/16/1989	
Assistant Secretary	06/16/1989	
The Midwestern Indemnity Company		
Director	06/29/1999	
The National Corporation		
Director	12/31/2005	
The Netherlands Insurance Company		
Director	06/29/1999	
The Ohio Casualty Insurance Company		
Director	08/24/2007	
The Ohio Life Brokerage Services, Inc.		
Director	08/24/2007	04/16/2008
Touche Remnant Holdings Limited		
Director	08/01/1988	04/01/1989
Town of Dedham Trust Fund Commission		
Commissioner	12/31/1999	03/31/2005

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Company/Title	Effective Date	End Date
Waterfall Merger Corp.		
Director	05/03/2007	08/24/2007
Vice President	05/03/2007	08/24/2007
General Counsel	05/03/2007	08/24/2007
Wausau Business Insurance Company		
Director	12/31/1998	
Senior Vice President	06/15/2009	
General Counsel	06/15/2009	
Wausau General Insurance Company		
Director	12/31/1998	
Senior Vice President	06/15/2009	
General Counsel	06/15/2009	
Wausau Service Corporation		
Director	12/31/1998	10/21/2009
Senior Vice President	06/15/2009	10/21/2009
General Counsel	06/15/2009	10/21/2009
Wausau Underwriters Insurance Company		
Director	12/31/1998	
Senior Vice President	06/15/2009	
General Counsel	06/15/2009	
West American Insurance Company		
Director	08/24/2007	

Applicant Name: Safeco Surplus Lines Insurance Company

NAIC No.11100
FEIN: 91-1231536

Primary UCAA Application

Item 14. State Specific Information. No additional information is required for this item.

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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 million 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

Statement of Actuarial Opinion

11100201044000000

Safeco Surplus Lines Insurance Company / 2010 / 440

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

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Safeco Surplus Lines Insurance Company

Statement of Actuarial Opinion
As of December 31, 2010

IDENTIFICATION

I, Thomas E. Schadler, am an officer of Safeco Surplus Lines Insurance Company, a Company in Liberty Mutual Agency Corporation. I am a Member of the American Academy of Actuaries and meet its qualification standards. 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.

Safeco Surplus Lines Insurance Company_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 20% of Policyholder Surplus.

Since 100% of the companies reserves, net of external cessions are ceded to the pool, the only risk of material adverse deviation in the company's reserves is the failure of the pool to fulfill its obligation. Because of this, the internal variability in reserve estimates is negligible, and the risk of material adverse deviation from the net carried reserve amounts is remote.

Salvage & Subrogation

Reserves are established net of anticipated salvage & subrogation.

Discounting

The Company does not discount Loss and Loss Adjustment Expense Reserves to reflect the time value of money.

Underwriting Pools and Associations

The Company does not participate in any voluntary or involuntary arrangements with underwriting pools or associations.

Asbestos and Environmental Exposures

The Company has no known exposure to either Asbestos or Environmental Impairment liability.

Extended Loss and Expense Reserves

The Company does not write extended loss and expense contracts. The total extended loss and expense liability is $0.

Retroactive and Financial Reinsurance

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.

Based on discussions with company management, its descriptions of the company's ceded and assumed reinsurance, and on the analysis described above, I am not aware of any external reinsurance contract that either has been or should have been accounted for as retroactive or financial reinsurance.

Safeco Surplus Lines Insurance Company_2010SAO

Reinsurance Collectibility
Ceded loss reserves are all with affiliated companies in the PIC Pool. 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.

NAIC IRIS Tests
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.

Long Duration Contracts
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.

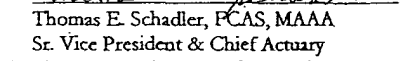
My review was limited to the items enumerated in the SCOPE section, and did not include an analysis of any income statement or other balance sheet items. My opinion on the loss reserves is based on the assumption that valid assets back all reserves. It makes no opinion on the Company's financial assets 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, FCAS, MAAA
Sr. Vice President & Chief Actuary
Liberty Mutual Agency Corporation
175 Berkeley Street
Boston, MA 02116
(617) 654-3831
(603) 358-3863
February 22, 2011

Statement of Actuarial Opinion 2010
Safeco Surplus Lines Insurance Company

Exhibit A: SCOPE

	Column 1 Amount
Loss Reserves:	
1. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col 1, Line 1)	$ -
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col 1, Line 3)	$ -
3. Reserve for Unpaid Losses - Direct and Assumed (Should equal Schedule P, Part 1, Totals from Cols. 13 and 15, Line 12 * 1000)	$ -
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)	$ -
5. The Page 3 write-in item reserves, "Retroactive Reinsurance Reserve Assumed"	$ -
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
Safeco Surplus Lines Insurance Company

Exhibit B: DISCLOSURES

	Column 1	Column 2	Column 3	Column 4
1. Name of the Appointed Actuary		Schadler	Thomas	E
		Last	*First*	*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			C	
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)	$ 6,483,230			
6. Is there a Significant Risk of Material Adverse Deviation?			Yes [ ] No [X] Not Applicable [ ]	
7. Statutory Surplus (Liabilities, Col 1, Line 37)	$ 32,416,148			
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)	$ -			
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	$ -			
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	$ -			
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)	$ -			
11.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 33D03D), ending net environmental reserves for current year)	$ -			
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.

QUARTERLY STATEMENT

OF THE

SAFECO SURPLUS LINES INSURANCE COMPANY

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

11100201120100102

QUARTERLY STATEMENT

AS OF JUNE 30, 2011

OF THE CONDITION AND AFFAIRS OF THE

Safeco Surplus Lines Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 11100 Employer's ID Number 91-1231636

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

Country of Domicile United States of America

Incorporated/Organized: August 26, 1983 Commenced Business: January 1, 1984

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

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	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	30,797,814		30,797,814	31,000,423
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
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 ($ 1,840,490)	1,840,490		1,840,490	1,304,491
6. Contract loans (including $ 0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Securities lending reinvested collateral assets	1,601,500		1,601,500	1,065,753
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	34,239,804		34,239,804	33,370,667
13. Title plants less $ 0 charged off (for Title insurers only)				
14. Investment income due and accrued	271,523		271,523	284,196
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	58,987		58,987	36,100
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	93,377		93,377	
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
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	3,038		3,038	145,077
24. Health care ($ 0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	34,666,729		34,666,729	33,836,040
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Lines 26 and 27)	34,666,729		34,666,729	33,836,040

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.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)				

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 0)		
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1. Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		282,770
7.2. Net deferred tax liability	39,806	19,600
8. Borrowed money $ 0 and interest thereon $ 0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 0 and including warranty reserves of $ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1. Stockholders		
11.2. Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	(368)	(24,838)
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
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		
19. Payable to parent, subsidiaries and affiliates	78,577	76,607
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	1,601,500	1,065,753
23. Liability for amounts held under uninsured plans		
24. Capital notes $ 0 and interest thereon $ 0		
25. Aggregate write-ins for liabilities		
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	1,719,515	1,419,892
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	1,719,515	1,419,892
29. Aggregate write-ins for special surplus funds		
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	5,650,000	5,650,000
35. Unassigned funds (surplus)	22,297,214	21,766,148
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)	32,947,214	32,416,148
38. Totals (Page 2, Line 28, Col. 3)	34,666,729	33,836,040

DETAILS OF WRITE-IN LINES		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
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 $ (11,053))	(11,053)	(100,945)	(143,550)
1.2 Assumed (written $ 0)			
1.3 Ceded (written $ (11,053))	(11,053)	(100,945)	(143,550)
1.4 Net (written $ 0)			
DEDUCTIONS:			
2. Losses incurred (current accident year $ 0):			
2.1 Direct	(95,944)	108,857	292,023
2.2 Assumed			
2.3 Ceded	(95,944)	108,857	292,023
2.4 Net			
3. Loss adjustment expenses incurred			
4. Other underwriting expenses incurred			
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)			
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)			
INVESTMENT INCOME			
9. Net investment income earned	520,786	597,584	1,136,321
10. Net realized capital gains (losses) less capital gains tax of $ 12,534	23,277	99,274	70,498
11. Net investment gain (loss) (Lines 9 + 10)	544,063	696,858	1,206,819
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ 0 amount charged off $ 0)			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)			
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 8 + 11 + 15)	544,063	696,858	1,206,819
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	544,063	696,858	1,206,819
19. Federal and foreign income taxes incurred	(35,299)	142,880	224,490
20. Net income (Line 18 minus Line 19) (to Line 22)	579,362	553,978	982,329
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	32,416,148	31,444,848	31,444,848
22. Net income (from Line 20)	579,362	553,978	982,329
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ (9,831)	(18,258)		(1,026)
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	(30,038)	(4,025)	(10,003)
27. Change in nonadmitted assets			
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			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus			
38. Change in surplus as regards policyholders (Lines 22 through 37)	531,066	549,953	971,300
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	32,947,214	31,994,801	32,416,148

DETAILS OF WRITE-IN LINES			
0501.			
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)			
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
3701.			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)			

CASH FLOW

Cash from Operations	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums collected net of reinsurance	24,470	(3,873)	(23,311)
2. Net investment income	580,471	641,955	1,289,721
3. Miscellaneous income			
4. Total (Lines 1 to 3)	604,941	638,082	1,266,410
5. Benefit and loss related payments	22,887	(159,303)	(120,865)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions			
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	353,383	145,425	148,152
10. Total (Lines 5 through 9)	376,270	(13,878)	27,287
11. Net cash from operations (Line 4 minus Line 10)	228,671	651,960	1,239,123
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	1,660,511	7,844,157	11,764,313
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets	1,578,670		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds			
12.8 Total investment proceeds (Lines 12.1 to 12.7)	3,239,181	7,844,157	11,764,313
13. Cost of investments acquired (long-term only):			
13.1 Bonds	1,497,193	9,681,743	14,348,517
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets	2,114,416		1,065,753
13.6 Miscellaneous applications		(2,375)	
13.7 Total investments acquired (Lines 13.1 to 13.6)	3,611,609	9,679,368	15,414,270
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)	(372,428)	(1,835,211)	(3,649,957)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	679,756	(917,658)	(98,460)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	679,756	(917,658)	(98,460)
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)	535,999	(2,100,909)	(2,509,294)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	1,304,491	3,813,785	3,813,785
19.2 End of period (Line 18 plus Line 19.1)	1,840,490	1,712,876	1,304,491

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

20.0001			
20.0002			
20.0003			

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Safeco Surplus Lines Insurance Company (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	30,048	26,283	3,765	26,283	26,322	3/31/2009
59023XAB2	19,925	17,294	2,631	17,294	13,767	12/31/2009
59023XAB2	13,180	12,867	313	12,867	10,067	3/31/2010
61749BAB9	31,359	29,787	1,572	29,787	19,120	12/31/2009
61749BAB9	26,200	25,969	231	25,969	21,187	3/31/2010
61749BAB9	21,149	21,047	102	21,047	19,556	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		(4,447)
Fair Value of Securities with Unrealized Losses		23,300

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.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

No change.

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:

NOTES TO FINANCIAL STATEMENTS

- 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.
- 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				
Issuer Obligations	$ 0	$ 321,412	$ 0	$ 321,412
Commercial Mortgage-Backed Securities	$ 0	$ 7,096	$ 0	$ 7,096
Total Bonds	$ 0	$ 328,508	$ 0	$ 328,508
Preferred Stocks	$ 0	$ 0	$ 0	$ 0
Common Stocks	$ 0	$ 0	$ 0	$ 0
Total assets at fair value	$ 0	$ 328,508	$ 0	$ 328,508
Liabilities at fair value	-	-	-	-
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 Company has no assets or liabilities measured at fair value in the Level 3 category.

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.

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.

NOTES TO FINANCIAL STATEMENTS

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

Note 21 - Other Items

No change.

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

Not applicable.

NOTES TO FINANCIAL STATEMENTS

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

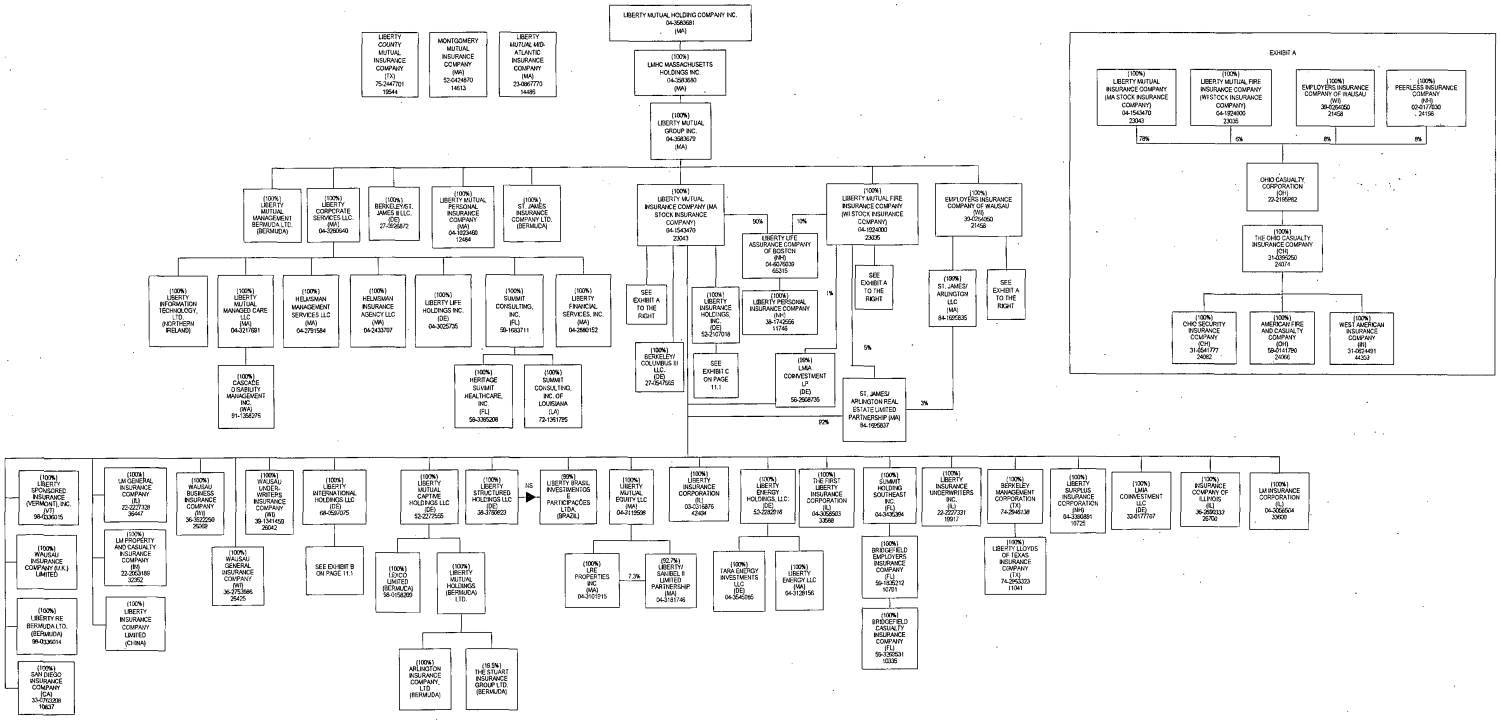
States, Etc.		1 Active Status	Direct Premiums Written 2 Current Year to Date	3 Prior Year to Date	Direct Losses Paid (Deducting Salvage) 4 Current Year to Date	5 Prior Year to Date	Direct Losses Unpaid 6 Current Year to Date	7 Prior Year to Date
1. Alabama	AL	E						30,137
2. Alaska	AK	E						
3. Arizona	AZ	E						732,128
4. Arkansas	AR	E						
5. California	CA	E			(1,425)		471,107	491,949
6. Colorado	CO	E						
7. Connecticut	CT	E						1,734
8. Delaware	DE	E						
9. District of Columbia	DC	E						
10. Florida	FL	E	(2,169)	(82,432)	153,026	70,864	1,645,049	1,707,594
11. Georgia	GA	E				45,000	946,171	1,033,755
12. Hawaii	HI	E						
13. Idaho	ID	E						
14. Illinois	IL	E						5,944
15. Indiana	IN	E						1,680
16. Iowa	IA	E						
17. Kansas	KS	E						
18. Kentucky	KY	E				9,820		10,470
19. Louisiana	LA	E				19,932	11,000	54,181
20. Maine	ME	E						
21. Maryland	MD	E						
22. Massachusetts	MA	E						
23. Michigan	MI	E					95,000	95,000
24. Minnesota	MN	E				310,969	281,271	281,271
25. Mississippi	MS	E						
26. Missouri	MO	E					91,508	91,508
27. Montana	MT	E						
28. Nebraska	NE	E						
29. Nevada	NV	E						1,873
30. New Hampshire	NH	N						
31. New Jersey	NJ	E					21,500	20,972
32. New Mexico	NM	E					58,000	58,000
33. New York	NY	E					304,450	320,226
34. North Carolina	NC	E					210,000	212,423
35. North Dakota	ND	E						
36. Ohio	OH	E						
37. Oklahoma	OK	E						
38. Oregon	OR	E						6,050
39. Pennsylvania	PA	E						
40. Rhode Island	RI	E						
41. South Carolina	SC	E						
42. South Dakota	SD	E						
43. Tennessee	TN	E						27,568
44. Texas	TX	E	(8,885)	(18,563)	36,527	150,275	200,200	195,421
45. Utah	UT	E						
46. Vermont	VT	E						
47. Virginia	VA	E					286,848	289,619
48. Washington	WA	L						
49. West Virginia	WV	N						2,304
50. Wisconsin	WI	E			15,750			1,517
51. Wyoming	WY	E						
52. American Samoa	AS	N						
53. Guam	GU	N						
54. Puerto Rico	PR	E						
55. U.S. Virgin Islands	VI	E						
56. Northern Mariana Islands	MP	N						
57. Canada	CN	N						
58. Aggregate Other Alien	OT	XXX						
59. Totals		(a) 1	(11,054)	(100,995)	203,878	606,860	4,622,104	5,673,324

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.

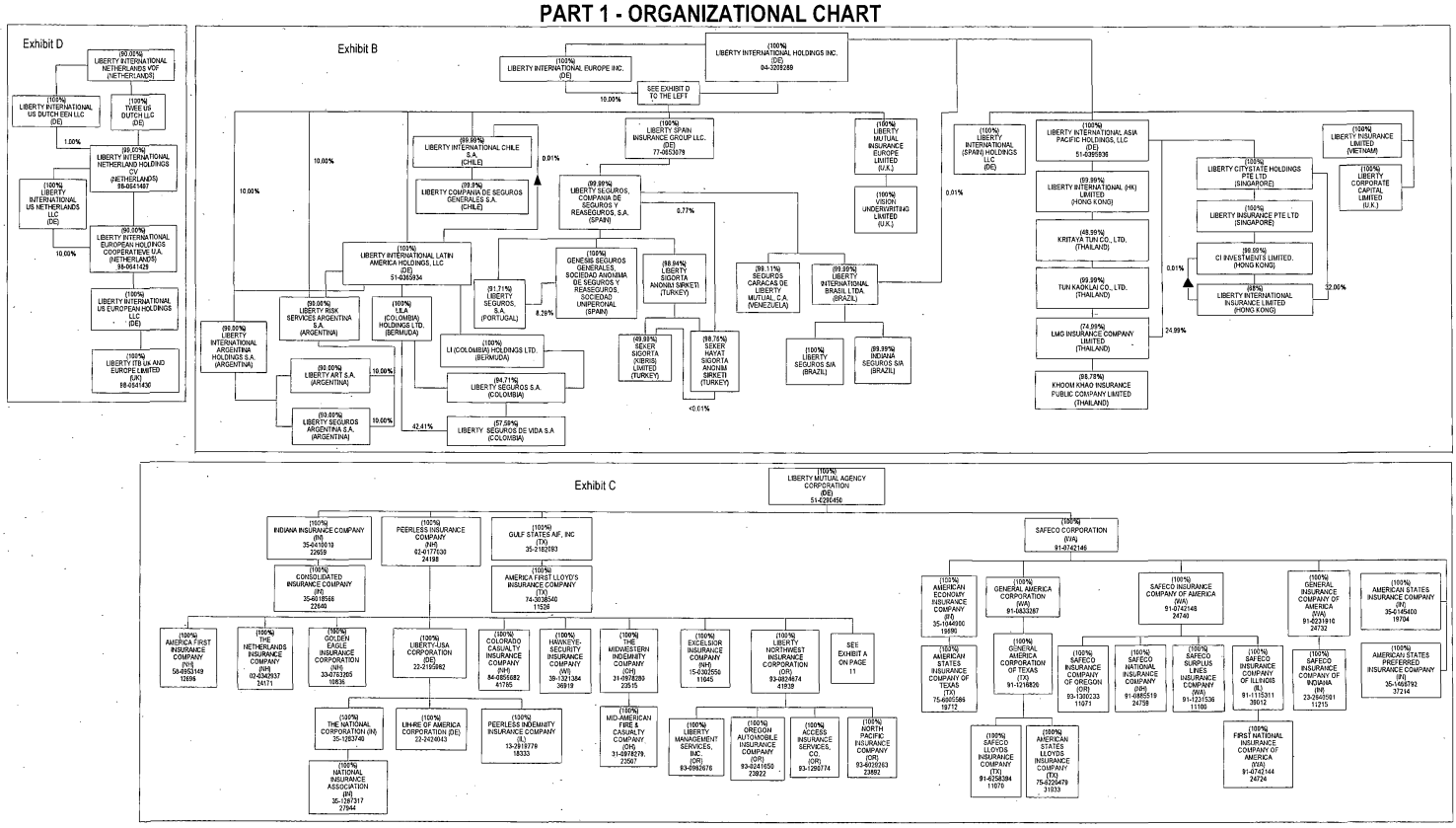
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

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				
2. Allied lines	(11,053)	218,149	-1973.7	2.0
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril		(20)		
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability-occurrence				
11.2 Medical professional liability-claims made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation		(243)		
17.1 Other liability-occurrence		(218,778)		
17.2 Other liability-claims made		(95,052)		
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence				
18.2 Products liability-claims made				
19.1, 19.2 Private passenger auto liability				
19.3, 19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. 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	(11,053)	(95,944)	868.0	-107.8

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			
2. Allied lines	(8,858)	(11,053)	(100,992)
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine			
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability-occurrence			
17.2 Other liability-claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence			
18.2 Products liability-claims made			
19.1, 19.2 Private passenger auto liability			
19.3, 19.4 Commercial auto liability			
21. Auto physical damage			
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. 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	(8,858)	(11,053)	(100,992)

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													
2. 2009													
3. Subtotals 2009 + prior													
4. 2010													
5. Subtotals 2010 + prior													
6. 2011	XXX	XXX	XXX	XXX			XXX				XXX	XXX	XXX
7. Totals													

NONE

8. Prior Year-End Surplus As Regards Policyholders 32,416

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.	2.	3.

4. Col. 13, Line 7 / Line 8

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:

11100201149000020

11100201145500020

11100201136500020

OVERFLOW PAGE FOR WRITE-INS

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	31,000,423	28,430,602
2. Cost of bonds and stocks acquired	1,497,193	14,348,517
3. Accrual of discount	44,073	28,041
4. Unrealized valuation increase (decrease)	(28,090)	(1,579)
5. Total gain (loss) on disposals	35,811	163,957
6. Deduct consideration for bonds and stocks disposed of	1,660,511	11,764,313
7. Deduct amortization of premium	91,085	149,303
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		55,499
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	30,797,814	31,000,423
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	30,797,814	31,000,423

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)	31,922,494	2,161,272	2,185,427	3,554	31,922,494	31,901,893		31,534,858
2. Class 2 (a)	763,290			(348,290)	763,290	415,000		763,290
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)	6,865		6,767	321,313	6,865	321,411		6,766
7. Total Bonds	32,692,649	2,161,272	2,192,194	(23,423)	32,692,649	32,638,304		32,304,914
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	32,692,649	2,161,272	2,192,194	(23,423)	32,692,649	32,638,304		32,304,914

(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 $ 1,840,490; 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	1,840,490	XXX	1,840,490	291	

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	1,304,491	2,891,271
2. Cost of short-term investments acquired	4,347,026	20,340,793
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	3,811,027	21,927,573
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)	1,840,490	1,304,491
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	1,840,490	1,304,491

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		258,257
2. Cost of cash equivalents acquired		367,888
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals		626,145
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

NONE Schedule D - Part 3

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 Identi-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)
690353-ML-8	OVERSEAS PRIVATE INVEST - GTD		04/15/2011	SINKING FUND REDE		9,600	9,600.00	9,299	9,566		34		34		9,600				180	04/15/2015	1
0599999	Total - Bonds - U.S. Governments				XXX	9,600	9,600.00	9,299	9,566		34		34		9,600				180	XXX	XXX
866407-C2-3	SUMNER CNTY		06/01/2011	MATURITY		335,000	335,000.00	351,026	336,967		(1,967)		(1,967)		335,000				8,375	06/01/2011	1FE
2499999	U.S. Total - Bonds - Political Subdivisions of States, Territories and Possessions				XXX	335,000	335,000.00	351,026	336,967		(1,967)		(1,967)		335,000				8,375	XXX	XXX
31412R-BB-2	FN 932534		06/01/2011	MBS PAYMENT		255,560	255,560.00	265,563	257,520		(1,960)		(1,960)		255,560				4,407	10/01/2019	1
31393U-GD-9	FNR 2003-119 XK		06/01/2011	MBS PAYMENT		15,164	15,164.00	15,588	15,177		(13)		(13)		15,164				284	10/01/2011	1
474656-SE-6	JEFFERSON SFM-RF-A		06/01/2011	DIRECT		50,000	50,000.00	52,375	51,566		(88)		(88)		51,478		(1,478)	(1,478)	1,388	06/01/2036	1FE
3199999	U.S. Total - Bonds - Special Revenue and Special Assessment Non-Guaranteed Obl				XXX	320,724	320,724.00	333,526	324,263		(2,061)		(2,061)		322,202		(1,478)	(1,478)	6,079	XXX	XXX
00075W-AB-5	ABFC_06-HE1		06/25/2011	MBS PAYMENT		1,501	1,501.00	1,501	1,501						1,501				2	07/25/2011	1Z*
15132E-GM-4	CDMC_03-9		06/01/2011	VARIOUS		5,525	5,525.00	5,247	5,403		14		14		5,417		108	108	106	08/01/2012	1Z*
362341-D6-3	GSAA_05-15		04/25/2011	MBS PAYMENT		195	195.00	195	195						195					04/25/2011	1Z*
52517P-Q5-3	LEHMAN BROTHERS HOLDINGS INC		04/25/2011	BANK OF AMERICA		28,484	114,509.00										28,484	28,484		12/23/2018	6FE
52517P-W3-1	LEHMAN BROTHERS HOLDINGS INC		04/28/2011	VARIOUS		14,528	57,254.00	5,582	6,766		99		99		6,866		7,662	7,662		03/23/2019	6Z
55275R-AB-8	MABS_06-NC3		06/25/2011	MBS PAYMENT		456	456.00	456	456						456				1	07/25/2011	1Z*
59023X-AB-2	MLMI_06-HE6		06/25/2011	VARIOUS		829	829.00	626	530	97			97		626		202	202	1	02/27/2012	1Z*
61749B-AB-9	MSAC_06-NC5		06/25/2011	MBS PAYMENT		1,366	1,365.00	1,317	1,315						1,314		53	53	2	10/25/2012	1Z*
3899999	Total - Bonds - Industrial and Miscellaneous (Unaffiliated)				XXX	52,884	181,634.00	14,924	16,166	97	113		210		16,375		36,509	36,509	112	XXX	XXX
8399997	Total - Bonds - Part 4				XXX	718,208	846,958.00	708,775	686,962	97	(3,881)		(3,784)		683,177		35,031	35,031	14,746	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	718,208	846,958.00	708,775	686,962	97	(3,881)		(3,784)		683,177		35,031	35,031	14,746	XXX	XXX
9999999	Totals					718,208	XXX	708,775	686,962	97	(3,881)		(3,784)		683,177		35,031	35,031	14,746	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	26,271	26,271	07/01/2011
000000-00-0	BANK OF TOKYO UFJ LTD GC - Time Deposit	1	34,677	34,677	07/01/2011
000000-00-0	BARCLAYS CAPITAL - REPO - A1P1 Money Markets	1	173,386	173,388	07/29/2011
000000-00-0	COMMERZBANK AG FRANKFURT - Time Deposit	1	34,678	34,677	07/20/2011
000000-00-0	COMMERZBANK AG FRANKFURT - Time Deposit	1	13,661	13,661	07/27/2011
000000-00-0	CREDIT AGRICOLE CIB, CAYMAN - Time Deposit	1	47,287	47,287	07/01/2011
000000-00-0	KBC, BRUSSELS - Time Deposit	1	42,035	42,033	07/14/2011
000000-00-0	KBC, BRUSSELS - Time Deposit	1	17,865	17,864	07/27/2011
000000-00-0	NATIXIS FINANCIAL PRODUCTS LLC - Master Note - Floating	1	15,237	15,237	07/01/2011
000000-00-0	RABOBANK NETHERLANDS - Time Deposit	1	14,380	14,380	07/01/2011
000000-00-0	RBC CAPITAL MKS - REPO - AA Corporate Bonds	1	26,271	26,271	08/04/2011
000000-00-0	SUMITOMO MITSUI BANK CORP BRUS - Time Deposit	1	36,779	36,779	07/06/2011
05576V-UB-8	BTM CAPITAL CORP - Commercial Paper	1	42,031	42,024	07/11/2011
2363F7-UB-2	DANSKE CORP - Commercial Paper	1	73,555	73,535	07/11/2011
29603F-DN-3	ERSTE BANK NEW YORK - Yankee C/D - Fixed	1	10,506	10,508	08/02/2011
2960E3-UJ-8	ERSTE FINANCE DELAWARE LLC - Commercial Paper	1	52,538	52,532	07/18/2011
4611K1-UE-3	INTESA FUNDING LLC - Commercial Paper	1	36,776	36,740	07/14/2011
51488H-2S-4	LANDESBANK HESSEN THUR NY - Yankee C/D - Fixed	1	31,526	31,525	07/27/2011
65602Q-DT-1	NORINCHUKIN BANK NY - Yankee C/D - Fixed	1	47,288	47,287	07/11/2011
6931M3-U1-5	PB FINANCE DELAWARE - Commercial Paper	1	24,169	24,136	07/01/2011
80280P-JB-4	SANTANDER CP SA UNIPERSONAL - Commercial Paper	1	36,776	36,767	07/08/2011
80280P-JC-2	SANTANDER CP SA UNIPERSONAL - Commercial Paper	1	26,269	26,262	07/08/2011
85324U-UB-7	STANDARD CHARTERED CP - Commercial Paper	1	57,268	57,261	07/11/2011
86562W-MH-8	SUMITOMO MITSUI BANKING CORP NY - Yankee C/D - Fixed	1	52,541	52,541	07/11/2011
8672E3-UE-4	SUNCORP METWAY LTD - Commercial Paper	1	38,878	38,874	07/14/2011
3299999	Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations		1,012,648	1,012,517	X X X
000000-00-0	BARCLAYS CAPITAL - REPO-PRI LAB CMO'S	1	52,541	52,541	07/29/2011
000000-00-0	CITIGROUP GLOBAL MARKETS INC - REPO - AAA Asset Backed Securities	1	52,541	52,541	08/04/2011
000000-00-0	NOMURA SECURITIES - REPO - U.S. Agency Mortgages	2	99,337	99,337	07/01/2011
000000-00-0	PERSHING LLC - REPO - U.S. Agency Mortgages	1	26,271	26,271	07/01/2011
03663U-V9-3	ANTALIS US FUNDING CORP - Commercial Paper - Asset Backed	1	52,530	52,521	08/09/2011
03846W-U1-7	ARABELLA FINANCE LLC - Commercial Paper - Asset Backed	1	52,541	52,539	07/01/2011
08037M-U5-8	BELMONT FUNDING LLC - Commercial Paper - Asset Backed	1	52,540	52,526	07/05/2011
1373X3-US-4	CANCARA ASSET SECURITISATION LLC - Commercial Paper - Asset Backed	1	47,281	47,258	07/26/2011
76203M-UB-0	RHEIN-MAIN SECURITISATON LIMITED - Commercial Paper - Asset Backed	1	21,158	21,134	07/11/2011
76203M-W6-9	RHEIN-MAIN SECURITISATON LIMITED - Commercial Paper - Asset Backed	1	26,260	26,244	09/06/2011
76205M-U8-5	RHEINGOLD SECURITIZATION - Commercial Paper - Asset Backed	1	27,321	27,319	07/08/2011
76205M-W6-7	RHEINGOLD SECURITIZATION - Commercial Paper - Asset Backed	1	52,520	52,485	09/06/2011
80584U-U7-2	SCALDIS CAPITAL LLC - Commercial Paper - Asset Backed	1	26,270	26,267	07/07/2011
3599999	Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities		589,111	588,983	X X X
3899999	Subtotals – Industrial and Miscellaneous (Unaffiliated)		1,601,759	1,601,500	X X X
7799999	Totals – Issuer Obligations		1,012,648	1,012,517	X X X
8099999	Totals – Other Loan-Backed and Structured Securities		589,111	588,983	X X X
8399999	Total Bonds		1,601,759	1,601,500	X X X
9999999	Totals		1,601,759	1,601,500	X X X

General Interrogatory:

1. Total activity for the year to date — Fair Value $ 535,848 — Book/Adjusted Carrying Value $ 535,747
2. Average balance for the year to date — Fair Value $ 2,372,203 — Book/Adjusted Carrying Value $ 2,383,694
3. Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation:
   NAIC 1 $ 1,502,163; NAIC 2 $ 99,337; NAIC 3 $ 0; NAIC 4 $ 0; NAIC 5 $ 0; NAIC 6 $ 0.

NONE Schedule DL - Part 2

NONE Schedule E - Part 1

NONE Schedule E - Part 2

11100201150500102

DIRECTOR AND OFFICER SUPPLEMENT

Year To Date For The Period Ended 2011

NAIC Group Code 0111 NAIC Company Code 11100

Company Name Safeco Surplus Lines Insurance Company

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

SAFECO SURPLUS LINES INSURANCE COMPANY

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

11100201120100101

QUARTERLY STATEMENT

AS OF MARCH 31, 2011

OF THE CONDITION AND AFFAIRS OF THE

Safeco Surplus Lines Insurance Company

NAIC Group Code 0111 (Current Period) 0111 (Prior Period) NAIC Company Code 11100 Employer's ID Number 91-1231536

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

Country of Domicile United States of America

Incorporated/Organized: August 26, 1983 Commenced Business: January 1, 1984

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 25th day of April, 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

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 0)		
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1. Current federal and foreign income taxes (including $ 0 on realized capital gains (losses))		282,770
7.2. Net deferred tax liability	19,600	19,600
8. Borrowed money $ 0 and interest thereon $ 0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 0 and including warranty reserves of $ 0)		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1. Stockholders		
11.2. Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		(24,838)
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
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		
19. Payable to parent, subsidiaries and affiliates	394,946	76,607
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending	512,917	1,065,753
23. Liability for amounts held under uninsured plans		
24. Capital notes $ 0 and interest thereon $ 0		
25. Aggregate write-ins for liabilities		
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	927,463	1,419,892
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	927,463	1,419,892
29. Aggregate write-ins for special surplus funds		
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	5,650,000	5,650,000
35. Unassigned funds (surplus)	21,950,105	21,766,148
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)	32,600,105	32,416,148
38. Totals (Page 2, Line 28, Col. 3)	33,527,568	33,836,040

DETAILS OF WRITE-IN LINES		
2501.		
2502.		
2503.		
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
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)		

CASH FLOW

Cash from Operations	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums collected net of reinsurance	24,838	(58,670)	(23,311)
2. Net investment income	289,628	340,843	1,289,721
3. Miscellaneous income			
4. Total (Lines 1 to 3)	314,466	282,173	1,266,410
5. Benefit and loss related payments	(12,056)	48,752	(120,865)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions			
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses)	353,383		148,152
10. Total (Lines 5 through 9)	341,327	48,752	27,287
11. Net cash from operations (Line 4 minus Line 10)	(26,861)	233,421	1,239,123
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	942,304	5,446,707	11,764,313
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets	1,065,753		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds			
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,008,057	5,446,707	11,764,313
13. Cost of investments acquired (long-term only):			
13.1 Bonds	1,497,193	5,166,982	14,348,517
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets	512,917		1,065,753
13.6 Miscellaneous applications		1,123,982	
13.7 Total investments acquired (Lines 13.1 to 13.6)	2,010,110	6,290,964	15,414,270
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)	(2,053)	(844,257)	(3,649,957)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	(91,126)	(825,901)	(98,460)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(91,126)	(825,901)	(98,460)
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)	(120,040)	(1,436,737)	(2,509,294)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	1,304,491	3,813,785	3,813,785
19.2 End of period (Line 18 plus Line 19.1)	1,184,451	2,377,048	1,304,491

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

20.0001			
20.0002			
20.0003			

NOTES TO FINANCIAL STATEMENTS

Note 6 - Joint Ventures, Partnerships & Limited Liability Companies

No change.

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 first 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

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

Note 21 - Other Items

No change.

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

Not applicable.

Note 26 - Inter-Company Pooling Arrangements

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.

.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. 12/31/2005

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). 06/12/2007

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 [X] No [ ] N/A [ ]

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

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

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

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			
			4	5	6	7	8	9	10	11
Line of Business	Maximum Interest	Discount Rate	Unpaid Losses	Unpaid LAE	IBNR	TOTAL	Unpaid Losses	Unpaid LAE	IBNR	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

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year To Date - Allocated by States and Territories

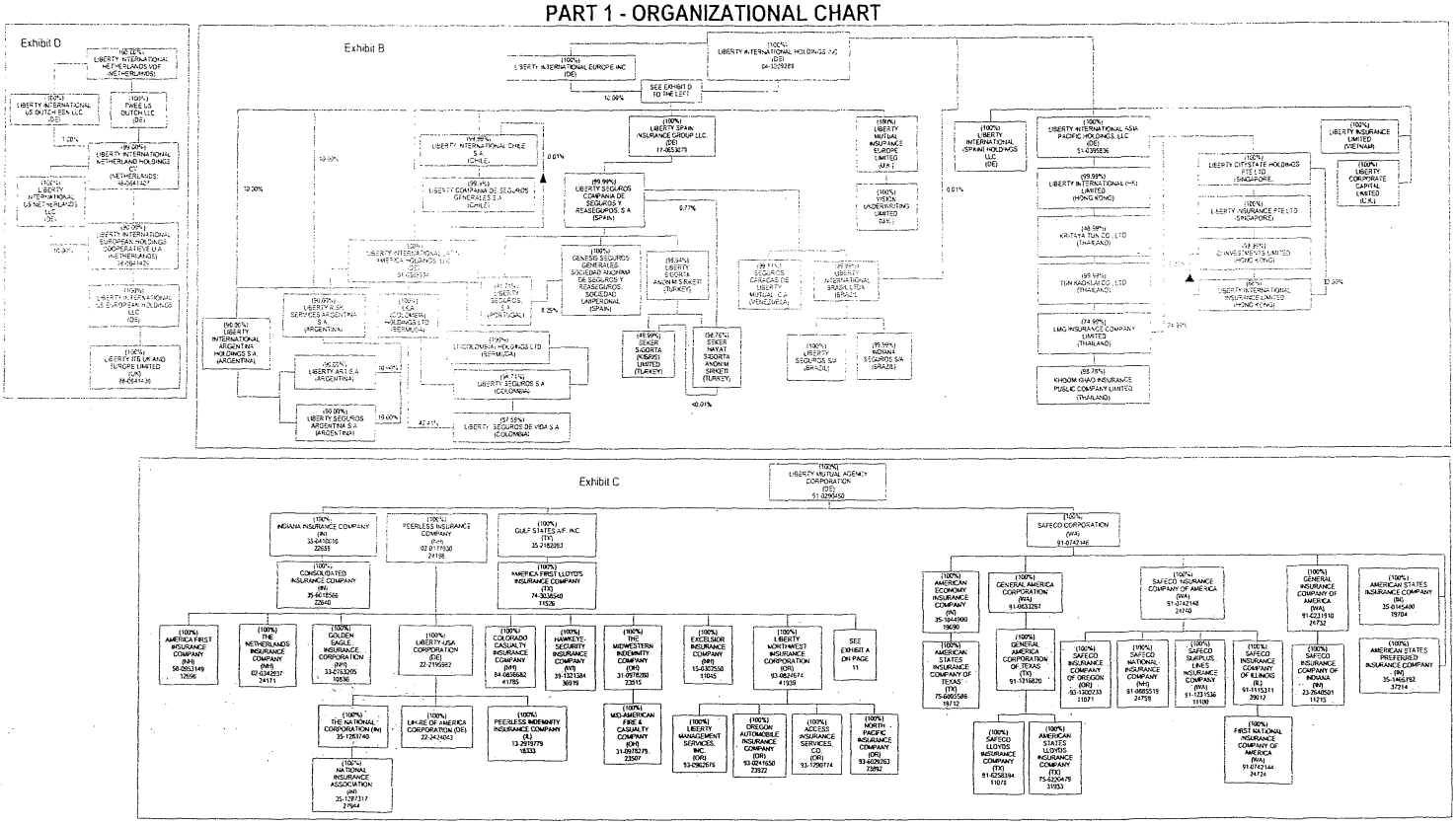
States, Etc.		1 Active Status	Direct Premiums Written 2 Current Year to Date	Direct Premiums Written 3 Prior Year to Date	Direct Losses Paid (Deducting Salvage) 4 Current Year to Date	Direct Losses Paid (Deducting Salvage) 5 Prior Year to Date	Direct Losses Unpaid 6 Current Year to Date	Direct Losses Unpaid 7 Prior Year to Date
1. Alabama	AL	E					102,691	20,499
2. Alaska	AK	E						
3. Arizona	AZ	E					34,130	770,601
4. Arkansas	AR	E						
5. California	CA	E			(371)		474,487	457,587
6. Colorado	CO	E						
7. Connecticut	CT	E					5,908	1,179
8. Delaware	DE	E						
9. District of Columbia	DC	E						
10. Florida	FL	E		(56,719)	90,540	46,943	1,490,779	1,744,644
11. Georgia	GA	E					951,730	1,114,953
12. Hawaii	HI	E						
13. Idaho	ID	E						
14. Illinois	IL	E					20,256	4,043
15. Indiana	IN	E					5,723	1,142
16. Iowa	IA	E						
17. Kansas	KS	E						11,830
18. Kentucky	KY	E					35,675	7,121
19. Louisiana	LA	E					47,923	70,496
20. Maine	ME	E						
21. Maryland	MD	E						
22. Massachusetts	MA	E						
23. Michigan	MI	E					80,989	95,000
24. Minnesota	MN	E				45,000	243,739	610,361
25. Mississippi	MS	E						
26. Missouri	MO	E					78,012	91,508
27. Montana	MT	E						
28. Nebraska	NE	E						
29. Nevada	NV	E					6,382	1,274
30. New Hampshire	NH	N						
31. New Jersey	NJ	E					18,329	21,500
32. New Mexico	NM	E					49,446	58,000
33. New York	NY	E					340,609	342,631
34. North Carolina	NC	E					187,283	211,648
35. North Dakota	ND	E						
36. Ohio	OH	E		1				
37. Oklahoma	OK	E						
38. Oregon	OR	E					17,005	4,581
39. Pennsylvania	PA	E						
40. Rhode Island	RI	E						
41. South Carolina	SC	E						
42. South Dakota	SD	E						
43. Tennessee	TN	E					93,939	18,753
44. Texas	TX	E	(2,195)	(3,479)		75,837	178,350	228,557
45. Utah	UT	E						
46. Vermont	VT	E						
47. Virginia	VA	E					247,349	288,733
Washington	WA	L						
49. West Virginia	WV	N					7,851	1,567
50. Wisconsin	WI	E					9,177	1,032
51. Wyoming	WY	E						
52. American Samoa	AS	N						
53. Guam	GU	N						
54. Puerto Rico	PR	E						
55. U.S. Virgin Islands	VI	E						
56. Northern Mariana Islands	MP	N						
57. Canada	CN	N						
58. Aggregate Other Alien	OT	XXX						
59. Totals		(a) 1	(2,195)	(60,197)	90,169	167,780	4,727,762	6,179,240

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.

SCHEDULE Y - INFORMATION CONCE...ING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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													
2. 2009													
3. Subtotals 2009 + prior													
4. 2010													
5. Subtotals 2010 + prior													
6. 2011	XXX	XXX	XXX	XXX			XXX				XXX	XXX	XXX
7. Totals													

NONE

8. Prior Year-End Surplus As Regards Policyholders 32,416

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.	2.	3.

Col. 13, Line 7 / Line 8
4.

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	31,000,423	28,430,602
2. Cost of bonds and stocks acquired	1,497,193	14,348,517
3. Accrual of discount	6,795	28,041
4. Unrealized valuation increase (decrease)	62	(1,579)
5. Total gain (loss) on disposals	780	163,957
6. Deduct consideration for bonds and stocks disposed of	942,304	11,764,313
7. Deduct amortization of premium	54,751	149,303
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		55,499
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	31,508,198	31,000,423
11. Deduct total nonadmitted amounts		
Statement value at end of current period (Line 10 minus Line 11)	31,508,198	31,000,423

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	1,184,451	XXX	1,184,451	246	

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	1,304,491	2,891,271
2. Cost of short-term investments acquired	2,185,754	20,340,793
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	2,305,794	21,927,573
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)	1,184,451	1,304,491
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	1,184,451	1,304,491

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		258,257
2. Cost of cash equivalents acquired		367,888
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals		626,145
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)
912828-PQ-7	TREASURY NOTE		02/22/2011	CITIGROUP		995,668	1,000,000.00	1,077	1
912828-QH-6	TREASURY NOTE		03/10/2011	JP MORGAN CHASE		501,525	500,000.00	415	1
0599999	Total Bonds U. S. Government				X X X	1,497,193	1,500,000.00	1,492	X X X
8399997	Total Bonds Part 3				X X X	1,497,193	1,500,000.00	1,492	X X X
8399998	Summary Item from Part 5 for Bonds				X X X	X X X	X X X	X X X	X X X
8399999	Total Bonds				X X X	1,497,193	1,500,000.00	1,492	X X X
9999999	Totals				X X X	1,497,193	X X X	1,492	X X X

(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

NONE Schedule DL - Part 2

NONE Schedule E - Part 1

NONE Schedule E - Part 2

#17

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

(A)	Company Name	Safeco Surplus Lines Insurance Company				
(B)	NAIC Group Code	0111	(C) NAIC Company Code	11100	(D) Employer's ID Number	91-1231536
(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)	No				
	Officers Name:	Gary Richard Gregg		Dexter Robert Legg		Michael Joseph Fallon
	Officers Title:	President and Chief Executive		Secretary		Chief Financial Officer and Tr

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

PR002

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

PR004

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	15,457,536	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	3,940,272	0.003	11,821
(3)	Total Class 01 Bonds	Column 6 Line 10.1 - Line 8.1	31,534,858		
(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)	12,137,050	0.003	36,411
(6)	Total Class 02 Bonds	Column 6 Line 10.2 - Line 8.2	763,290		
(7)	Affiliated Class 02 Bonds	Column 6 Line 9.2	0		
(8)	Total Class 02 Unaffiliated bonds	L(6)-L(7)	763,290	0.010	7,633
(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	6,766		
(19)	Affiliated Class 06 Bonds	Column 6 Line 9.6	0		
(20)	Total Class 06 Unaffiliated bonds	L(18) - L(19)	6,766	0.300	2,030
(21)	Subtotal - Bonds Subject to Bond Size Factor L(5) + L(8) + L(11) + L(14) + L(17) + L(20)		12,907,106		46,074
(22)	Number of Issuers		42		
(23)	Bond Size Factor				1.500
(24)	Bond Size Factor RBC = L(21) x L(23)				69,111
(25)	Total Unaffiliated Bonds RBC = L(1) + L(2) + L(21) + L(24)		32,304,914		127,006

PR006

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	0		
(18)	Affiliated Common Stock	Sch D - Summary C1 L24	0		
(19)	Non-admitted Unaffiliated Common Stock	P2 C2 L2.2 in part	0		
(20)	Other Admitted Unaffiliated Common Stock	L(17) - L(16) - L(18) - L(19)	0	0.150	0
(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)	0		0

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	0	0.050	0
(2)	Aggregate W/I for Invest Assets	P2 C3 L11	0	0.050	0
(3)	Cash	P2 L5, inside amt 1	0	0.003	0
(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	1,304,491		
(8)	Less Short-Term Bonds*	Sch DA Pt 1 C8 L8399999	603,792		
(9)	Less Exempt Money Market Mutual Funds*	Sch DA Pt 1 C8 L8899999	0		
(10)	Less Class One Money Market Mutual Funds*	Sch DA Pt 1 C8 L8999999	700,699		
(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)	0		0

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

PR009

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 | SNOHOMISH SD 6 REF

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	415,000	0.010	4,150
(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	415,000		4,150
(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)	415,000		4,150

ASSET CONCENTRATION FACTOR - PR010

Issuer # 02 | NJ HLTH ST JOSEPHS

	(1) Asset Type	(2) Book / Adjusted Carrying Value	Factor	(3) Additional RBC
(1)	Class 2 Unaffiliated Bonds	348,290	0.010	3,483
(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	348,290		3,483
(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)	348,290		3,483

ASSET CONCENTRATION FACTOR - PR010

Issuer # 03 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	43,859	0.050	2,193
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	43,859		2,193
(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)	43,859		2,193

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	763,290	0.010	7,633
(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	43,859	0.050	2,193
(6)	Mortgage Loans	0	0.050	0
(7)	SUBTOTAL - FIXED INCOME	807,149		9,826
(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)	807,149		9,826

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	0				0.050	0
(11)	Guaranty Funds Receivable or on Deposit	P2 C3 L19	0				0.050	0
(12)	Investment Income Due & Accrued	P2 C3 L14	284,196				0.010	2,842
(13)	Recov from Parent, Subs, Affils	P2 C3 L23	145,077				0.050	7,254
(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	0				0.050	0
(16)	Total Credit RBC=C3 L(09) + Sum of C1 L(10) through L(15)		429,273					10,096

* 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		(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

	Non-controlled Assets	Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
(1)	Loaned to Others - Conforming Securities Lending Programs	General Interrogatories Part 1 L23.5	6,904,572	0.002	13,809
(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	8,453,517	0.010	84,535
(11)	Other	General Interrogatories Part 1 L24.29	0	0.010	0
(12)	Total Non-controlled Assets	Sum of L(1) through L(11)	15,358,089		98,344
(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	0	0.010	0
(15)	Total Miscellaneous Off Balance Sheet Items=L(12) + L(13) + L(14)		15,358,089		98,344

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	5,838,819	0.000	0
(2)	Other Class 01 Bonds	Company Records	1,021,894	0.003	3,066
(3)	Total Class 01 Bonds	L(1) + L(2)	6,860,713		3,066
(4)	Total Class 02 Bonds	Company Records	43,859	0.010	439
(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)	6,904,572		3,505
	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)	6,904,572		3,505

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	(143,605)	0	26,030,446,181	152,127,952	25,878,318,229	XXX		XXX
(2)	2009	1,657,375	0	25,445,584,575	217,009,282	25,228,575,293	XXX		XXX
(3)	2008	38,636,260	0	27,049,736,358	336,259,149	26,713,477,209	XXX		XXX
(4)	2007	91,665,429	0	26,779,856,752	465,578,318	26,314,278,434	XXX		XXX
(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)						0	0.000	0
(14)	Excessive Growth Charge Applied to Net Written Premiums from U&I Exhibit Pt 1B C6 L35						0	0.000	0

PR015

* 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

	Sch P Line of Business	(1) H/F	(2) PPA	(3) CA	(4) WC	(5) CMP	(6) MPL OCCURRENCE	(7) MPL CLMS MADE	(8) SL	(9) OL	(10) 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	0.984	0.992	1.015	1.005	0.962	1.213	0.981	0.998	0.959	1.253
(3)	(2)/(1)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
(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	0.192	0.230	0.324	0.465	0.431	0.306	0.257	0.511	0.325
(6)	LOSS +EXPENSE UNPAID SCH. P PART 1 (in 000s)	0	0	0	0	0	0	0	0	0	0
(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	0	0	0	0	0	0	0	0	0	0
(10)	% DIRECT LOSS SENS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(11)	% ASSUMED LOSS SENS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(12)	LOSS SENSITIVE DISCOUNT (in 000s)	0	0	0	0	0	0	0	0	0	0
(13)	LOSS+EXPENSE RBC AFTER DSCT (in 000s) L(09) - L(12)	0	0	0	0	0	0	0	0	0	0
(14)	LOSS CONCEN FACTOR										
(15)	NET LOSS+EXPENSE RBC x1000 (converted to whole dollars)										

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	X X X
(2)	COMPANY DEVELOPMENT	1.144	1.155	1.277	0.841	1.102	0.965	1.304	1.063	1.717	X X X
(3)	(2)/(1)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	X X X
(4)	INDUSTRY LOSS & EXPENSE RBC %	0.191	0.112	0.172	0.200	0.327	0.286	0.769	0.643	0.325	X X X
(5)	COMPANY RBC % (4)*(3)*.5+(4)*.5	0.191	0.112	0.172	0.200	0.327	0.286	0.769	0.643	0.325	X X X
(6)	LOSS +EXPENSE UNPAID SCH. P PART 1 (in 000s)	0	0	0	0	0	0	0	0	0	0
(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	X X X
(9)	CASE LOSS+EXPENSE RESERVE RISK-BASED CAPITAL (00	0	0	0	0	0	0	0	0	0	0
(10)	% DIRECT LOSS SENS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	X X X
(11)	% ASSUMED LOSS SENS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	X X X
(12)	LOSS SENSITIVE DISCOUNT (in 000s)	0	0	0	0	0	0	0	0	0	0
(13)	LOSS+EXPENSE RBC AFTER DSCT (in 000s) L(09) - L(12)	0	0	0	0	0	0	0	0	0	0
(14)	LOSS CONCEN FACTOR										1.000
(15)	NET LOSS+EXPENSE RBC x1000 (converted to whole dollars)										0

UNDERWRITING RISK - NET WRITTEN PREMIUMS - PR017

	Sch P Line of Business	(1) H/F	(2) PPA	(3) CA	(4) WC	(5) CMP	(6) MPL OCCURRENC	(7) MM CLMS MADE	(8) SL	(9) OL	(10) 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	0.736	0.815	0.705	0.780	0.674	1.031	0.860	0.582	0.687	0.584
(3)	(2)/(1)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
(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	0.937	0.969	0.988	1.033	0.921	1.822	1.092	0.904	1.042	0.883
(6)	COMPANY UNDERWRITING EXPENSE RATIO	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
(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)	0	0	0	0	0	0	0	0	0	0
(9)	BASE WRITTEN PREMIUM RISK-BASED CAPITAL (in 000s) MAX [	0	0	0	0	0	0	0	0	0	0
(10)	% DIRECT LOSS SENS WP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(11)	% ASSUMED LOSS SENS WP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(12)	LOSS SENSITIVE DSCT - WP (in 000s)	0	0	0	0	0	0	0	0	0	0
(13)	NWP RBC AFTER DSCT (in 000s)	0	0	0	0	0	0	0	0	0	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	X X X
(2)	COMPANY AVERAGE LOSS & EXPENSE RATIO	0.565	0.692	0.691	0.738	0.954	0.828	1.010	0.747	0.860	X X X
(3)	(2)/(1)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	X X X
(4)	INDUSTRY LOSS & EXPENSE RATIO	0.941	0.843	0.893	1.482	1.169	1.349	1.507	1.214	0.883	X X X
(5)	COMPANY RBC LOSS & EXPENSE RATIO (3)*(4)*0.5+(4)*0.5	0.941	0.843	0.893	1.482	1.169	1.349	1.507	1.214	0.883	X X X
(6)	COMPANY UNDERWRITING EXPENSE RATIO	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	X X X
(7)	ADJUSTMENT FOR INVESTMENT INCOME	0.949	0.971	0.947	0.884	0.905	0.893	0.777	0.774	0.904	X X X
(8)	C/Y NET WRITTEN PREMIUM (in 000s)	0	0	0	0	0	0	0	0	0	0
(9)	BASE WRITTEN PREMIUM RISK-BASED CAPITAL (in 000s) MAX [	0	0	0	0	0	0	0	0	0	0
(10)	% DIRECT LOSS SENS WP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	X X X
(11)	% ASSUMED LOSS SENS WP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	X X X
(12)	LOSS SENSITIVE DSCT - WP (in 000s)	0	0	0	0	0	0	0	0	0	0
(13)	NWP RBC AFTER DSCT (in 000s)	0	0	0	0	0	0	0	0	0	0
(14)	PREMIUM CONCENTRATION FACTOR										1.000
(15)	NET WRITTEN PREMIUM RBC x 1000 (converted to whole dollars)										0

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	†		X X X
(2)	Medicare Supplement	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		X X X
(3)	Dental & Vision	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		X X X
(3.1)	Stand-Alone Medicare Part D Coverage	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		X X X
(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	†		X X X
(8)	Dental & Vision	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		X X X
(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	†		X X X
(10.1)	Stand-Alone Medicare Part D Coverage (see instructions for limits)	Earned Premium (Schedule H Part 1 Line 2 in part)	0	†		X X X
(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	X X X	0	0	0
(3)	Title XIX-Medicaid †	0	X X X	0	0	0
(4)	Other Health Risk Revenue †	0	X X X	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	X X X	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	X X X
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium ‡	0.150	0.105	0.120	0.251	X X X
(10.2)	Underwriting Risk Factor for Excess of Initial Amount ‡	0.090	0.067	0.076	0.151	X X X
(10.3)	Composite Underwriting Risk Factor	0.000	0.000	0.000	0.000	X X X
(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	X X X
(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	X X X
(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.

UNDERWRITING RISK – MANAGED CARE CREDIT - PR020

		Annual Statement Source		(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		X X X	X X X		X X X
(10.2)	Category 1 - Federal Reinsurance but no Risk Corridor Protection	Company Records		X X X	X X X		X X X
(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

		Data Source	(1) Amount	Factor	(2) 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)			1.000
(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

		Annual Statement Source	(1) Amount	Factor		(2) 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

	Historical Loss Ratio Experience		(1) Premiums	(2) Incurred Claims	(3) Col. (2)/(1) Loss Ratio	§	(4) 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)	0	0.050	0
(3)	Total Health Claims Reserve RBC	Sch H Pt 2, Sec C, Col 1, Line C1	0		0
(4)	Loss Concentration Factor	PR016 C(20) L(14)			1.000
(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

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).

CALCULATION OF TOTAL ADJUSTED CAPITAL - PR026

		Annual Statement Reference	(1) Statement Value *	Factor	(2) Adjusted Capital
(1)	Capital and Surplus	P3 C1 L37	32,416,148	1.000	32,416,148
(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)				32,416,148
	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	16,208,074		
(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)			32,416,148
	Sensitivity Test:				
(15)	Deferred Tax Assets	Page 2, Line 18.2	0	1.000	0
(15.1)	Deferred Tax Liabilities	Page 3, Line 7.2	19,600	1.000	19,600
(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)			32,435,748
	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)			32,416,148
(20)	Authorized Control Level RBC	PR031 Comparison of Total Adjusted Capital to Risk-Based Capital Line (4)			119,522
(21)	RBC % Without Expanded Deferred Tax Asset	Line (19) / Line (20)			27121.491

* Report amounts in this column as whole dollars.

PR027

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)	98,344
(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)	0
(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)	98,344
	R1 - Asset Risk - Fixed Income		
(13)	Class 01 U.S. Government Agency Bonds	PR005 L(2)C(2)	11,821
(14)	Unaffiliated Bonds Subject to Size Factor	PR005 L(21)C(2)+PR014L(9)C(2)	49,579
(15)	Bond Size Factor RBC	PR005 L(24)C(2)	69,111
(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)	0
(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	9,826
(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)	140,337

PR028

Calculation of Total Risk-Based Capital After Covariance - PR028 - R2-R3

		PRBC O&I Reference	(1) RBC Amount
	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)	0
(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)	0
(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	0
(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)	0
	R3 - Asset Risk - Credit		
(55)	Other Credit RBC	PR011 L(16)C(4)-L(9)C(4)	10,096
(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)	10,096

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)	0
(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)	0
	R5 - Underwriting Risk - Net Written Premium		
(65)	Total Adjusted NWP RBC	PR017 L(15)C(20)	0
(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)	0
(70)	Total RBC After Covariance=R0+SQRT(R1^2+R2^2+R3^2+R4^2+R5^2)		239,044
(71)	Authorized Control Level RBC = .5 x Total RBC After Covariance		119,522

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)	119,522	
(2)	Total Adjusted Capital	PR026, C(2) L (14)	32,416,148	
(3)	RBC %	L(2)C(1) / L(1)C(1)	27121.500	
	Combined Ratio Data			
(4)	Premiums Earned	Pg 4, Col 1, L 1	0	
(5)	Losses Incurred	Pg 4, Col 1, L 2	0	
(6)	Loss Expenses Incurred	Pg 4, Col 1, L 3	0	
(7)	Other Underwriting Expenses Incurred	Pg 4, Col 1, L 4	0	
(8)	Aggregate Write-ins for Underwriting Deductions	Pg 4, Col 1, L 5	0	
(9)	Dividends to Policyholders	Pg 4, Col 1, L 17	0	
(10)	Net Written Premiums	Pg 8, Col 6, L 35	0	
	Combined Ratio Calculation			
(11)	Loss Ratio	[Pg 4, Col 1, L 2 + Pg 4, Col 1, L 3] / Pg 4, Col 1, L 1	0.000	
(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	0.000	
(14)	Combined Ratio	L(11) + L(12) + L(13)	0.000	
(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)		32,416,148
(2)	Company Action Level=200% of Authorized Control Level	CAL	239,044
(3)	Regulatory Action Level=150% of Authorized Control Level	RAL	179,283
(4)	Authorized Control Level=100% of Authorized Control Level	ACL	119,522
(5)	Mandatory Control Level=70% of Authorized Control Level	MCL	83,665
(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	32,416,148
Authorized Control Level Risk-Based Capital	Five Yr Hist C1 L29	119,522

UNDERWRITING AND INVESTMENT EXHIBIT - PREMIUMS WRITTEN - PR032

(1)	Did your company write Accident and Health Insurance in 2009?	NO
	If answer is yes, please complete Column 2, 2009 Net Premiums Written.	
(2)	Did your company write Accident and Health Insurance in 2008?	NO
	If answer is yes, please complete Column 3, 2008 Net Premiums Written.	
(3)	Were the total net Premiums written zero in 2009?	YES
(4)	Were the total net Premiums written zero in 2008?	YES

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	0	XXX	XXX
2. Allied Lines	0	XXX	XXX
3. Farmowners Multiple Peril	0	XXX	XXX
4. Homeowners Multiple Peril	0	XXX	XXX
5. Commercial Multiple Peril	0	XXX	XXX
6. Mortgage Guaranty	0	XXX	XXX
8. Ocean marine	0	XXX	XXX
9. Inland marine	0	XXX	XXX
10. Financial Guaranty	0	XXX	XXX
11.1 Medical Professional Liability - Occurrence	0	XXX	XXX
11.2 Medical Professional Liability - Claims-Made	0	XXX	XXX
12. Earthquake	0	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	0	0	0
16. Workers' compensation	0	XXX	XXX
17.1 Other Liability - Occurrence	0	XXX	XXX
17.2 Other Liability - Claims-Made	0	XXX	XXX
17.3 Excess Workers' Compensation	0	0	0
18.1 Products Liability - Occurrence	0	XXX	XXX
18.2 Products Liability - Claims-Made	0	XXX	XXX
19.1, 19.2 Private Passenger Auto Liability	0	XXX	XXX
19.3, 19.4 Commercial Auto Liability	0	XXX	XXX
21. Auto Physical Damage	0	XXX	XXX
22. Aircraft (all perils)	0	XXX	XXX
23. Fidelity	0	XXX	XXX
24. Surety	0	XXX	XXX
26. Burglary and theft	0	XXX	XXX
27. Boiler and machinery	0	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	0	0	0

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

	Credit Risk for Receivables Annual Statement Source Adjustment For Reinsurance Penalty For Affiliates Applicable To Schedule F	PR011 Line	 Column	(1) 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 **Annual Statement Source: Medical Tabular Reserve Discount**	PR016 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 **Annual Statement Source : STMTINCOME (Page 4, Col.1 Line 4)**	PR017 Line	 Column	 Value
27	Other Underwriting Expenses Incurred	6	1	0

PR035

GROSS WRITTEN PREMIUMS - PR036

	Description	Annual Statement Source	(1) Statement Value
(1)	2010 Company Gross Written Premium - Direct	Pg 8, PREMWRTN, Col 1, L35	(143,605)
(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	1,657,375
(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	38,636,260
(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	91,665,429
(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		Safeco Surplus Lines Insurance Company			
(B)	NAIC Group Code	0111	(C) NAIC Company Code	11100	(D) Employer's ID Number	91-1231536
(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)	No				
	Officers Name:	Gary Richard Gregg		Dexter Robert Legg		Michael Joseph Fallon
	Officers Title:	President and Chief Executive		Secretary		Chief Financial Officer and Tr

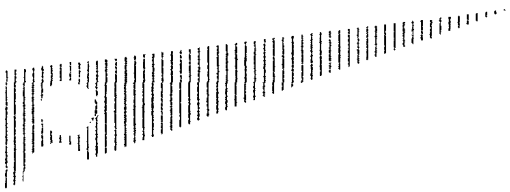
Each says that they are the above described officers of the said insurer, and that this risk-based capital report is a true and fair representation of the company's affairs and has been completed in accordance with the NAIC instructions according to the best of their information, knowledge and belief,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

(Signature) (Signature) (Signature)

PR001

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
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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 activities	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.

(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.

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.

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

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

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.

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.

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.

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.

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.

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.

(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.

(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

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.

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.

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)**

	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**

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%

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.

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.

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

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.

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)

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)

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.

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: Safeco Surplus Lines Insurance Company

NAIC No.11100
FEIN: 91-1231536

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 I29.and 129.5. The purpose of the audit pursuant to Section I29(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 Profile Audit Review conducted pursuant to Labor Code Section I29(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 fifty-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 ofreimbJrsements 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

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OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. 11-157
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
SAFECO SURPLUS LINES	)	AND ORDER ADOPTING REPORT
INSURANCE COMPANY	)	OF FINANCIAL EXAMINATION

A Domestic Insurer.

BACKGROUND

An examination of the financial condition of **SAFECO SURPLUS LINES INSURANCE COMPANY** (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.

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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 **SAFECO SURPLUS LINES INSURANCE COMPANY** 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 48.13.030(1) by nonadmitting single issuer investments, other than investments backed fully by the United States (U.S.) government and any state of the U.S., in excess of the four percent limitation. Instruction 1, Examination Report, page 2.

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, Chief Financial Officer and Treasurer

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
OF
SAFECO SURPLUS LINES INSURANCE COMPANY
SEATTLE, WASHINGTON

NAIC CODE 11100
December 31, 2009

Participating States:
Washington
Indiana
Illinois

Safeco Surplus Lines Insurance Company
Order No. 11-157
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

Safeco Surplus Lines Insurance Company
of
Seattle, Washington

hereinafter referred to as "SSLIC," or the "Company" at the home office of the Liberty Mutual group of companies (Liberty Mutual) located at 175 Berkeley Street, Boston, Massachusetts 02116. This report is respectfully submitted showing the financial condition and related corporate matters of SSLIC as of December 31, 2009.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Safeco Surplus Lines Insurance Company of Seattle, Washington. This report shows the financial condition and related corporate matters as of December 31, 2009.

Patrick H. McNaughton
Chief Examiner

6-21-2011
Date

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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 Investment Limitations in One Entity**

   RCW 48.13.030(1) limits the investment in any one entity to four percent of the insurer's total admitted assets. The December 31, 2009 balance for the Company's investments in JPMorgan Chase bonds and short-term investments of $1,930,166 exceeded the admitted asset limitation of the statute by $621,459. No examination adjustment was necessary due to immateriality.

   The Company is instructed to comply with RCW 48.13.030(1) by nonadmitting single issuer investments, other than investments backed fully by the United States (U.S.) government and any state of the U.S., in excess of the four percent limitation.

COMMENTS AND RECOMMENDATIONS

None

COMPANY PROFILE

Company History
The Company was incorporated on August 26, 1983 under the laws of the state of Washington and began active operations in January 1984. The Company is authorized to write property, inland marine, general casualty, vehicle, disability, surety, and ocean marine insurance.

As of December 31, 2009, SSLIC was a wholly-owned subsidiary of Safeco Insurance Company of America (SICA). On September 22, 2008, all of the outstanding and issued common stock shares of SICA's parent, 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 $31,444,848.

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
SSLIC is licensed only in the state of Washington and is qualified as a surplus lines carrier in all states except New Hampshire and West Virginia. The Company is also a qualified carrier in the U.S. Virgin Islands and Puerto Rico.

In 2009, the Company wrote allied lines, and business in Florida and Texas accounted for more than 99 percent of the Company's direct written premiums. Under an intercompany reinsurance pooling agreement, the direct business written by the Company was ceded 100 percent to an affiliate, Peerless Insurance Company (PIC). The Company is not actively writing new business.

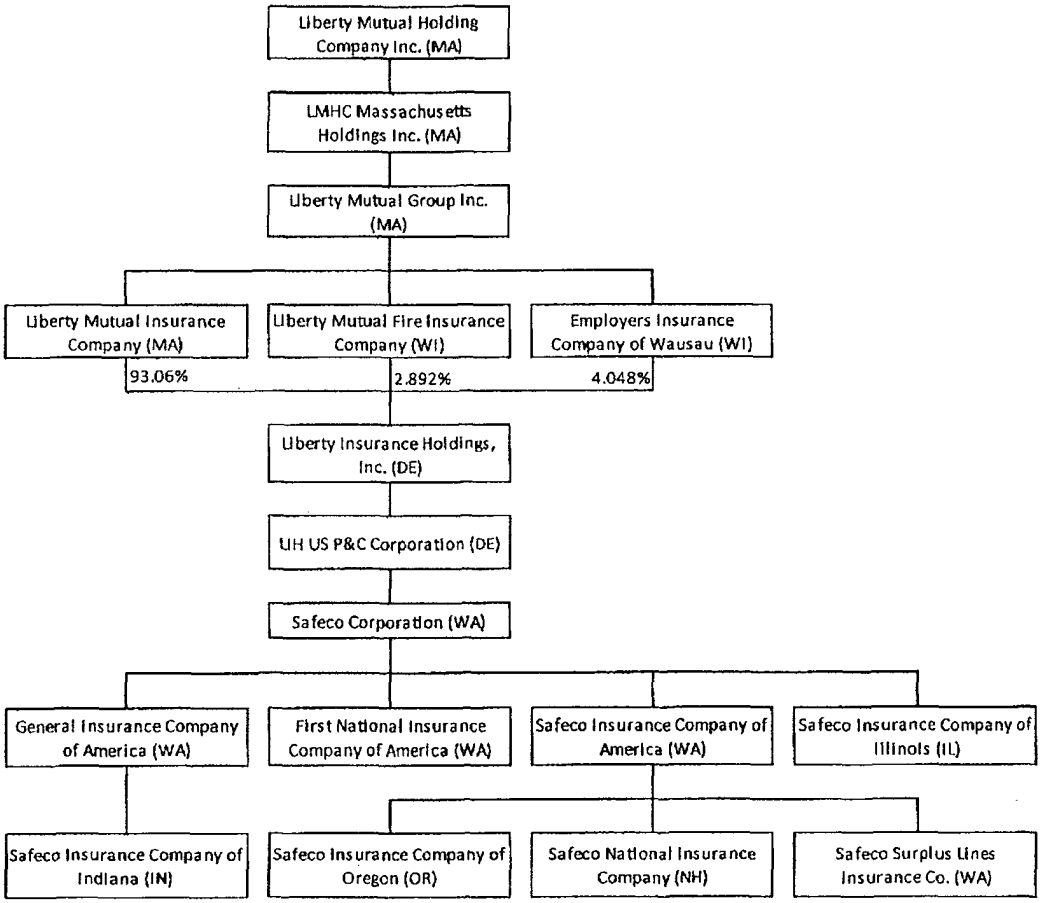
Growth of Company
The following reflects the growth of the Company as reported in its filed NAIC Annual Statements for the four year period under examination:

Year	Admitted Assets	Liabilities	Capital & Surplus
2009	$32,717,685	$1,272,837	$31,444,848
2008	31,479,224	1,079,787	30,399,437
2007	38,273,088	9,391,039	28,882,049
2006	35,190,895	7,134,879	28,056,016

Year	Premium Earned	Net Underwriting Gain (Loss)	Net Investment Gain (Loss)	Net Income
2009	$0	$0	$1,243,371	$954,523
2008	0	0	1,428,938	1,156,532
2007	0	0	1,556,769	1,243,634
2006	0	0	1,399,687	1,081,525

Affiliated Companies

The following is an abbreviated organization chart as of December 31, 2009:



SSLIC is a wholly-owned subsidiary of SICA, an insurance company incorporated under the laws of the state of Washington. SICA 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

The Company is a member of the Peerless Insurance Company Pool (Peerless Pool), and in accordance with the Peerless Pool's intercompany Amended and Restated Reinsurance Pooling Agreement led by PIC, SSLIC cedes 100 percent of its business to PIC, and SSLIC receives no retroceding business from PIC.

Because SSLIC receives no retroceding percentage from the Peerless Pool, the reserves carried by the Company for unpaid losses and loss adjustment expense reserves were $0 and $0, 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 Pool, which includes SSLIC, and concluded that the reserves for the insurance companies in the Peerless Pool are 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

Due to its participation in the Peerless Pool, which was described in the Unpaid Losses and Loss Adjustment Expenses report section, SSLIC reported no net premiums or losses in its 2009 NAIC Annual Statement. As of December 31, 2009, the Company had $156,965 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
Arkansas	Bond	$ 252,712	$ 275,078
Connecticut	Bond	100,646	107,906
Louisiana	Bond	172,250	194,321
Massachusetts	Bond	848,950	971,537
New Hampshire	Bond	561,690	673,475
New Mexico	Bond	229,667	259,094
New York	Bond	3,165,478	3,437,212
Oklahoma	Bond	150,000	163,851
Washington	Bond	2,905,335	3,150,188
Total		**$8,386,728**	**$9,232,662**

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.

SUBSEQUENT EVENTS

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 Safeco Surplus Lines Insurance Company as of December 31, 2009:

Assets, Liabilities, Surplus and Other Funds
Statement of Income and Capital and Surplus Account
Four Year Reconciliation of Surplus

Safeco Surplus Lines Insurance Company
Assets, Liabilities, Surplus and Other Funds
December 31, 2009

	Balance Per Company	Examination Adjustments	Balance Per Examination
Assets			
Bonds	$28,430,602	$0	$28,430,602
Cash, cash equivalents, and short-term investments	3,813,785		3,813,785
Subtotals, cash and invested assets	**32,244,387**	**0**	**32,244,387**
Investment income due and accrued	316,333		316,333
Amounts recoverable from reinsurers	156,965		156,965
Total Assets	**$32,717,685**	**$0**	**$32,717,685**
Liabilities, Surplus and Other Funds			
Losses	$0	$0	$0
Current federal and foreign income taxes	168,472		168,472
Net deferred tax liability	10,150		10,150
Ceded reinsurance premiums payable	(1,527)		(1,527)
Payable to parent, subsidiaries and affiliates	159,379		159,379
Aggregate write-ins for liabilities	936,363		936,363
Total Liabilities	**1,272,837**	**0**	**1,272,837**
Common capital stock	5,000,000		5,000,000
Gross paid in and contributed surplus	5,650,000		5,650,000
Unassigned funds (surplus)	20,794,848		20,794,848
Surplus as regards policyholders	**31,444,848**	**0**	**31,444,848**
Total Liabilities, Surplus and Other Funds	**$32,717,685**	**$0**	**$32,717,685**

Safeco Surplus Lines Insurance Company
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	$0	$0	$0
Deductions			
Losses incurred			
Loss adjustment expenses incurred			
Other underwriting expenses incurred			
Total underwriting deductions	0	0	0
Net underwriting gain or (loss)	0	0	0
Investment Income			
Net investment income earned	1,266,209		1,266,209
Net realized capital gains or (losses)	(22,838)		(22,838)
Net investment gain or (loss)	1,243,371	0	1,243,371
Other Income			
Net gain or (loss) from agents' or premium balances charged off			
Finance and service charges not included in premiums			
Aggregate write-ins for miscellaneous income			
Total other income	0	0	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,243,371		1,243,371
Federal and foreign income taxes incurred	288,848		288,848
Net income	$954,523	$0	$954,523
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year	$30,399,437	$0	$30,399,437
Gains and (losses) in surplus			
Net income	954,523		954,523
Change in net unrealized capital gains or (losses)	51,735		51,735
Change in net deferred income tax	39,153		39,153
Change in surplus as regards policyholders for the year	1,045,411	0	1,045,411
Surplus as regards policyholders, December 31 current year	$31,444,848	$0	$31,444,848

Safeco Surplus Lines Insurance Company
Four Year Reconciliation of Surplus
For the Years Ended December 31,

	2009	2008	2007	2006
Capital and Surplus, December 31, previous year	$30,399,437	$28,882,049	$28,056,016	$26,883,834
Net Income or (loss)	954,523	1,156,532	1,243,634	1,081,525
Change in net unrealized capital gains or (losses)	51,735	(46,889)	(4,846)	
Change in net deferred income tax	39,153	(161,216)	156,206	(59,343)
Change in nonadmitted assets		568,961	(568,961)	150,000
Change in surplus as regards policyholders for the year	1,045,411	1,517,388	826,033	1,172,182
Capital and Surplus, December 31, current year	$31,444,848	$30,399,437	$28,882,049	$28,056,016

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 Safeco Surplus Lines Insurance Company 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 }

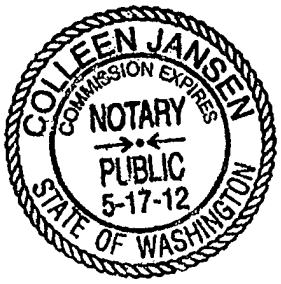
Tarik Subbagh, CPA, CFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Safeco Surplus Lines Insurance Company 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



Applicant Name Safeco Surplus Lines Insurance Company _ NAIC No 11100
FEIN: 91-1231536

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 (name), hereby certify that I am the*
Acting Deputy Insurance Commissioner (position) of the State of Washington

and have supervision of insurance business in said State and as such I hereby certify that
Safeco Surplus Lines Insurance Company (Name of Insurer)

of Seattle, Washington (City/State) is duly organized under the laws of said State and is

authorized to transact the business of Disability (RCW 48.11.030), 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 (Month) A.D. 2011

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

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