

ANNUAL STATEMENT
For the Year Ended December 31, 2011
OF THE CONDITION AND AFFAIRS OF THE
UNITED STATES FIDELITY AND
GUARANTY COMPANY

NAIC Group Code 3548 3548 NAIC Company Code 25887 Employer's ID Number 52-0515280
(Current Period) (Prior Period)

Organized under the Laws of Connecticut, State of Domicile or Port of Entry Connecticut,
Country of Domicile US

INCORPORATED/ORGANIZED, MARCH 19, 1896 COMMENCED BUSINESS, AUGUST 1, 1896

Statutory Home Office: One Tower Square, Hartford, CT 06183
Main Administrative Office: One Tower Square, Hartford, CT 06183 (860) 277-0111
Mail Address: One Tower Square, Hartford, CT 06183
Primary Location of Books and Records: 385 Washington Street, St. Paul, MN 55102 (651) 310-7911
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(E-Mail Address) (Fax Number)

OFFICERS

Table with 4 columns: Name, Title, Name, Title. Lists officers including Brian William MacLean, Jay Steven Benet, Charles Joseph Clarke, William Herbert Heyman, Alan David Schnitzer, Andy Francis Besette, John Patrick Clifford, Jr., William Eugene Cunningham, Jr., William Patrick Hannon, Maria Olivo, Doreen Spadorcia, Kenneth Franklin Spence, III, Gregory Cheshire Toczydowski, Douglas Keith Bell, Douglas Kenneth Russell, Scott William Rynda, Wendy Constance Skjerven, and Smitesh Davé.

DIRECTORS

JAY STEVEN BENET BRIAN WILLIAM MacLEAN KENNETH FRANKLIN SPENCE, III
WILLIAM HERBERT HEYMAN DOREEN SPADORCIA GREGORY CHESHIRE TOCZYDLOWSKI

STATE OF MINNESOTA }
COUNTY OF RAMSEY } ss:

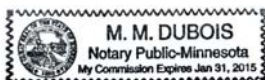
The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any 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.

Signatures of Brian W. MacLean (President), Wendy C. Skjerven (Secretary), and Douglas K. Russell (Controller).

Subscribed and sworn to before me this

24th day of January, 2012

M. M. Dubois Notary Public
My Commission Expires January 31, 2015



a. Is this an original filing? Yes [X] No [ ]
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	4,064,655,203	0	4,064,655,203	4,008,921,495
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	0	0	0	0
2.2 Common stocks.....	117,371,076	0	117,371,076	121,492,613
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....	0	0	0	171,504
3.2 Other than first liens.....	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	0	0	0	0
4.2 Properties held for the production of income (less \$.....0 encumbrances).....	0	0	0	0
4.3 Properties held for sale (less \$.....0 encumbrances).....	0	0	0	0
5. Cash (\$....44,040, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$....33,424,312, Sch. DA).....	33,468,353	0	33,468,353	43,451,915
6. Contract loans (including \$.....0 premium notes).....	0	0	0	0
7. Derivatives (Schedule DB).....	0	0	0	0
8. Other invested assets (Schedule BA).....	1,205,561	0	1,205,561	2,127,425
9. Receivables for securities.....	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	7,392,631	0	7,392,631	15,258,000
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	4,224,092,824	0	4,224,092,824	4,191,422,951
13. Title plants less \$.....0 charged off (for Title insurers only).....	0	0	0	0
14. Investment income due and accrued.....	52,514,791	0	52,514,791	52,100,093
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in course of collection.....	101,391,016	7,328,191	94,062,825	41,258,299
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$....1,838,678 earned but unbilled premiums).....	168,829,189	1,217,298	167,611,891	161,453,580
15.3 Accrued retrospective premiums.....	8,352,263	141,796	8,210,467	8,618,785
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	19,283,154	0	19,283,154	19,511,804
16.2 Funds held by or deposited with reinsured companies.....	2,690,261	0	2,690,261	2,836,086
16.3 Other amounts receivable under reinsurance contracts.....	0	0	0	0
17. Amounts receivable relating to uninsured plans.....	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	3,337,463	0	3,337,463	0
18.2 Net deferred tax asset.....	121,746,603	59,444,157	62,302,446	57,317,721
19. Guaranty funds receivable or on deposit.....	222,270	0	222,270	346,920
20. Electronic data processing equipment and software.....	200,191	0	200,191	328,735
21. Furniture and equipment, including health care delivery assets (\$.....0).....	81,343	81,343	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates.....	0	0	0	50,603,497
24. Health care (\$.....0) and other amounts receivable.....	0	0	0	0
25. Aggregate write-ins for other than invested assets.....	12,825,838	554,450	12,271,389	13,287,822
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	4,715,567,205	68,767,234	4,646,799,971	4,599,086,294
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
28. TOTALS (Lines 26 and 27).....	4,715,567,205	68,767,234	4,646,799,971	4,599,086,294

### DETAILS OF WRITE-INS

1101.....	0	0	0	0
1102.....	0	0	0	0
1103.....	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Equities and deposits in pools and associations.....	7,795,126	0	7,795,126	8,752,603
2502. Amounts receivable under high deductible policies.....	2,622,775	461,663	2,161,113	1,576,721
2503. State surcharges receivable.....	2,114,110	0	2,114,110	2,390,182
2598. Summary of remaining write-ins for Line 25 from overflow page.....	293,826	92,787	201,040	568,316
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	12,825,838	554,450	12,271,389	13,287,822

## UNITED STATES FIDELITY AND GUARANTY COMPANY

### LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	1,312,376,801	1,277,299,854
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	57,324,362	56,406,616
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	294,496,550	296,097,833
4. Commissions payable, contingent commissions and other similar charges.....	23,904,513	22,647,342
5. Other expenses (excluding taxes, licenses and fees).....	21,088,887	20,898,336
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	16,030,198	16,647,167
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....	0	11,562,226
7.2 Net deferred tax liability.....	0	0
8. Borrowed money \$.....0 and interest thereon \$.....0.....	0	0
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....34,582,891 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	375,946,854	364,591,325
10. Advance premium.....	678,732	678,732
11. Dividends declared and unpaid:		
11.1 Stockholders.....	0	0
11.2 Policyholders.....	2,039,079	1,648,449
12. Ceded reinsurance premiums payable (net of ceding commissions).....	16,406,462	49,650,489
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....	0	0
14. Amounts withheld or retained by company for account of others.....	6,765,526	4,218,527
15. Remittances and items not allocated.....	(7,140,958)	(7,394,415)
16. Provision for reinsurance (Schedule F, Part 7).....	0	0
17. Net adjustments in assets and liabilities due to foreign exchange rates.....	0	0
18. Drafts outstanding.....	0	0
19. Payable to parent, subsidiaries and affiliates.....	18,757,763	0
20. Derivatives.....	0	0
21. Payable for securities.....	0	0
22. Payable for securities lending.....	7,392,631	15,258,000
23. Liability for amounts held under uninsured plans.....	0	0
24. Capital notes \$.....0 and interest thereon \$.....0.....	0	0
25. Aggregate write-ins for liabilities.....	12,043,305	10,926,880
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	2,158,110,704	2,141,137,360
27. Protected cell liabilities.....	0	0
28. Total liabilities (Lines 26 and 27).....	2,158,110,704	2,141,137,360
29. Aggregate write-ins for special surplus funds.....	22,452,518	21,638,255
30. Common capital stock.....	35,214,075	35,214,075
31. Preferred capital stock.....	0	0
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....	0	0
34. Gross paid in and contributed surplus.....	2,197,805,261	2,197,805,261
35. Unassigned funds (surplus).....	233,217,412	203,291,342
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....	0	0
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....	0	0
37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....	2,488,689,267	2,457,948,934
38. TOTALS (Page 2, Line 28, Col. 3).....	4,646,799,971	4,599,086,294

#### DETAILS OF WRITE-INS

2501. Investment real estate liability.....	13,716,400	13,542,740
2502. Special reserve fund.....	2,221,858	2,273,259
2503. Escheat liability.....	865,086	865,086
2598. Summary of remaining write-ins for Line 25 from overflow page.....	(4,760,039)	(5,754,206)
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	12,043,305	10,926,880
2901. Special surplus for deferred taxes.....	17,821,332	16,250,122
2902. Special surplus from retroactive reinsurance.....	4,631,186	5,388,133
2903. ....	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	22,452,518	21,638,255
3201. ....	0	0
3202. ....	0	0
3203. ....	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

# UNITED STATES FIDELITY AND GUARANTY COMPANY

## STATEMENT OF INCOME

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4).....	836,898,504	802,531,825
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7).....	543,120,509	404,475,062
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	100,301,210	93,378,885
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	265,598,798	257,978,124
5. Aggregate write-ins for underwriting deductions.....	0	0
6. Total underwriting deductions (Lines 2 through 5).....	909,020,517	755,832,071
7. Net income of protected cells.....	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	(72,122,014)	46,699,754
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	176,975,262	174,107,902
10. Net realized capital gains (losses) less capital gains tax of \$....451,960 (Exhibit of Capital Gains (Losses)).....	570,268	130,079,231
11. Net investment gain (loss) (Lines 9 + 10).....	177,545,530	304,187,133
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$....(2,433,495) amount charged off \$....150,131).....	(2,583,626)	(2,446,307)
13. Finance and service charges not included in premiums.....	4,020,154	4,066,791
14. Aggregate write-ins for miscellaneous income.....	(316,090)	(184,590)
15. Total other income (Lines 12 through 14).....	1,120,439	1,435,895
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	106,543,956	352,322,782
17. Dividends to policyholders.....	1,536,840	1,057,578
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).....	105,007,116	351,265,204
19. Federal and foreign income taxes incurred.....	1,824,489	37,932,043
20. Net income (Line 18 minus Line 19) (to Line 22).....	103,182,626	313,333,161
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	2,457,948,934	2,465,755,650
22. Net income (from Line 20).....	103,182,626	313,333,161
23. Net transfers (to) from Protected Cell accounts.....	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$....1,194,369.....	(5,855,496)	(150,938,656)
25. Change in net unrealized foreign exchange capital gain (loss).....	3,914,626	482,689
26. Change in net deferred income tax.....	532,631	(11,810,716)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28 Column 3).....	4,494,780	(68,061,793)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....	0	0
29. Change in surplus notes.....	0	0
30. Surplus (contributed to) withdrawn from protected cells.....	0	0
31. Cumulative effect of changes in accounting principles.....	0	0
32. Capital changes:		
32.1 Paid in.....	0	0
32.2 Transferred from surplus (Stock Dividend).....	0	0
32.3 Transferred to surplus.....	0	0
33. Surplus adjustments:		
33.1 Paid in.....	0	65,657,328
33.2 Transferred to capital (Stock Dividend).....	0	0
33.3. Transferred from capital.....	0	0
34. Net remittances from or (to) Home Office.....	0	0
35. Dividends to stockholders.....	(77,100,000)	(171,000,000)
36. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....	0	0
37. Aggregate write-ins for gains and losses in surplus.....	1,571,166	14,531,270
38. Change in surplus as regards policyholders for the year (Lines 22 through 37).....	30,740,333	(7,806,716)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	2,488,689,267	2,457,948,934
<b>DETAILS OF WRITE-INS</b>		
0501. ....	0	0
0502. ....	0	0
0503. ....	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0
1401. Fines and penalties of regulatory authorities.....	(34,516)	(4,959)
1402. Profit and loss, miscellaneous.....	(66,397)	(100,872)
1403. Retroactive reinsurance gain/loss.....	(215,177)	(78,759)
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	(316,090)	(184,590)
3701. Change in special surplus from deferred taxes.....	1,571,210	14,531,270
3702. Prior period adjustment.....	(44)	0
3703. ....	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	1,571,166	14,531,270

## CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	756,586,062	834,878,458
2. Net investment income.....	197,903,417	191,297,601
3. Miscellaneous income.....	1,120,439	1,435,895
4. Total (Lines 1 through 3).....	955,609,918	1,027,611,954
5. Benefit and loss related payments.....	506,751,340	439,931,123
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions.....	366,285,039	364,572,877
8. Dividends paid to policyholders.....	1,146,210	1,039,698
9. Federal and foreign income taxes paid (recovered) net of \$.....930,912 tax on capital gains (losses).....	17,176,139	116,466,188
10. Total (Lines 5 through 9).....	891,358,728	922,009,887
11. Net cash from operations (Line 4 minus Line 10).....	64,251,190	105,602,067
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	489,085,768	434,093,433
12.2 Stocks.....	0	248,638,825
12.3 Mortgage loans.....	171,504	281,778
12.4 Real estate.....	0	0
12.5 Other invested assets.....	1,134,840	213,372
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	0	0
12.7 Miscellaneous proceeds.....	7,865,369	0
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	498,257,481	683,227,408
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	562,211,053	714,391,316
13.2 Stocks.....	0	65,657,328
13.3 Mortgage loans.....	0	453,282
13.4 Real estate.....	0	0
13.5 Other invested assets.....	27,838	41,662
13.6 Miscellaneous applications.....	0	12,762,200
13.7 Total investments acquired (Lines 13.1 to 13.6).....	562,238,891	793,305,788
14. Net increase (decrease) in contract loans and premium notes.....	0	0
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(63,981,410)	(110,078,380)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	65,657,328
16.3 Borrowed funds.....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....	0	0
16.5 Dividends to stockholders.....	77,100,000	171,000,000
16.6 Other cash provided (applied).....	66,846,658	(35,128,829)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(10,253,342)	(140,471,500)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(9,983,562)	(144,947,813)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	43,451,915	188,399,728
19.2 End of year (Line 18 plus Line 19.1).....	33,468,353	43,451,915
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 Capital contribution.....	0	65,657,328

# UNITED STATES FIDELITY AND GUARANTY COMPANY

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS EARNED

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire.....	19,577,883	9,228,930	9,125,012	19,681,801
2. Allied lines.....	21,992,417	10,383,625	10,045,957	22,330,085
3. Farmowners multiple peril.....	7,166,338	3,194,428	3,451,022	6,909,744
4. Homeowners multiple peril.....	142,063,698	71,816,102	75,175,290	138,704,510
5. Commercial multiple peril.....	130,405,865	60,630,904	59,829,445	131,207,323
6. Mortgage guaranty.....	0	0	0	0
8. Ocean marine.....	11,766,415	5,033,635	4,872,859	11,927,192
9. Inland marine.....	26,885,717	12,837,495	12,716,229	27,006,983
10. Financial guaranty.....	0	0	0	0
11.1 Medical professional liability - occurrence.....	(579)	(188)	(198)	(569)
11.2 Medical professional liability - claims-made.....	(109)	44	41	(106)
12. Earthquake.....	4,600,594	2,120,470	2,109,566	4,611,497
13. Group accident and health.....	0	0	0	0
14. Credit accident and health (group and individual).....	0	0	0	0
15. Other accident and health.....	0	0	0	0
16. Workers' compensation.....	131,753,727	47,221,317	49,794,102	129,180,942
17.1 Other liability - occurrence.....	70,062,898	32,079,457	30,561,453	71,580,902
17.2 Other liability - claims-made.....	24,588,843	14,480,432	14,113,867	24,955,408
17.3 Excess workers' compensation.....	914,814	363,711	301,715	976,811
18.1 Products liability - occurrence.....	5,188,241	2,179,810	2,177,227	5,190,824
18.2 Products liability - claims-made.....	968,002	396,978	469,948	895,031
19.1, 19.2 Private passenger auto liability.....	91,867,505	28,897,790	31,255,203	89,510,091
19.3, 19.4 Commercial auto liability.....	67,355,532	29,742,349	30,326,533	66,771,349
21. Auto physical damage.....	73,121,285	25,507,438	26,648,104	71,980,619
22. Aircraft (all perils).....	309	0	0	309
23. Fidelity.....	2,809,749	1,650,481	1,763,130	2,697,101
24. Surety.....	869,258	(169,169)	(204,625)	904,714
26. Burglary and theft.....	361,586	179,067	182,254	358,399
27. Boiler and machinery.....	7,573,918	3,383,293	3,414,417	7,542,794
28. Credit.....	488	2,605	652	2,441
29. International.....	192,615	17,259	8,670	201,204
30. Warranty.....	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	1,295,845	9,556	594,641	710,760
32. Reinsurance - nonproportional assumed liability.....	790,061	536,516	484,192	842,385
33. Reinsurance - nonproportional assumed financial lines.....	78,369	55,055	68,603	64,821
34. Aggregate write-ins for other lines of business.....	251,090	3,288	101,241	153,137
35. TOTALS.....	844,502,378	361,782,677	369,386,552	836,898,504

#### DETAILS OF WRITE-INS

3401. Tribal workers' compensation.....	251,090	3,288	101,241	153,137
3402. ....	0	0	0	0
3403. ....	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	251,090	3,288	101,241	153,137

**UNITED STATES FIDELITY AND GUARANTY COMPANY  
UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1A - RECAPITULATION OF ALL PREMIUMS**

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire.....	8,973,841	233,644	(82,472)	0	9,125,012
2.	Allied lines.....	9,639,706	406,988	(737)	0	10,045,957
3.	Farmowners multiple peril.....	3,538,159	(87,137)	0	0	3,451,022
4.	Homeowners multiple peril.....	75,239,104	(63,814)	0	0	75,175,290
5.	Commercial multiple peril.....	59,959,741	(86,191)	(44,105)	0	59,829,445
6.	Mortgage guaranty.....	0	0	0	0	0
8.	Ocean marine.....	4,596,447	475,113	(198,702)	0	4,872,859
9.	Inland marine.....	10,397,831	2,471,657	(153,260)	0	12,716,229
10.	Financial guaranty.....	0	0	0	0	0
11.1	Medical professional liability - occurrence.....	(198)	0	0	0	(198)
11.2	Medical professional liability - claims-made.....	41	0	0	0	41
12.	Earthquake.....	2,002,642	106,939	(15)	0	2,109,566
13.	Group accident and health.....	0	0	0	0	0
14.	Credit accident and health (group and individual).....	0	0	0	0	0
15.	Other accident and health.....	0	0	0	0	0
16.	Workers' compensation.....	55,339,811	16,560	(1,036,554)	(4,525,716)	49,794,102
17.1	Other liability - occurrence.....	30,630,762	(47,598)	5,659	(27,371)	30,561,453
17.2	Other liability - claims-made.....	12,070,938	2,038,912	4,017	0	14,113,867
17.3	Excess workers' compensation.....	284,626	18,500	(1,411)	0	301,715
18.1	Products liability - occurrence.....	2,177,812	10,209	(11,396)	602	2,177,227
18.2	Products liability - claims-made.....	468,815	1,134	(0)	0	469,948
19.1, 19.2	Private passenger auto liability.....	31,255,203	0	0	0	31,255,203
19.3, 19.4	Commercial auto liability.....	30,441,840	53,788	0	(169,095)	30,326,533
21.	Auto physical damage.....	26,636,198	11,950	0	(44)	26,648,104
22.	Aircraft (all perils).....	0	0	0	0	0
23.	Fidelity.....	1,096,647	666,501	(17)	0	1,763,130
24.	Surety.....	77,754	37,305	(319,684)	0	(204,625)
26.	Burglary and theft.....	114,136	68,121	(2)	0	182,254
27.	Boiler and machinery.....	3,120,737	293,680	(0)	0	3,414,417
28.	Credit.....	652	0	0	0	652
29.	International.....	8,670	0	0	0	8,670
30.	Warranty.....	0	0	0	0	0
31.	Reinsurance - nonproportional assumed property.....	455,407	139,235	0	0	594,641
32.	Reinsurance - nonproportional assumed liability.....	433,495	50,697	0	0	484,192
33.	Reinsurance - nonproportional assumed financial lines.....	68,603	0	0	0	68,603
34.	Aggregate write-ins for other lines of business.....	101,241	0	0	0	101,241
35.	<b>TOTALS.....</b>	<b>369,130,662</b>	<b>6,816,191</b>	<b>(1,838,678)</b>	<b>(4,721,624)</b>	<b>369,386,552</b>
36.	Accrued retrospective premiums based on experience.....					4,721,624
37.	Earned but unbilled premiums.....					1,838,678
38.	Balance (sum of Lines 35 through 37).....					375,946,854

**DETAILS OF WRITE-INS**

3401.	Tribal workers' compensation.....	101,241	0	0	0	101,241
3402.	.....	0	0	0	0	0
3403.	.....	0	0	0	0	0
3498.	Summary of remaining write-ins for Line 34 from overflow page....	0	0	0	0	0
3499.	Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	101,241	0	0	0	101,241

(a) State here basis of computation used in each case: Daily pro rata; pools and associations as submitted.

# UNITED STATES FIDELITY AND GUARANTY COMPANY UNDERWRITING AND INVESTMENT EXHIBIT

## PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....	0	19,577,883	229	229	0	19,577,883
2. Allied lines.....	0	21,992,417	0	0	0	21,992,417
3. Farmowners multiple peril.....	0	7,166,338	0	0	0	7,166,338
4. Homeowners multiple peril.....	0	142,063,698	0	0	0	142,063,698
5. Commercial multiple peril.....	0	130,405,865	0	0	0	130,405,865
6. Mortgage guaranty.....	0	0	0	0	0	0
8. Ocean marine.....	0	11,766,415	(469)	(469)	0	11,766,415
9. Inland marine.....	0	26,885,717	0	0	0	26,885,717
10. Financial guaranty.....	0	0	0	0	0	0
11.1 Medical professional liability - occurrence.....	0	(579)	0	0	0	(579)
11.2 Medical professional liability - claims-made.....	0	(109)	0	0	0	(109)
12. Earthquake.....	0	4,600,594	0	0	0	4,600,594
13. Group accident and health.....	0	0	0	0	0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0
15. Other accident and health.....	0	0	0	0	0	0
16. Workers' compensation.....	61,821,566	143,962,211	1,386,899	75,416,949	0	131,753,727
17.1 Other liability - occurrence.....	19,685	70,395,043	(284,708)	67,122	0	70,062,898
17.2 Other liability - claims-made.....	0	24,588,843	0	0	0	24,588,843
17.3 Excess workers' compensation.....	4,739,665	914,814	0	4,739,665	0	914,814
18.1 Products liability - occurrence.....	0	5,188,241	0	0	0	5,188,241
18.2 Products liability - claims-made.....	0	968,002	0	0	0	968,002
19.1, 19.2 Private passenger auto liability.....	0	91,867,505	0	0	0	91,867,505
19.3, 19.4 Commercial auto liability.....	19,606	67,831,661	(5,928)	489,807	0	67,355,532
21. Auto physical damage.....	(712)	73,121,285	(1,016)	(1,728)	0	73,121,285
22. Aircraft (all perils).....	0	309	7,610	7,610	0	309
23. Fidelity.....	4,933	2,809,749	0	4,933	0	2,809,749
24. Surety.....	1,256,810	903,818	0	1,291,370	0	869,258
26. Burglary and theft.....	0	361,586	0	0	0	361,586
27. Boiler and machinery.....	0	7,573,918	0	0	0	7,573,918
28. Credit.....	0	488	(518)	(518)	0	488
29. International.....	0	192,615	0	0	0	192,615
30. Warranty.....	0	0	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	XXX	1,295,845	(110)	(110)	0	1,295,845
32. Reinsurance - nonproportional assumed liability.....	XXX	790,061	4,312	4,312	0	790,061
33. Reinsurance - nonproportional assumed financial lines.....	XXX	78,369	0	0	0	78,369
34. Aggregate write-ins for other lines of business.....	0	251,090	0	0	0	251,090
35. TOTALS.....	67,861,553	857,553,697	1,106,300	82,019,172	0	844,502,378

### DETAILS OF WRITE-INS

3401. Tribal workers' compensation.....	0	251,090	0	0	0	251,090
3402. ....	0	0	0	0	0	0
3403. ....	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page..	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	251,090	0	0	0	251,090

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

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

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



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - LOSSES PAID AND INCURRED

	Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1.	Fire.....	12,130	12,532,107	(251,764)	12,796,001	8,965,097	11,084,172	10,676,925	54.2
2.	Allied lines.....	(1,905)	16,533,242	31,856	16,499,481	16,495,598	9,236,221	23,758,857	106.4
3.	Farmowners multiple peril.....	0	4,288,584	0	4,288,584	2,212,140	1,988,466	4,512,258	65.3
4.	Homeowners multiple peril.....	0	116,507,459	1,567,157	114,940,303	41,018,677	36,040,123	119,918,856	86.5
5.	Commercial multiple peril.....	7,848,819	78,431,527	8,697,075	77,583,271	112,439,708	103,541,668	86,481,311	65.9
6.	Mortgage guaranty.....	0	0	0	0	0	0	0	0.0
8.	Ocean marine.....	0	5,987,815	43,944	5,943,871	7,576,352	7,859,176	5,661,047	47.5
9.	Inland marine.....	62,657	14,596,099	76,037	14,582,719	11,847,925	10,931,437	15,499,208	57.4
10.	Financial guaranty.....	0	0	0	0	0	0	0	0.0
11.1	Medical professional liability - occurrence.....	0	520,231	0	520,231	1,477,587	1,885,220	112,598	(19,782.4)
11.2	Medical professional liability - claims-made.....	0	934,982	0	934,982	4,054,356	4,815,766	173,572	(164,118.5)
12.	Earthquake.....	0	43,327	0	43,327	1,016,288	(62,259)	1,121,874	24.3
13.	Group accident and health.....	0	0	0	0	0	0	0	0.0
14.	Credit accident and health (group and individual).....	0	0	0	0	0	0	0	0.0
15.	Other accident and health.....	0	13,795	13,795	0	0	0	0	0.0
16.	Workers' compensation.....	82,399,002	96,023,352	118,437,002	59,985,352	522,928,268	495,187,854	87,725,766	67.9
17.1	Other liability - occurrence.....	11,178,714	29,544,396	12,498,210	28,224,900	206,259,074	222,008,009	12,475,966	17.4
17.2	Other liability - claims-made.....	80,370	16,390,341	80,714	16,389,997	69,868,751	71,984,136	14,274,612	57.2
17.3	Excess workers' compensation.....	13,269,424	859,643	13,269,424	859,643	22,375,786	22,930,009	305,420	31.3
18.1	Products liability - occurrence.....	4,060,137	6,199,385	4,851,652	5,407,870	64,252,059	64,734,768	4,925,161	94.9
18.2	Products liability - claims-made.....	0	72,143	0	72,143	1,083,263	1,157,121	(1,715)	(0.2)
19.1, 19.2	Private passenger auto liability.....	1,077,022	54,619,079	1,036,577	54,659,525	68,227,610	64,248,526	58,638,609	65.5
19.3, 19.4	Commercial auto liability.....	7,540,527	38,614,628	8,108,179	38,046,977	83,705,094	76,407,019	45,345,052	67.9
21.	Auto physical damage.....	(43,378)	49,233,409	740,876	48,449,156	4,459,710	3,832,017	49,076,849	68.2
22.	Aircraft (all perils).....	15,942	402,032	376,955	41,019	618,813	722,315	(62,482)	(20,192.7)
23.	Fidelity.....	5,327	2,616,344	(4,681)	2,626,352	4,990,162	4,757,358	2,859,156	106.0
24.	Surety.....	(3,494,626)	714,827	(3,014,227)	234,428	8,273,035	12,074,239	(3,566,776)	(394.2)
26.	Burglary and theft.....	0	20,187	0	20,187	493,083	495,570	17,700	4.9
27.	Boiler and machinery.....	0	2,023,626	0	2,023,626	1,546,713	1,583,759	1,986,580	26.3
28.	Credit.....	0	(28,957)	(1,037)	(27,920)	395,842	367,922	0	0.0
29.	International.....	0	106,245	0	106,245	773,878	379,457	500,666	248.8
30.	Warranty.....	0	0	0	0	0	0	0	0.0
31.	Reinsurance - nonproportional assumed property.....	XXX	431,330	29,795	401,535	2,263,732	2,017,133	648,133	91.2
32.	Reinsurance - nonproportional assumed liability.....	XXX	13,775,731	11,438,906	2,336,825	41,936,753	44,075,684	197,894	23.5
33.	Reinsurance - nonproportional assumed financial lines.....	XXX	4,074	0	4,074	717,138	1,003,277	(282,065)	(435.1)
34.	Aggregate write-ins for other lines of business.....	0	48,858	0	48,858	104,309	13,691	139,476	91.1
35.	<b>TOTALS.....</b>	<b>124,010,163</b>	<b>562,059,841</b>	<b>178,026,443</b>	<b>508,043,561</b>	<b>1,312,376,801</b>	<b>1,277,299,854</b>	<b>543,120,509</b>	<b>64.9</b>

#### DETAILS OF WRITE-INS

3401.	Tribal workers' compensation.....	0	48,858	0	48,858	104,309	13,691	139,476	91.1
3402.	.....	0	0	0	0	0	0	0	0.0
3403.	.....	0	0	0	0	0	0	0	0.0
3498.	Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	XXX
3499.	Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	48,858	0	48,858	104,309	13,691	139,476	91.1

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....	350	7,148,821	911,797	6,237,374	429,931	2,753,130	455,338	8,965,097	1,283,364
2. Allied lines.....	1,874	11,175,024	1,874	11,175,024	2,970,862	6,626,164	4,276,453	16,495,598	2,270,370
3. Farmowners multiple peril.....	0	1,167,313	0	1,167,313	431	1,044,827	431	2,212,140	422,132
4. Homeowners multiple peril.....	20,395	18,346,542	106,222	18,260,714	0	22,757,996	33	41,018,677	4,790,088
5. Commercial multiple peril.....	10,128,633	67,050,037	13,844,214	63,334,456	30,603,347	60,380,480	41,878,575	112,439,708	45,521,043
6. Mortgage guaranty.....	0	0	0	0	0	0	0	0	0
8. Ocean marine.....	0	5,057,165	347,187	4,709,978	(3,970)	2,866,373	(3,971)	7,576,352	1,778,971
9. Inland marine.....	3,301	6,528,639	45,313	6,486,628	20,365,569	9,056,692	24,060,963	11,847,925	1,049,504
10. Financial guaranty.....	0	0	0	0	0	0	0	0	0
11.1 Medical professional liability - occurrence.....	0	1,201,889	0	1,201,889	0	275,698	0	1,477,587	182,569
11.2 Medical professional liability - claims-made.....	0	2,371,942	0	2,371,942	0	1,682,415	0	4,054,356	654,806
12. Earthquake.....	0	177,990	0	177,990	837	838,413	952	1,016,288	216,722
13. Group accident and health.....	0	0	0	0	0	0	0	(a).....0	0
14. Credit accident and health (group and individual).....	0	0	0	0	0	0	0	0	0
15. Other accident and health.....	0	44,914	44,914	0	123,735	0	123,735	(a).....0	0
16. Workers' compensation.....	373,248,224	602,488,253	705,047,286	270,689,191	281,637,316	508,234,569	537,632,808	522,928,268	69,208,988
17.1 Other liability - occurrence.....	26,001,550	49,763,553	35,380,841	40,384,262	84,712,224	181,987,435	100,824,847	206,259,074	69,254,308
17.2 Other liability - claims-made.....	307,239	24,055,579	337,070	24,025,748	1,800,009	45,890,814	1,847,821	69,868,751	27,287,054
17.3 Excess workers' compensation.....	165,661,985	8,616,486	165,661,985	8,616,486	101,657,608	62,043,899	149,942,206	22,375,786	1,238,968
18.1 Products liability - occurrence.....	8,374,500	11,467,353	10,176,914	9,664,939	8,452,065	55,879,591	9,744,536	64,252,059	33,577,935
18.2 Products liability - claims-made.....	0	147,236	0	147,236	2,430	936,525	2,928	1,083,263	846,690
19.1, 19.2 Private passenger auto liability.....	134,908,145	96,206,283	182,524,421	48,590,007	(70,270,610)	19,637,604	(70,270,610)	68,227,610	13,069,260
19.3, 19.4 Commercial auto liability.....	61,802,376	49,298,823	64,312,871	46,788,329	17,141,935	38,122,087	18,347,257	83,705,094	13,170,298
21. Auto physical damage.....	8,777	6,213,761	3,201,405	3,021,133	371,882	2,003,294	936,598	4,459,710	2,387,134
22. Aircraft (all perils).....	187,113	2,143,035	2,080,386	249,762	1,366,722	371,322	1,368,993	618,813	253,084
23. Fidelity.....	291,900	827,228	310,552	808,576	348,557	4,198,654	365,625	4,990,162	1,823,911
24. Surety.....	104,563,265	5,700,657	106,176,546	4,087,376	7,293,473	6,322,265	9,430,079	8,273,035	1,460,453
26. Burglary and theft.....	0	3,754	0	3,754	184,325	514,815	209,811	493,083	223,330
27. Boiler and machinery.....	0	901,353	0	901,353	12,133	651,084	17,857	1,546,713	325,216
28. Credit.....	0	568,854	343,727	225,127	0	170,715	0	395,842	(14,444)
29. International.....	0	398,698	0	398,698	0	375,180	0	773,878	5,466
30. Warranty.....	0	0	0	0	0	0	0	0	0
31. Reinsurance - nonproportional assumed property.....	XXX	2,511,147	629,801	1,881,346	XXX	382,385	0	2,263,732	96,176
32. Reinsurance - nonproportional assumed liability.....	XXX	182,606,654	159,625,189	22,981,465	XXX	18,955,288	0	41,936,753	2,035,651
33. Reinsurance - nonproportional assumed financial lines.....	XXX	391,004	253,533	137,471	XXX	579,667	0	717,138	58,375
34. Aggregate write-ins for other lines of business.....	0	44,183	0	44,183	0	60,126	0	104,309	19,127
35. TOTALS.....	885,509,629	1,164,624,167	1,451,364,045	598,769,750	489,200,811	1,055,599,505	831,193,265	1,312,376,801	294,496,550

**DETAILS OF WRITE-INS**

3401. Tribal workers' compensation.....	0	44,183	0	44,183	0	60,126	0	104,309	19,127
3402. ....	0	0	0	0	0	0	0	0	0
3403. ....	0	0	0	0	0	0	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	44,183	0	44,183	0	60,126	0	104,309	19,127

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

Note: During 2011, the Company detected and corrected an error related to the reporting for auto unlimited no-fault claims which are ceded to mandatory reinsurance pools in the states of Michigan and New Jersey for private passenger auto liability and commercial auto.

The Company had previously been reporting the unpaid losses for these claims on a net basis, rather than within the applicable components of direct and ceded.

In accordance with SSAP No. 3, Accounting Changes and Corrections of Errors, this correction is included in the current schedules impacted. The resulting gross-up is included within direct and ceded unpaid losses, with no impact to net losses.

# UNITED STATES FIDELITY AND GUARANTY COMPANY

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct.....	42,397,142	0	0	42,397,142
1.2 Reinsurance assumed.....	59,628,535	0	0	59,628,535
1.3 Reinsurance ceded.....	51,857,043	0	0	51,857,043
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	50,168,634	0	0	50,168,634
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....	0	3,456,329	0	3,456,329
2.2 Reinsurance assumed, excluding contingent.....	0	125,500,617	0	125,500,617
2.3 Reinsurance ceded, excluding contingent.....	0	4,186,910	0	4,186,910
2.4 Contingent - direct.....	0	0	0	0
2.5 Contingent - reinsurance assumed.....	0	2,807,259	0	2,807,259
2.6 Contingent - reinsurance ceded.....	0	(2)	0	(2)
2.7 Policy and membership fees.....	0	0	0	0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....	0	127,577,299	0	127,577,299
3. Allowances to manager and agents.....	167	149,759	0	149,926
4. Advertising.....	6,714	6,817,851	0	6,824,565
5. Boards, bureaus and associations.....	231,173	3,360,852	402	3,592,427
6. Surveys and underwriting reports.....	27	3,237,293	0	3,237,320
7. Audit of assureds' records.....	0	0	0	0
8. Salary and related items:				
8.1 Salaries.....	30,396,755	56,816,700	836,509	88,049,964
8.2 Payroll taxes.....	2,285,521	3,777,941	27,619	6,091,081
9. Employee relations and welfare.....	5,796,969	9,033,342	98,704	14,929,015
10. Insurance.....	2,960,785	746,128	670	3,707,583
11. Directors' fees.....	0	0	0	0
12. Travel and travel items.....	2,042,719	2,891,526	17,148	4,951,393
13. Rent and rent items.....	1,919,641	3,805,819	17,626	5,743,086
14. Equipment.....	376,427	1,258,106	10,598	1,645,131
15. Cost or depreciation of EDP equipment and software.....	999,199	10,787,453	8,316	11,794,968
16. Printing and stationery.....	190,278	552,628	3,368	746,274
17. Postage, telephone and telegraph, exchange and express.....	632,036	3,586,018	4,203	4,222,257
18. Legal and auditing.....	1,424,437	341,485	57,109	1,823,031
19. Totals (Lines 3 to 18).....	49,262,848	107,162,901	1,082,272	157,508,021
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....196,243.....	0	24,703,843	0	24,703,843
20.2 Insurance department licenses and fees.....	0	1,767,905	0	1,767,905
20.3 Gross guaranty association assessments.....	0	(79,489)	0	(79,489)
20.4 All other (excluding federal and foreign income and real estate).....	0	596,351	0	596,351
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	0	26,988,610	0	26,988,610
21. Real estate expenses.....	0	0	2	2
22. Real estate taxes.....	0	0	0	0
23. Reimbursements by uninsured plans.....	0	0	0	0
24. Aggregate write-ins for miscellaneous expenses.....	869,728	3,869,989	162,745	4,902,462
25. Total expenses incurred.....	100,301,210	265,598,798	1,245,019	(a) 367,145,027
26. Less unpaid expenses - current year.....	294,496,550	60,659,440	364,158	355,520,148
27. Add unpaid expenses - prior year.....	296,097,833	59,567,838	625,006	356,290,677
28. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year.....	0	0	0	0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....	101,902,493	264,507,196	1,505,867	367,915,557

#### DETAILS OF WRITE-INS

2401. Miscellaneous expenses.....	2,301,527	10,449,988	162,745	12,914,260
2402. Service reimbursements.....	(263,237)	(2,040,416)	0	(2,303,652)
2403. Cost of computer software developed for internal use.....	(1,168,562)	(4,539,584)	0	(5,708,146)
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....	869,728	3,869,989	162,745	4,902,462

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

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....4,460,782	.....3,892,441
1.1 Bonds exempt from U.S. tax.....	(a).....110,238,870	.....110,888,728
1.2 Other bonds (unaffiliated).....	(a).....53,780,039	.....54,113,105
1.3 Bonds of affiliates.....	(a).....0	.....0
2.1 Preferred stocks (unaffiliated).....	(b).....0	.....0
2.11 Preferred stocks of affiliates.....	(b).....0	.....0
2.2 Common stocks (unaffiliated).....	.....1,000,680	.....1,000,680
2.21 Common stocks of affiliates.....	.....7,700,000	.....7,700,000
3. Mortgage loans.....	(c).....2,355	.....2,355
4. Real estate.....	(d).....0	.....0
5. Contract loans.....	.....0	.....0
6. Cash, cash equivalents and short-term investments.....	(e).....208,490	.....208,490
7. Derivative instruments.....	(f).....0	.....0
8. Other invested assets.....	.....376,964	.....377,079
9. Aggregate write-ins for investment income.....	.....37,403	.....37,403
10. Total gross investment income.....	.....177,805,583	.....178,220,281
11. Investment expenses.....		(g).....1,245,019
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....0
13. Interest expense.....		(h).....0
14. Depreciation on real estate and other invested assets.....		(i).....0
15. Aggregate write-ins for deductions from investment income.....		.....0
16. Total deductions (Lines 11 through 15).....		.....1,245,019
17. Net investment income (Line 10 minus Line 16).....		.....176,975,262

## DETAILS OF WRITE-INS

0901. Securities lending income.....	.....31,448	.....31,448
0902. Miscellaneous income.....	.....3,754	.....3,754
0903. Property and wind plans.....	.....2,201	.....2,201
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....37,403	.....37,403
1501. ....	.....0	.....0
1502. ....	.....0	.....0
1503. ....	.....0	.....0
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....0	.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....0	.....0

- (a) Includes \$.....2,242,517 accrual of discount less \$.....23,218,955 amortization of premium and less \$.....2,066,561 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....0	.....0	.....0	.....0	.....0
1.1 Bonds exempt from U.S. tax.....	.....2,427,399	.....0	.....2,427,399	.....0	.....0
1.2 Other bonds (unaffiliated).....	.....1,779,348	.....(3,871,889)	.....(2,092,541)	.....(724,572)	.....3,974,577
1.3 Bonds of affiliates.....	.....0	.....0	.....0	.....0	.....0
2.1 Preferred stocks (unaffiliated).....	.....0	.....0	.....0	.....0	.....0
2.11 Preferred stocks of affiliates.....	.....0	.....0	.....0	.....0	.....0
2.2 Common stocks (unaffiliated).....	.....0	.....(7)	.....(7)	.....(22,499)	.....0
2.21 Common stocks of affiliates.....	.....0	.....0	.....0	.....(4,099,031)	.....0
3. Mortgage loans.....	.....0	.....0	.....0	.....0	.....0
4. Real estate.....	.....0	.....0	.....0	.....0	.....0
5. Contract loans.....	.....0	.....0	.....0	.....0	.....0
6. Cash, cash equivalents and short-term investments.....	.....0	.....(962,154)	.....(962,154)	.....0	.....0
7. Derivative instruments.....	.....0	.....0	.....0	.....0	.....0
8. Other invested assets.....	.....0	.....0	.....0	.....184,974	.....0
9. Aggregate write-ins for capital gains (losses).....	.....0	.....1,649,532	.....1,649,532	.....0	.....(59,951)
10. Total capital gains (losses).....	.....4,206,747	.....(3,184,519)	.....1,022,228	.....(4,661,127)	.....3,914,626

## DETAILS OF WRITE-INS

0901. Foreign exchange.....	.....0	.....1,649,532	.....1,649,532	.....0	.....(59,951)
0902. ....	.....0	.....0	.....0	.....0	.....0
0903. ....	.....0	.....0	.....0	.....0	.....0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....1,649,532	.....1,649,532	.....0	.....(59,951)

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	.0	.0	.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....	.0	.0	.0
2.2 Common stocks.....	.0	.0	.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....	.0	.0	.0
3.2 Other than first liens.....	.0	.0	.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....	.0	.0	.0
4.2 Properties held for the production of income.....	.0	.0	.0
4.3 Properties held for sale.....	.0	.0	.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	.0	.0	.0
6. Contract loans.....	.0	.0	.0
7. Derivatives (Schedule DB).....	.0	.0	.0
8. Other invested assets (Schedule BA).....	.0	.0	.0
9. Receivables for securities.....	.0	.0	.0
10. Securities lending reinvested collateral assets (Schedule DL).....	.0	.0	.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....	.0	.0	.0
14. Investment income due and accrued.....	.0	.0	.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	7,328,191	7,643,371	315,180
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	1,217,298	1,074,102	(143,196)
15.3 Accrued retrospective premiums.....	141,796	100,386	(41,409)
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....	.0	.0	.0
16.2 Funds held by or deposited with reinsured companies.....	.0	.0	.0
16.3 Other amounts receivable under reinsurance contracts.....	.0	.0	.0
17. Amounts receivable relating to uninsured plans.....	.0	.0	.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....	.0	.0	.0
18.2 Net deferred tax asset.....	59,444,157	65,090,596	5,646,439
19. Guaranty funds receivable or on deposit.....	.0	.0	.0
20. Electronic data processing equipment and software.....	.0	.0	.0
21. Furniture and equipment, including health care delivery assets.....	81,343	214,294	132,952
22. Net adjustment in assets and liabilities due to foreign exchange rates.....	.0	.0	.0
23. Receivables from parent, subsidiaries and affiliates.....	.0	.0	.0
24. Health care and other amounts receivable.....	.0	.0	.0
25. Aggregate write-ins for other than invested assets.....	554,450	710,475	156,026
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	68,767,234	74,833,225	6,065,991
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	.0	.0	.0
28. TOTALS (Lines 26 and 27).....	68,767,234	74,833,225	6,065,991

**DETAILS OF WRITE-INS**

1101.....	.0	.0	.0
1102.....	.0	.0	.0
1103.....	.0	.0	.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. Amounts receivable under high deductible policies.....	461,663	613,093	151,430
2502. Other assets nonadmitted.....	92,787	97,382	4,595
2503.....	.0	.0	.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	554,450	710,475	156,026

**NOTES TO FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. United States Fidelity and Guaranty Company (the Company) prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Connecticut. The State of Connecticut requires that insurance companies domiciled in Connecticut prepare their statutory basis 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 Connecticut Insurance Commissioner. The impact of any permitted accounting practices on policyholder surplus of the Company is not material.
- B. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and losses and expenses during the reporting period. Actual results could differ from those estimates.
- C. Certain assets designated as nonadmitted are excluded from the statutory balance sheet and changes in such amounts are charged or credited directly to unassigned surplus. The costs of acquiring both new and renewal insurance business are charged to income as incurred. Premiums are recognized as revenues pro rata over the policy period. Unearned premium reserves represent the unexpired portion of policy premiums, net of reinsurance. Reserves for losses, loss adjustment expenses (LAE) and unearned premiums ceded to reinsurers have been reported as reductions of the related reserves. Amounts recoverable from reinsurers are estimated in a manner consistent with the loss liability associated with the reinsured business. A liability is established for unsecured, unauthorized reinsurance and overdue authorized reinsurance recoverables. The provision for federal income taxes is comprised of two components, current income taxes and deferred income taxes. Deferred federal income taxes arise from changes during the year in cumulative temporary differences between the statutory basis and tax basis of assets and liabilities, and are recognized in accordance with Statement of Statutory Accounting Principles (SSAP) No. 10R, *Income Taxes- Revised, A Temporary Replacement of SSAP No. 10*.

Invested assets are valued according to statutory requirements and the bases of valuation adopted by the NAIC.

Short-term investments are stated at amortized cost and consist of investments with remaining maturities of one year or less at the time of acquisition, excluding those investments classified as cash equivalents.

Bonds are generally stated at amortized cost, except bonds that are defined by the NAIC as non-investment grade (NAIC Class 3-6) which are stated at the lower of amortized cost or NAIC fair value. Amortization is calculated using the constant yield method.

Common stocks of non-affiliates are stated at NAIC fair value.

Mortgage loans are stated at the amount of principal outstanding, adjusted for unamortized premium or discount, net of encumbrances and specific impairments.

Loan-backed and structured securities are amortized using the retrospective method, except for securities that have incurred a decline in fair value that is other than temporary are amortized using the prospective method. The effective yield used to determine amortization is calculated based on actual historical and projected future cash flows, which are obtained from a nationally recognized securities data provider.

Investments in subsidiaries and affiliated entities are based on the net worth of the entity, determined in accordance with statutory accounting valuation methods. Dividends received from subsidiaries are recorded as net investment income and undistributed net income is recorded as net unrealized capital gains (losses).

The Company's investments in partnerships, joint ventures and limited liability companies are reported using the equity method of accounting, determined in accordance with statutory accounting valuation methods. Distributions of accumulated earnings received from these investments are recorded as net investment income and undistributed net income is recorded as net unrealized capital gains (losses).

The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.

Property-casualty reserves are established for loss and LAE and represent management's estimate of the ultimate cost of all unpaid reported and unreported claims incurred and related expenses. In establishing loss and LAE reserves, the Company also takes into account estimated recoveries, reinsurance, salvage and subrogation. The loss and LAE reserves are reviewed regularly by qualified actuaries employed by the Company. The Company continually refines its loss and LAE reserve estimates in a regular ongoing process as historical loss experience develops and additional claims are reported and settled. Because establishment of loss and LAE reserves is an inherently uncertain process involving estimates, currently established reserves may change. The Company reflects adjustments to loss and LAE reserves in the period in which the estimates are changed. Such changes in estimates could occur in a future period and may be material to the Company's net income in such period. For a discussion of loss and LAE reserves related to asbestos and environmental reserves, see Note 33.

The Company has not modified its accounting policy regarding the capitalization of fixed assets from the prior period.

**2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS**

The Company had no material changes in accounting principles during 2011.

**3. BUSINESS COMBINATIONS AND GOODWILL**

Not applicable.

**4. DISCONTINUED OPERATIONS**

Not applicable.

**5. INVESTMENTS****A. Mortgage Loans:**

Not applicable.

**B. Debt Restructuring:**

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

**C. Reverse Mortgages:**

Not applicable.

**D. Loan-Backed Securities:**

The Company applies the retrospective method of revaluing loan-backed securities. The Company's loan-backed securities are revalued quarterly using actual and currently estimated future cash flows, including anticipated prepayments, with the original cost. For those securities where an other-than-temporary impairment has been recognized, the prospective method is utilized.

For collateralized mortgage obligations, asset-backed securities and pass-through certificates prepayment assumptions are adjusted periodically.

When unit prices published by the Securities Valuation Office were not available, the Company uses Interactive Data, as well as broker quotes in determining the fair value of its loan-backed securities.

The Company determines an other-than-temporary impairment by utilizing discounted cash flow modeling to determine the present value of the security and comparing the present value with the amortized cost of the security. If the amortized cost is greater than the present value of the expected cash flows, the difference is considered a credit loss and recognized in net realized investment gains (losses). The Company estimates the present value of the security by projecting future cash flows of the assets underlying the securitization, allocating the flows to the various tranches based on the structure of the securitization, and determining the present value of the cash flows using the effective yield of the security at the date of acquisition (or the most recent implied rate used to accrete the security if the implied rate has changed as a result of a previous impairment or changes in expected cash flows). The Company incorporates levels of delinquencies, defaults and severities as well as credit attributes of the remaining assets in the securitization, along with other economic data, to arrive at its best estimate of the parameters applied to the assets underlying the securitization.

As a result of recording other-than-temporary impairments during 2011, the Company changed from the retrospective to prospective method for valuing the securities listed below.

Cusip  
94983FAA8  
23321PJF6

The following table provides aggregated information on structured securities classified on the basis for the recognized other-than-temporary impairments:

	<u>Amortized cost basis before other-than- temporary impairment</u>	<u>Other-than- temporary impairment recognized in loss</u>	<u>Fair Value</u>
Present value of cash flows is less than amortized cost	\$50,028,062	\$2,568,817	\$46,449,647

The above table does not reflect the impact of amortization and/or payment of principal that have occurred on securities that have multiple other-than-temporary impairments.

Loan-backed and structured securities with other-than-temporary impairments are as follows:

<u>Cusip</u>	<u>Amortized cost basis before other-than- temporary impairment</u>	<u>Projected Cash Flow</u>	<u>Other-than- temporary impairment recognized in loss</u>	<u>Amortized cost basis after other- than- temporary impairment</u>	<u>Fair Value</u>	<u>Impairment Quarter</u>
32051GB79	\$ 20,408,345	\$ 20,348,438	\$ 59,908	\$ 20,348,438	\$ 15,170,864	Q3 - 2009
07386YAE4	24,514,159	23,668,871	845,287	23,668,871	16,670,356	Q3 - 2009
05530NAV9	8,260,250	7,507,813	752,437	7,507,813	6,348,739	Q3 - 2009
12544WAG2	15,868,218	15,027,264	840,954	15,027,264	11,162,713	Q3 - 2009
74958TAJ2	20,331,865	18,087,677	2,244,188	18,087,677	11,205,842	Q3 - 2009
32051GB79	20,360,590	19,679,063	681,528	19,679,063	14,801,852	Q4 - 2009
74958TAJ2	16,074,882	15,171,227	903,654	15,171,227	12,103,517	Q4 - 2009
07386YAE4	22,817,552	22,548,830	268,723	22,548,830	15,968,563	Q4 - 2009
05530NAV9	7,509,600	7,217,188	292,413	7,217,188	6,128,597	Q4 - 2009
74958TAJ2	14,641,706	14,437,714	203,993	14,437,714	11,877,533	Q1 - 2010
05530NAV9	7,216,100	6,840,540	375,560	6,840,540	6,330,643	Q1 - 2010
12544WAG2	13,245,990	12,820,548	425,442	12,820,548	13,011,390	Q3 - 2010
12544WAG2	12,044,870	11,865,368	179,502	11,865,368	12,440,946	Q1 - 2011
94983FAA8	2,652,110	2,651,179	931	2,651,179	2,717,728	Q2 - 2011
07386YAE4	17,388,549	16,753,637	634,912	16,753,637	15,933,121	Q2 - 2011
23321PJF6	80,177	79,147	1,030	79,147	75,858	Q2 - 2011
94983FAA8	2,408,424	2,400,960	7,464	2,400,960	2,417,917	Q3 - 2011
07386YAE4	16,063,621	14,721,793	1,341,827	14,721,793	14,824,713	Q3 - 2011
32051GB79	17,862,355	17,459,204	403,151	17,459,204	16,690,213	Q4 - 2011

The gross unrealized investment losses and related fair value for impaired securities for which an other-than-temporary impairment has not been recognized as a realized loss were as follows:

	<u>Less Than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
		<u>Gross Unrealized Loss</u>		<u>Gross Unrealized Loss</u>		<u>Gross Unrealized Loss</u>
	<u>Fair Value</u>		<u>Fair Value</u>		<u>Fair Value</u>	
Loan-backed securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Structured securities	48,274,621	2,634,348	8,403,648	364,785	56,678,269	2,999,132

**NOTES TO FINANCIAL STATEMENTS****E. Repurchase Agreements and/or Securities Lending Transactions:**

The Company requires collateral equal to at least 102% of the market value of the loaned security plus accrued interest. The Company accepts only cash as collateral for securities on loan and restricts the manner in which that cash is invested to U.S. Treasury securities and U.S. Treasury repurchase agreements.

Securities Lending as of December 31, 2011:

Aggregate Cash Collateral Reinvestment

<u>Maturity</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
30 Days or Less	\$7,392,631	\$7,392,631

**F. Real Estate**

Not applicable.

**G. Investments in Low-Income Housing Tax Credits (LIHTC):**

Not applicable.

**6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES**

Not applicable.

**7. INVESTMENT INCOME**

A. Surplus excludes due and accrued investment income if amounts are over 90 days past due.

B. At December 31, 2011, the Company had no past due accrued investment income.

**8. DERIVATIVE INSTRUMENTS**

Not applicable.

**9. INCOME TAXES**

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

	<u>December 31, 2011</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
1. a) Gross deferred tax assets	\$ 159,594,633	\$ 11,060,329	\$ 170,654,962
b) Statutory valuation allowance adjustment	-	-	-
c) Adjusted gross deferred tax assets	159,594,633	11,060,329	170,654,962
d) Deferred tax liabilities (DTL)	(41,994,346)	(6,914,013)	(48,908,359)
e) Subtotal (net deferred tax assets)	117,600,287	4,146,316	121,746,603
f) Deferred tax assets nonadmitted	(55,443,473)	(4,000,684)	(59,444,157)
g) Net admitted deferred tax asset (liability)	<u>\$ 62,156,814</u>	<u>\$ 145,632</u>	<u>\$ 62,302,446</u>

	<u>December 31, 2010</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a) Gross deferred tax assets	\$ 159,407,506	\$ 11,027,051	\$ 170,434,557
b) Statutory valuation allowance adjustment	-	-	-
c) Adjusted gross deferred tax assets	159,407,506	11,027,051	170,434,557
d) Deferred tax liabilities	(42,430,046)	(5,596,194)	(48,026,240)
e) Subtotal (net deferred tax assets)	116,977,460	5,430,857	122,408,317
f) Deferred tax assets nonadmitted	(60,607,904)	(4,482,692)	(65,090,596)
g) Net admitted deferred tax asset (liability)	<u>\$ 56,369,556</u>	<u>\$ 948,165</u>	<u>\$ 57,317,721</u>

	<u>Change</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
a) Gross deferred tax assets	\$ 187,127	\$ 33,278	\$ 220,405
b) Statutory valuation allowance adjustment	-	-	-
c) Adjusted gross deferred tax assets	187,127	33,278	220,405
d) Deferred tax liabilities	435,700	(1,317,819)	(882,119)
e) Subtotal (net deferred tax assets)	622,827	(1,284,541)	(661,714)
f) Deferred tax assets nonadmitted	5,164,431	482,008	5,646,439
g) Net admitted deferred tax asset (liability)	<u>\$ 4,787,258</u>	<u>\$ (802,533)</u>	<u>\$ 4,984,725</u>

2. The Company has elected to admit deferred tax assets (DTA) pursuant to SSAP No. 10R for 2011 and 2010.

3. The increase in the admitted DTA as the result of SSAP No. 10R is as follows:

	<u>With SSAP 10R (10e)</u>	<u>Without SSAP 10R (10e)</u>	<u>Change</u>
Admitted DTA – Ordinary	\$ 62,156,814	\$ 44,432,570	\$ 17,724,244
Admitted DTA – Capital	145,632	48,544	97,088
Total Admitted DTA	<u>\$ 62,302,446</u>	<u>\$ 44,481,114</u>	<u>\$ 17,821,332</u>



**NOTES TO FINANCIAL STATEMENTS**

4. The amount of each result or component of the deferred tax calculation as determined in SSAP No. 10R paragraph 10 is as follows:

Admission Calculation Components SSAP No. 10R, paragraphs 10.a., 10.b., and 10.c.:	December 31, 2011		
	Ordinary	Capital	Total
a) Paragraph 10.a.	\$ 36,915,957	\$ 48,544	\$ 36,964,501
b) Paragraph 10.b. (the lesser of paragraph 10.b.i. and 10.b.ii. below)	7,516,613	-	7,516,613
c) Paragraph 10.b.i.	7,516,613	-	7,516,613
d) Paragraph 10.b.ii.	xxxx	xxxx	245,696,123
e) Paragraph 10.c.	41,994,346	6,914,013	48,908,359
f) Total (a+b+e)	86,426,916	6,962,557	93,389,473
DTL netted against DTA	(41,994,346)	(6,914,013)	(48,908,359)
Total	\$ 44,432,570	\$ 48,544	\$ 44,481,114

Admission Calculation Components SSAP No. 10R, paragraph 10.e.:	December 31, 2011		
	Ordinary	Capital	Total
g) Paragraph 10.e.i.	\$ 38,760,722	\$ 145,632	\$ 38,906,354
h) Paragraph 10.e.ii. (the lesser of paragraph 10.e.ii.a and 10.e.ii.b. below)	23,396,092	-	23,396,092
i) Paragraph 10.e.ii.a.	23,396,092	-	23,396,092
j) Paragraph 10.e.ii.b.	xxxx	xxxx	368,544,184
k) Paragraph 10.e.iii.	41,994,346	6,914,013	48,908,359
l) Total (g+h+k)	104,151,160	7,059,645	111,210,805
DTL netted against DTA	(41,994,346)	(6,914,013)	(48,908,359)
Total	\$ 62,156,814	\$ 145,632	\$ 62,302,446

Admission Calculation Components SSAP No. 10R, paragraphs 10.a., 10.b., and 10.c.:	December 31, 2010		
	Ordinary	Capital	Total
a) Paragraph 10.a.	\$ 40,751,544	\$ 316,055	\$ 41,067,599
b) Paragraph 10.b. (the lesser of paragraph 10.b.i. and 10.b.ii. below)	-	-	-
c) Paragraph 10.b.i.	-	-	-
d) Paragraph 10.b.ii.	xxxx	xxxx	245,156,336
e) Paragraph 10.c.	42,430,046	5,596,194	48,026,240
f) Total (a+b+e)	83,181,590	5,912,249	89,093,839
DTL netted against DTA	(42,430,046)	(5,596,194)	(48,026,240)
Total	\$ 40,751,544	\$ 316,055	\$ 41,067,599

Admission Calculation Components SSAP No. 10R, paragraph 10.e.:	December 31, 2010		
	Ordinary	Capital	Total
g) Paragraph 10.e.i.	\$ 50,687,796	\$ 632,110	\$ 51,319,906
h) Paragraph 10.e.ii. (the lesser of paragraph 10.e.ii.a. and 10.e.ii.b. below)	5,681,760	316,055	5,997,815
i) Paragraph 10.e.ii.a.	5,681,760	316,055	5,997,815
j) Paragraph 10.e.ii.b.	xxxx	xxxx	367,734,505
k) Paragraph 10.e.iii.	42,430,046	5,596,194	48,026,240
l) Total (g+h+k)	98,799,602	6,544,359	105,343,961
DTL netted against DTA	(42,430,046)	(5,596,194)	(48,026,240)
Total	\$ 56,369,556	\$ 948,165	\$ 57,317,721

Admission Calculation Components SSAP No. 10R, paragraphs 10.a., 10.b., and 10.c.:	Change		
	Ordinary	Capital	Total
a) Paragraph 10.a.	\$ (3,835,587)	\$ (267,511)	\$ (4,103,098)
b) Paragraph 10.b. (the lesser of paragraph 10.b.i. and 10.b.ii. below)	7,516,613	-	7,516,613
c) Paragraph 10.b.i.	7,516,613	-	7,516,613
d) Paragraph 10.b.ii.	xxxx	xxxx	539,786
e) Paragraph 10.c.	(435,700)	1,317,819	882,119
f) Total (a+b+e)	3,245,326	1,050,308	4,295,634
DTL netted against DTA	435,700	(1,317,819)	(882,119)
Total	\$ 3,681,026	\$ (267,511)	\$ 3,413,515

Admission Calculation Components SSAP No. 10R, paragraph 10.e.:	Change		
	Ordinary	Capital	Total
g) Paragraph 10.e.i.	\$ (11,927,074)	\$ (486,478)	\$ (12,413,552)
h) Paragraph 10.e.ii. (the lesser of paragraph 10.e.ii.a. and 10.e.ii.b. below)	17,714,332	(316,055)	17,398,277
i) Paragraph 10.e.ii.a.	17,714,332	(316,055)	17,398,277
j) Paragraph 10.e.ii.b.	xxxx	xxxx	809,679
k) Paragraph 10.e.iii.	(435,700)	1,317,819	882,119
l) Total (g+h+k)	5,351,558	515,286	5,866,844
DTL netted against DTA	435,700	(1,317,819)	(882,119)
Total	\$ 5,787,258	\$ (802,533)	\$ 4,984,725

Risk-based capital used in SSAP No. 10R. paragraph 10.d.:	December 31, 2011		December 31, 2010		Change
Total adjusted capital	\$ 2,470,467,582	\$ 2,441,341,389	\$ 2,441,341,389	\$ 29,126,193	
Authorized control level risk-based capital	133,606,961	135,886,593	135,886,593	(2,279,632)	

## NOTES TO FINANCIAL STATEMENTS

<u>December 31, 2011</u>			
	<u>Ordinary Percent</u>	<u>Capital Percent</u>	<u>Total</u>
5. Impact of Tax Planning Strategies:			
a) Adjusted gross DTA (% of total adjusted gross DTA)	0%	0%	0%
b) Net admitted adjusted gross DTA (% of total net admitted adjusted gross DTA)	0%	0%	0%
<u>December 31, 2010</u>			
a) Adjusted gross DTA (% of total adjusted gross DTA)	0%	0%	0%
b) Net admitted adjusted gross DTA (% of total net admitted adjusted gross DTA)	0%	0%	0%
<u>Change</u>			
a) Adjusted gross DTA (% of total adjusted gross DTA)	0%	0%	0%
b) Net admitted adjusted gross DTA (% of total net admitted adjusted gross DTA)	0%	0%	0%

<u>December 31, 2011</u>			
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
6. SSAP No. 10R, paragraphs 10.a., 10.b., and 10.c.:			
a) Admitted DTA	\$ 44,432,570	\$ 48,544	\$ 44,481,114
b) Admitted assets	xxxx	xxxx	4,646,799,971
c) Adjusted statutory surplus (surplus used for limitation)	xxxx	xxxx	2,456,961,228
d) Total adjusted capital from DTA	xxxx	xxxx	17,821,332
Increases due to SSAP No. 10R, paragraph 10.e.:			
e) Admitted DTA	17,724,244	97,088	17,821,332
f) Admitted assets	17,724,244	97,088	17,821,332
g) Statutory surplus	17,724,244	97,088	17,821,332

<u>December 31, 2010</u>			
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
SSAP No. 10R, paragraphs 10.a., 10.b., and 10.c.:			
a) Admitted DTA	\$ 40,751,544	\$ 316,055	\$ 41,067,599
b) Admitted assets	xxxx	xxxx	4,599,086,284
c) Adjusted statutory surplus (surplus used for limitation)	xxxx	xxxx	2,451,563,364
d) Total adjusted capital from DTA	xxxx	xxxx	16,250,122
Increases due to SSAP No. 10R, paragraph 10.e.:			
e) Admitted DTA	15,618,012	632,110	16,250,122
f) Admitted assets	15,618,012	632,110	16,250,122
g) Statutory surplus	15,618,012	632,110	16,250,122

<u>Change</u>			
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
SSAP No. 10R, paragraphs 10.a., 10.b., and 10.c.:			
a) Admitted DTA	\$ 3,681,026	\$ (267,511)	\$ 3,413,515
b) Admitted assets	xxxx	xxxx	47,713,677
c) Adjusted statutory surplus (surplus used for limitation)	xxxx	xxxx	5,397,863
d) Total adjusted capital from DTA	xxxx	xxxx	1,571,210
Increases due to SSAP No. 10R, paragraph 10.e.:			
e) Admitted DTA	2,106,232	(535,022)	1,571,210
f) Admitted assets	2,106,232	(535,022)	1,571,210
g) Statutory surplus	2,106,232	(535,022)	1,571,210

B. DTL not recognized for the following amounts:

Not applicable.

C. The provisions for incurred tax on earnings are as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>Change</u>
1. Federal	\$ 1,824,489	\$ 38,382,043	\$ (36,557,554)
Foreign	-	(450,000)	450,000
Subtotal	1,824,489	37,932,043	(36,107,554)
Federal income taxes on net capital gains	451,960	77,102,440	(76,650,480)
Federal and foreign income taxes incurred	<u>\$ 2,276,449</u>	<u>\$ 115,034,483</u>	<u>\$ (112,758,034)</u>

2. The tax effects of temporary differences that give rise to significant portions of the DTA and DTL are as follows:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>Change</u>
DTA:			
<u>Ordinary:</u>			
Discounting of unpaid losses	\$ 40,996,125	\$ 43,328,436	\$ (2,332,311)
Unearned premium reserve	26,363,792	25,568,906	794,886
Investments	80,942,067	80,568,252	373,815
Other	11,292,649	9,941,912	1,350,737
Total DTA - ordinary	<u>159,594,633</u>	<u>159,407,506</u>	<u>187,127</u>

## NOTES TO FINANCIAL STATEMENTS

Statutory valuation allowance adjustment	-	-	-
Nonadmitted DTA	<u>(55,443,473)</u>	<u>(60,607,904)</u>	<u>5,164,431</u>
Admitted ordinary DTA	<u>\$ 104,151,160</u>	<u>\$ 98,799,602</u>	<u>\$ 5,351,558</u>

<u>Capital:</u>			
Investments	\$ 11,060,329	\$ 11,027,051	\$ 33,278
Total DTA – capital	11,060,329	11,027,051	33,278
Statutory valuation allowance adjustment	-	-	-
Nonadmitted DTA	<u>(4,000,684)</u>	<u>(4,482,692)</u>	<u>482,008</u>
Admitted capital DTA	7,059,645	6,544,359	515,286
Total admitted DTA	<u>\$ 111,210,805</u>	<u>\$ 105,343,961</u>	<u>\$ 5,866,844</u>

<u>DTL:</u>			
<u>Ordinary:</u>			
Investments	\$ 36,424,165	\$ 39,382,012	\$ (2,957,847)
Compensation and benefits accrual	2,379,986	2,379,986	-
Other	<u>3,190,195</u>	<u>668,048</u>	<u>2,522,147</u>
Total ordinary DTL	<u>41,994,346</u>	<u>42,430,046</u>	<u>(435,700)</u>

<u>Capital:</u>			
Investments	\$ 6,914,013	\$ 5,596,194	\$ 1,317,819
Total capital DTL	6,914,013	5,596,194	1,317,819
Total DTL	<u>48,908,359</u>	<u>48,026,240</u>	<u>882,119</u>
Net admitted DTA/(DTL)	<u>\$ 62,302,446</u>	<u>\$ 57,317,721</u>	<u>\$ 4,984,725</u>

3. Deferred income taxes do not include any benefit from investment tax credits.
4. Deferred income taxes include a benefit of \$0 from net operating losses.
5. There are no adjustments to a DTA or DTL for enacted changes in tax laws or rates or a change in the tax status of the Company.
6. There are no adjustments to gross DTA because of change in circumstances that causes a change in judgment about the realizability of the related DTA.

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>Change</u>
Total DTA	\$ 170,654,962	\$ 170,434,557	\$ 220,405
Total DTL	(48,908,359)	(48,026,240)	(882,119)
Net DTA/(DTL)	<u>\$ 121,746,603</u>	<u>\$ 122,408,317</u>	(661,714)
Tax effect of unrealized gains (losses)			1,194,369
Deferred tax change in prior period adjustments			(24)
Change in net deferred income tax			<u>\$ 532,631</u>

- D. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate before income tax. The significant items causing this difference are as follows:

	<u>December 31, 2011</u>
Pretax net income (loss)	\$ 105,459,076
Taxes at statutory rate	\$ 36,910,677
Increase (decrease) attributable to:	
Nontaxable investment income	(35,887,114)
Other	<u>720,255</u>
	<u>\$ 1,743,818</u>
Federal and foreign taxes incurred	\$ 2,276,449
Change in net deferred taxes	<u>(532,631)</u>
Total statutory income tax	<u>\$ 1,743,818</u>
Effective tax rate	1.7%

- E. 1. The Company has no net operating loss carryforward. The Company has an alternative minimum tax credit of \$3,811,284 that originated in 2011 and can be carried forward indefinitely.
2. The Company has \$3,390,048, \$116,559,284, and \$9,087,987 of federal income tax from the current and prior tax years respectively, available for recoupment in the event of future losses.
3. The reporting entity has no protective tax deposits with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code.
- F. 1. The Company is included in a consolidated federal income tax return with its ultimate parent company, The Travelers Companies, Inc. (TRV). A list of the entities included with the Company in a consolidated federal income tax return filing is attached.
2. The Company is a party to a tax allocation agreement that sets forth the manner in which total consolidated federal income tax is allocated among companies included in the consolidated return. Member companies included in the TRV consolidated return are allocated taxes annually based upon their separate taxable income. Companies with a current federal income tax receivable from TRV will receive settlement to the extent that such receivables are for tax benefits that have been utilized in the consolidated federal income tax return. Member companies are reimbursed by TRV in the event the Internal Revenue Service levies upon a member's assets for unpaid taxes in excess of the amount specifically allocated to a member.

In the event that the consolidated group develops an Alternative Minimum Tax (AMT), each company with an AMT on a separate company basis will be allocated a portion of the consolidated AMT. Settlement of the AMT will be made in the same manner and timing as the regular federal income tax.

**NOTES TO FINANCIAL STATEMENTS**

## 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

- A-C. (1) On January 1, 2010 in accordance with the "Agreement and Plan of Merger" dated December 1, 2009 the Company's indirect subsidiary, Discovery Managers, Ltd., merged with and into its parent and the Company's wholly-owned subsidiary, Discover Re Managers, Inc., with Discover Re Managers, Inc. being the surviving entity.

Also on January 1, 2010, immediately following the transaction above and in accordance with the "Agreement and Plan of Merger" dated December 16, 2009, the Company's wholly-owned subsidiary, Discover Re Managers, Inc. merged with and into the Company, with the Company being the surviving entity.

These mergers had no impact on the Company's surplus and all required regulatory approvals were obtained by the Company and its affiliates in connection with these transactions.

- (2) On November 1, 2010 in accordance with a "Plan of Merger" and in connection with and as part of a series of related transactions as contemplated by and described in the "Agreement and Plan of Restructuring" by and among Fidelity and Guaranty Insurance Underwriters, Inc. (FGIU), Travelers Auto Insurance Co. of New Jersey (TNJ), the Company, St. Paul Fire and Marine Insurance Company (Fire and Marine), TRV, Travelers Property Casualty Corp. (TPC), Travelers Insurance Group Holdings Inc. (TIGHI), The Travelers Indemnity Company (Indemnity), and First Trenton Indemnity Company (FTI), TNJ merged with and into FGIU. At the time of this merger TNJ had a statutory carrying value of \$65,657,328.

As part of these transactions, FTI distributed 100% of the common shares of TNJ to its parent, Indemnity, which in turn distributed these same shares to TIGHI. TIGHI then distributed 100% of the common shares of TNJ to its sole shareholder, TPC which in turn distributed these same shares to TRV. Each of these transactions qualifies as a tax-free spin-off distribution under Section 355 of the Internal Revenue Code.

In accordance with the "Plan of Merger", TNJ then merged with and into FGIU at which time all issued and outstanding shares of TNJ were converted into and exchanged for 84,349 shares of FGIU. TRV then contributed all common stock shares received in the exchange to Fire and Marine which in turn contributed these shares to the Company. Following this merger, the Company continues to own 100% of the issued and outstanding common stock of FGIU. The statutory merger method was utilized in merging the two entities, of which FGIU was the surviving entity.

Schedule Y - Part 2 summarizes the net flow of funds among affiliates for various types of transactions between affiliates. Regulatory prior approval and/or prior notification has been satisfied for any transaction requiring such action.

The following are general business arrangements that result in or are used for transactions with affiliates in the normal course of business:

- The principal banking functions for the property-casualty operations of TRV and some or all of its affiliated property-casualty insurance companies are handled by Indemnity. Settlements between the companies are made at least monthly.
  - TRV maintains a private short-term investment pool, known as the Travelers Money Market Liquidity Pool (TRVMMLP), in which affiliated companies may participate. This pool is managed by Indemnity. Each company may convert its position in the pool into cash at any time and may also use its position in the pool to settle transactions with other affiliated participants in the pool. The position of each company in the pool is calculated and adjusted daily. Each participating insurance company carries its share of the pool as a short-term investment in Schedule DA. At December 31, 2011 and 2010, the TRVMMLP totaled \$3.3 billion and \$5.4 billion, respectively.
- D. (1) At December 31, 2011 and 2010, the Company had \$18,757,763 payable to and \$50,603,497 receivable from affiliates, respectively. Accounts between and among the Company and its affiliates are settled on a daily basis through the TRVMMLP or cash. Any items open at the end of the month are settled in the following month.
- (2) The Company participates in an intercompany reinsurance pooling agreement as described in Note 26. The following represents the unsettled balances resulting from affiliated reinsurance that are reported in the respective balance sheet accounts:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Uncollected premiums and agents' balances in course of collection	\$ 52,024,572	\$ -
Amounts recoverable from reinsurers	19,283,154	19,511,804
Reinsurance payable on paid losses and loss adjustment expenses	56,556,879	55,938,991
Ceded reinsurance premiums payable	-	32,245,288

These balances were settled net through the intercompany settlement process during January 2012 and January 2011, respectively.

- E. The Company is a partner in a real estate joint venture. TRV is the guarantor of certain debt of the real estate joint venture. The Company entered into an agreement to reimburse TRV in the event that TRV is required to make payments under the guarantee. Please see Note 14F for additional detail.

- F. Material management or service contracts and cost sharing arrangements, involving the Company or any affiliate, other than cost allocation arrangements:

TYPE OF CONTRACT AND DESCRIPTION	SERVICING COMPANY	OTHER PARTY
Expense Allocation	The Travelers Indemnity Company	Travelers P&C <sup>1</sup>
Reinsurance Allocation	The Travelers Indemnity Company	Travelers P&C <sup>1</sup>

<sup>1</sup> "Travelers P&C<sup>1</sup>" includes The Travelers Indemnity Company and some or all of its insurance subsidiaries and affiliates.

- G. All of the issued and outstanding common stock of the Company is owned by Fire and Marine, an insurance company domiciled in Connecticut. The Company is a member of TRV, the organization of which is shown in Schedule Y - Part 1.

H. Not applicable.

I. Not applicable.

J. Not applicable.

K. Not applicable.

## **NOTES TO FINANCIAL STATEMENTS**

L. Not applicable.

### 11. DEBT

Not applicable.

### 12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

#### A. Defined Benefit Plans:

Not applicable.

#### B. Defined Contribution Plans:

Not applicable.

#### C. Multiemployer Plans:

Not applicable.

#### D. Consolidated/Holding Company Plans:

##### 1. Employee Retirement Plans:

The Company participates in a qualified noncontributory defined benefit pension plan sponsored by TRV that provides benefits, primarily under a cash balance formula, for substantially all employees of the Company and its property-casualty affiliates. In addition the Company participates in a nonqualified defined benefit pension plan sponsored by TRV which covers certain highly-compensated employees of the Company and its property-casualty affiliates. The Company has no legal obligation for benefits under these plans. The Company is charged for its allocable share of pension expense for these plans based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the pension expense was \$5,008,239 and \$3,771,449 for 2011 and 2010, respectively.

##### 2. Postretirement Benefit Plan:

The Company participates in a postretirement health and life insurance benefit plan sponsored by TRV for employees of the Company and its property-casualty affiliates that satisfy certain age and service requirements and for certain retirees. The Company has no legal obligation for benefits under this plan. The Company is charged for its allocable share of postretirement benefit expense for this plan based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the postretirement benefit expense was \$447,881 and \$512,530 for 2011 and 2010, respectively.

##### 3. Deferred Compensation Plans:

The Company participates in a 401(k) savings plan sponsored by TRV for substantially all employees of the Company and its property-casualty affiliates. The Company has no legal obligation for benefits under this plan. The Company is charged for its allocable share of expense for this plan based on its allocated and/or direct salary costs in accordance with an expense allocation agreement. The Company's allocated share of the 401(k) savings plan expense was \$3,508,767 and \$3,678,896 for 2011 and 2010, respectively.

#### E. Postemployment Benefits and Compensated Absences:

Not applicable.

#### F. Impact of Medicare Modernization Act on Postretirement Benefits:

Not applicable.

### 13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

The Company has 2,000,000 shares of common capital stock authorized and 1,408,563 shares of common stock issued and outstanding with a par value of \$25 per share.

The Company paid ordinary dividends of \$77.1 million and \$171.0 million to its parent company, Fire and Marine in 2011 and 2010, respectively.

Dividends to shareholders and the proportion of the profits of the Company that may be paid to shareholders are not limited by charter. The maximum amount of dividends which can be paid by Connecticut insurance companies to shareholders without prior approval of the domiciliary Insurance Commissioner is subject to restrictions relating to statutory surplus or net income. The maximum amount of dividends to shareholders that can be made during 2012 without prior approval is \$202,414,000.

There are no restrictions on the use of the Company's unassigned surplus and such surplus is held for the benefit of the shareholder.

The change in the balance of special surplus from retroactive reinsurance is a result of ongoing activity occurring in 2011. See Note 23F for additional detail. In addition, special surplus was generated from the Company's adoption of SSAP No. 10R in 2009. These additional admitted DTA's have fluctuated in subsequent years and are segregated as an aggregate write-in for special surplus funds. See Note 9 for additional detail.

Unassigned funds or surplus has been increased by cumulative net unrealized gains of \$123,210,407.

### 14. CONTINGENCIES

#### A. Contingent Commitments:

Not applicable.

#### B. Assessments:

1. The Company has accrued liabilities of \$12.9 million for guaranty fund and other insurance-related assessments and related recoverables of \$341.0 thousand at December 31, 2011. The assessments are expected to be paid over a period ranging from one

## NOTES TO FINANCIAL STATEMENTS

year to the life expectancy of certain workers' compensation claimants and the recoverables are expected to occur over the same period of time.

2. Assets recognized from paid and accrued premium tax offsets prior year-end	\$	346,920
Decreases current year:		
Premium tax offset charged off		85,519
Premium tax offset applied		34,252
Premium tax offset refund		30,895
Increases current year:		
Premium tax offset accrued		26,016
Assets recognized from paid and accrued premium tax offsets current year-end	\$	222,270

### C. Gain Contingencies:

On August 20, 2010, in a reinsurance dispute in New York state court captioned *United States Fidelity & Guaranty Company (USF&G) v. American Re-Insurance Company, et al.*, the trial court granted summary judgment for USF&G, awarding it \$251 million plus pre-judgment interest in the amount of \$169 million. The judgment, including the award of interest, was appealed to the New York Supreme Court, Appellate Division, First Department. On January 24, 2012, the Appellate Division affirmed the judgment, which, as of that date, totaled \$467 million, including post-judgment interest. Post-judgment interest continues to accrue (without compounding) at the rate of 9% until the judgment is paid. On January 30, 2012, the reinsurers filed a motion with the Appellate Division seeking permission to appeal its decision to the New York Court of Appeals. Whether the Appellate Division grants permission to appeal is within its discretion.

As USF&G is a participant in the Travelers Reinsurance Pool (TRV Pool), any recoverable is subject to participation percentages of the TRV Pool (See Note 26). Accordingly, the Company's respective TRV Pool participation share of the \$251 million awarded by the court represents the amounts owed to the Company under the terms of the reinsurance agreements, and is reported as part of the amounts owed to the Company under the terms of the reinsurance agreements. The Company's respective Pool participation share of the interest awarded by the Court is treated for accounting purposes as a gain contingency in accordance with SSAP No. 5R, *Liabilities, Contingencies and Impairment of Assets - Revised*, and accordingly has not been recognized in the Company's statutory financial statements.

### D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits:

The Company paid \$90,000 in the reporting period on two claims to settle claims related extra contractual obligations or bad faith claims stemming from lawsuits. The claim count information provided herein is disclosed on a per claim direct basis.

### E. Product Warranties:

Not applicable.

### F. All Other Contingencies:

1. In the process of selling business entities to third parties, the Company has agreed to indemnify purchasers for losses arising out of breaches of representations and warranties with respect to the business entities being sold, covenants and obligations of the Company and/or its subsidiaries following the close, and in certain cases obligations arising from undisclosed liabilities, imposition of additional taxes due to either a change in the tax law or an adverse interpretation of the tax law. Such indemnification provisions generally survive for periods ranging from the applicable closing date to the expiration of the relevant statutes of limitations, no term or in some cases agreed upon limitations. Certain of these contingent obligations are subject to deductibles which have to be incurred by the obligee before the Company is obligated to make payments.

The Company is a partner in a real estate joint venture. TRV is the guarantor of certain debt of the real estate joint venture. The Company entered into an agreement to reimburse TRV in the event that TRV is required to make payments under the guarantee. The Company has recorded a liability of \$13,716,400 on the balance sheet as of December 31, 2011 under this reimbursement agreement.

Nature and circumstances of guarantee and key attributes, including date and duration of agreement	Liability recognition of guarantee. (include amt recognized at inception. If no initial recognition, document exception allowed under SSAP No. 5R)	Ultimate financial statement impact if action under the guarantee is required	Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee. If unable to develop an estimate, this should be noted specifically	Current status of payment or performance risk of guarantee. Also provide additional discussion as warranted
Sale of Businesses	The fair value of guarantee liabilities as described are minimal and immaterial to the financial statements taken as a whole	Expense - Statement of Income - Line 14. Aggregate write-ins for miscellaneous income	\$25,000,000	The Company has assessed the performance risk as remote under these guarantees
Real Estate Joint Venture	\$13,716,400	Dividend to stockholders	\$59,220,000	The Company's performance risk is reasonably probable based on operating results of this joint venture.

**NOTES TO FINANCIAL STATEMENTS**

a. Aggregate maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees	\$ 84,220,000
b. Current liability recognized in financial statements:	
Noncontingent liabilities	13,716,400
Contingent liabilities	-
c. Ultimate financial statement impact if action under the guarantee is required:	
Investment in SCA	-
Joint venture	-
Dividends to stockholders	59,220,000
Expense	25,000,000
Other	-
Total	<u>\$ 84,220,000</u>

- The Company has purchased annuities from life insurance companies to fund structured settlements. For a discussion of the Company's contingent liabilities for structured settlements, see Note 27.
- In the ordinary course of business, the Company is a defendant or codefendant in various litigation matters. Although there can be no assurances, as of December 31, 2011, the Company believes, based on information currently available, that the ultimate resolution of these legal proceedings would not be likely to have a material adverse effect on its net income, financial condition or liquidity.
- For a discussion of contingencies related to asbestos and environmental reserves, see Note 33.

**15. LEASES****A. Lessee Leasing Arrangements:**

- At December 31, 2011, the Company is a party to various lease agreements for office space and office equipment. The office space and office equipment leases are for various periods of time. Total rental expense under operating leases for the Company for 2011 and 2010 was \$1,032,224 and \$2,687,012, respectively. Rental expenses incurred by the Company are subject to an intercompany expense allocation agreement.

There are numerous leases with renewal terms, none of which are material to the Company.

- Aggregate future minimum rental payments for leases having initial or remaining noncancelable lease terms in excess of one year for the Company totaled \$127,344 at December 31, 2011. Future minimum rental payments for each of the two succeeding years are as follows:

<u>Year</u>	<u>Operating Leases</u>
2012	\$ 72,146
2013	55,198

- Sale-Leaseback Transactions:

Not applicable.

**B. Lessor's Business Activities:**

Not applicable.

**16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK**

Not applicable.

**17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES****A. Transfers of Receivables Reported as Sales:**

Not applicable.

**B. Transfer and Servicing of Financial Assets:**

The Company engages in securities lending activities from which it generates net investment income from the lending of certain of its investments to other institutions for short periods of time. Borrowers of these securities provide collateral equal to at least 102% of the market value of the loaned securities plus accrued interest. This collateral is held by a third party custodian, and the Company has the right to access the collateral only in the event that the institution borrowing the Company's securities is in default under the lending agreement. The loaned securities remain a recorded asset of the Company. The Company accepts only cash as collateral for securities on loan and restricts the manner in which that cash is invested to U.S. Treasury securities and U.S. Treasury repurchase agreements. These securities typically have a duration of 1 day. See Schedule D – Part 1 for identification and description of securities on loan.

**C. Wash Sales:**

Not applicable.

**18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS**

Not applicable.

**19. DIRECT PREMIUMS WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS**

The Company did not have any direct premiums written through managing general agents (as defined in Appendix A-225 of the NAIC *Accounting Practices and Procedures Manual*) or third party administrators.

**NOTES TO FINANCIAL STATEMENTS**

## 20. FAIR VALUE MEASUREMENTS

(1) Assets measured at fair value as of December 31, 2011:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds				
Industrial and Miscellaneous	\$ -	20,583,488	-	\$ 20,583,488
Common Stock	14,185	-	1,182,387	1,196,572
Total Assets at Fair Value	\$ 14,185	20,583,488	1,182,387	\$ 21,780,060

There were no significant transfers between level 1 and level 2.

(2) Assets measured at fair value using significant unobservable inputs:

	Balance at 01/01/11	Transfers in level 3	Transfers out level 3	Total gains and (losses) included in net income	Total gains and (losses) included in surplus	Purchases and Issuances	Sales and Settlements	Balance at 12/31/11
Common Stock	\$ 1,219,078	-	-	-	(36,691)	-	-	\$ 1,182,387
Total	\$ 1,219,078	-	-	-	(36,691)	-	-	\$ 1,182,387

(3) Not applicable.

(4) Bonds and preferred stocks were carried at fair value under the lower of cost or market requirement. These bonds were generally priced by the SVO or by a third party organization.

The Company holds common stock where the fair value estimate is determined by an internal fund manager based on recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals. Due to the significant unobservable inputs in these valuations, the Company includes the total fair value estimate for all of these investments in level 3.

(5) Not applicable.

## 21. OTHER ITEMS

## A. Extraordinary Items:

Not applicable.

## B. Troubled Debt Restructuring:

Not applicable.

## C. Other Disclosures:

The Company elected to use rounding in reporting amounts in this statement.

2011 Schedule P:

The 2001 and prior "Total Net Losses and Expenses Unpaid" (Schedule P - Part 1, Column 24, Line 1) is separately reported to accident year as follows (in thousands):

Schedule P	<u>Accident Years</u>				
	<u>2001</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1997 &amp; Prior</u>
Part 1A	\$ 21	\$ 22	\$ 6	\$ 14	\$ 141
Part 1B	67	25	16	13	11,325
Part 1C	780	417	326	109	1,998
Part 1D	20,255	21,300	15,731	16,346	161,184
Part 1E	1,908	1,759	2,015	1,804	12,650
Part 1F - Section 1	209	147	80	20	170
Part 1F - Section 2	761	1,057	721	143	935
Part 1G	197	291	97	142	663
Part 1H - Section 1	5,998	4,146	5,362	2,885	91,040
Part 1H - Section 2	3,054	1,197	755	392	4,681
Part 1M	33	95	21	-	7
Part 1N	855	190	209	82	200
Part 1O	5,058	3,084	2,071	1,470	26,351
Part 1P	74	39	110	5	39
Part 1R - Section 1	1,491	2,169	2,570	744	63,641
Part 1R - Section 2	23	3	30	9	441



**NOTES TO FINANCIAL STATEMENTS**

The following loss and/or LAE reserves have been assumed / (ceded) under retroactive reinsurance agreements. They are reported here by line of business and accident year to facilitate loss discounting under Internal Revenue Code Section 846 (in thousands):

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Commercial Auto	\$ (45)	\$ (70)	\$ (6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Workers' Compensation	(383)	(256)	(67)	(2,477)	-	(60)	-	-	-
Commercial Multiple Peril	-	-	-	-	-	-	-	-	-
Medical Malpractice – CM	-	-	(794)	-	-	-	-	-	-
Special Liability	(1)	-	-	-	-	-	-	-	-
Other Liability – Occ	(146)	-	-	-	-	-	-	-	-
Other Liability – CM	-	(266)	-	-	-	-	-	-	-
Special Property	(3)	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Reinsurance A	(27)	-	-	-	-	-	-	-	-
Reinsurance B	(256)	-	-	-	-	-	-	-	-

## D. Uncollectible Premium Balances:

Not applicable.

## E. Business Interruption Insurance Recoveries:

Not applicable.

## F. State Transferable and Non-Transferable Tax Credits:

Not applicable.

## G. Subprime Mortgage Related Risk Exposure:

The Company defines exposure to subprime mortgage-backed securities as investments which contain loans to borrowers that exhibit one or more of the following characteristics at the time of issuance:

- low FICO scores,
- above prime interest rates,
- high loan-to-value ratios,
- high debt-to-income ratios,
- low loan documentation (e.g. limited or no verification of income and assets), or
- other characteristics that are inconsistent with conventional underwriting standards employed by government sponsored mortgage entities.

In addition, because of their high loan-to-value ratios, the Company has categorized second-lien mortgage-backed securities as subprime, regardless of the credit characteristics of the borrower on the underlying mortgage.

The Company reviews the credit characteristics of the loans that back these mortgage-backed securities when making the determination to categorize them as subprime exposure. Since the primary purpose of the investment portfolio is to fund future claim payments, the Company employs a conservative investment philosophy. In applying this philosophy to structured securities, including subprime mortgage-backed securities, the Company favors the purchase of senior credit tranches over junior or leveraged credit tranches.

Overall exposure to subprime mortgage-backed securities is sufficiently small in that the Company would likely have other securities available for liquidity needs. The Company utilizes discounted cash flow valuation analysis in its regular, ongoing review of its existing subprime mortgage portfolio, as well as in its analysis of subprime mortgage-backed bonds for purchase. Based upon the credit performance of mortgages within each securitization, the Company projects voluntary prepayments, defaults and loss severity to estimate any expected losses.

Exposure through investments in subprime securities directly held by the Company is as follows:

a. Actual cost	\$ 7,388,318
b. Book adjusted carrying value	6,826,915
c. Fair value	7,651,742
d. Other-than-temporary impairments	1,420,410

## 22. EVENTS SUBSEQUENT

The Company had no material subsequent events through February 16, 2012.

## 23. REINSURANCE

## A. Unsecured Reinsurance Recoverables:

## 1. Affiliated Company Recoverables:

The Company participates in the TRV Pool and/or other reinsurance programs with affiliates and takes credit for reinsurance ceded directly and indirectly to these companies. The unsecured aggregate recoverables for ceded losses, loss adjustment expenses and unearned premiums at December 31, 2011, in connection with reinsurance agreements among affiliated insurers, were as follows:

Reinsurance balances ceded to affiliates and recoverable by The Travelers Indemnity Company (06-0566050):

<u>Company</u>	<u>F.E.I.N.</u>	<u>Amount</u>
St. Paul Fire and Marine Insurance Company	41-0406690	\$ 11,460,434,654
Travelers Casualty and Surety Company	06-6033504	9,403,091,790
The Phoenix Insurance Company	06-0303275	2,306,594,365
The Standard Fire Insurance Company	06-6033509	2,283,664,395
United States Fidelity and Guaranty Company	52-0515280	2,034,994,203
Travelers Casualty Insurance Company of America	06-0876835	1,259,330,947
Farmington Casualty Company	06-1067463	682,672,306
The Travelers Indemnity Company of Connecticut	06-0336212	632,864,181

## NOTES TO FINANCIAL STATEMENTS

The Automobile Insurance Company of Hartford, Connecticut	06-0848755	631,933,151
The Charter Oak Fire Insurance Company	06-0291290	586,739,943
Northland Insurance Company	41-6009967	563,388,182
St. Paul Surplus Lines Insurance Company	41-1230819	406,393,593
The Travelers Indemnity Company of America	58-6020487	355,211,136
St. Paul Protective Insurance Company	36-2542404	267,754,889
Northfield Insurance Company	41-0983992	239,857,827
Travelers Commercial Casualty Company	95-3634110	216,816,169
Travelers Commercial Insurance Company	06-1286268	216,794,563
Travelers Casualty Company of Connecticut	06-1286266	216,794,563
St. Paul Mercury Insurance Company	41-0881659	196,685,217
Travelers Property Casualty Company of America	36-2719165	169,901,248
Travelers Property Casualty Insurance Company	06-1286274	138,379,511
Athena Assurance Company	41-1435765	133,766,852
St. Paul Medical Liability Insurance Company	41-1435766	133,766,852
TravCo Insurance Company	35-1838077	124,541,550
Travelers Personal Security Insurance Company	06-1286264	124,541,550
Travelers Personal Insurance Company	36-3703200	124,541,550
The Travelers Home and Marine Insurance Company	35-1838079	124,541,550
Travelers Excess and Surplus Lines Company	06-1203698	124,541,550
Discover Property & Casualty Insurance Company	36-2999370	64,607,081
Discover Specialty Insurance Company	52-1925132	64,577,089
Northland Casualty Company	94-6051964	64,577,089
Fidelity and Guaranty Insurance Underwriters, Inc.	52-0616768	46,128,912
American Equity Specialty Insurance Company	86-0868106	46,126,489
St. Paul Guardian Insurance Company	41-0963301	46,126,489
Total		<u>\$ 35,492,681,436</u>

Reinsurance balances assumed by The Travelers Indemnity Company and recoverable by the following affiliated insurers:

Company	F.E.I.N.	Amount
Travelers Property Casualty Company of America	36-2719165	\$ 9,686,582,155
St. Paul Fire and Marine Insurance Company	41-0406690	6,270,487,494
Travelers Casualty and Surety Company	06-6033504	3,844,518,859
The Travelers Indemnity Company of America	58-6020487	2,791,066,614
United States Fidelity and Guaranty Company	52-0515280	2,678,617,375
The Charter Oak Fire Insurance Company	06-0291290	2,450,205,162
The Travelers Indemnity Company of Connecticut	06-0336212	2,329,358,649
The Travelers Home and Marine Insurance Company	35-1838079	2,322,531,232
The Standard Fire Insurance Company	06-6033509	2,042,347,456
St. Paul Mercury Insurance Company	41-0881659	1,987,606,482
The Phoenix Insurance Company	06-0303275	1,847,124,807
Travelers Casualty Insurance Company of America	06-0876835	1,346,803,185
The Automobile Insurance Company of Hartford, Connecticut	06-0848755	729,436,145
Farmington Casualty Company	06-1067463	696,548,247
Discover Property & Casualty Insurance Company	36-2999370	687,967,521
Northland Insurance Company	41-6009967	605,241,842
St. Paul Surplus Lines Insurance Company	41-1230819	555,863,845
Travelers Commercial Insurance Company	06-1286268	389,110,294
TravCo Insurance Company	35-1838077	299,828,075
Travelers Property Casualty Insurance Company	06-1286274	280,787,975
St. Paul Guardian Insurance Company	41-0963301	226,050,864
Northfield Insurance Company	41-0983992	204,890,003
Fidelity and Guaranty Insurance Underwriters, Inc.	52-0616768	174,454,640
Travelers Personal Security Insurance Company	06-1286264	166,039,446
St. Paul Protective Insurance Company	36-2542404	155,535,431
Travelers Commercial Casualty Company	95-3634110	120,879,708
Travelers Excess and Surplus Lines Company	06-1203698	116,984,311
Travelers Personal Insurance Company	36-3703200	62,410,068
Travelers Casualty Company of Connecticut	06-1286266	55,140,797
Northland Casualty Company	94-6051964	21,189,091
Athena Assurance Company	41-1435765	18,133,284
Discover Specialty Insurance Company	52-1925132	13,454,805
St. Paul Medical Liability Insurance Company	41-1435766	8,631,788
American Equity Specialty Insurance Company	86-0868106	3,111,784
Total		<u>\$ 45,188,939,434</u>

2. Unaffiliated Company Recoverables:

Not applicable.

B. Reinsurance Recoverable in Dispute:

Not applicable.

C. Reinsurance Assumed and Ceded:

	Assumed		Ceded		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$ 378,292,930	\$ -	\$ 34,582,890	\$ 4,592,549	\$ 343,710,040	\$ (4,592,549)
All Other	1,235,507	164,073	-	-	1,235,507	164,073
Total	<u>\$ 379,528,437</u>	<u>\$ 164,073</u>	<u>\$ 34,582,890</u>	<u>\$ 4,592,549</u>	<u>\$ 344,945,547</u>	<u>\$ (4,428,476)</u>

Direct Unearned Premium Reserve \$ 31,001,307

**NOTES TO FINANCIAL STATEMENTS**

2. Accruals for contingent, sliding scale adjustment and other profit sharing commissions, net of reinsurance assumed and ceded, amounted to \$3,578,682 at December 31, 2011. This balance represents the Company's 4.41% pro rata share of the net amount of the TRV Pool (see Note 26):

Direct Business	\$	-
Reinsurance Assumed		3,578,682
Reinsurance Ceded		-
Net		<u>\$ 3,578,682</u>

## D. Uncollectible Reinsurance:

Not applicable.

## E. Commutation of Ceded Reinsurance:

Not applicable.

## F. Retroactive Reinsurance:

	<u>Assumed</u>	<u>Ceded</u>
a. Reserves Transferred:		
(1) Initial Reserves	\$ 414,540	\$ 21,403,170
(2) Adjustments - Prior Year(s)	(132,300)	8,551,769
(3) Adjustments - Current Year	-	<u>(185,526)</u>
(4) Current Total	<u>\$ 282,240</u>	<u>\$ 29,769,413</u>
b. Consideration Paid or Received:		
(1) Initial Consideration	\$ 461,069	\$ 18,965,659
(2) Adjustments - Prior Year(s)	-	2,366,008
(3) Adjustments - Current Year	-	-
(4) Current Total	<u>\$ 461,069</u>	<u>\$ 21,331,667</u>
c. Paid Losses Reimbursed or Recovered:		
(1) Prior Year(s)	\$ 181,420	\$ 24,072,005
(2) Current Year	508	809,794
(3) Current Total	<u>\$ 181,928</u>	<u>\$ 24,881,799</u>
d. Special Surplus From Retroactive Reinsurance:		
(1) Initial Surplus Gain or Loss	\$ 46,529	\$ 2,437,511
(2) Adjustments - Prior Year(s)	132,300	6,185,761
(3) Adjustments - Current Year	-	<u>(185,526)</u>
(4) Current Year Restricted Surplus	<u>\$ 178,829</u>	<u>\$ 4,452,357</u>
(5) Cumulative Total Transferred to Unassigned Funds	<u>\$ -</u>	<u>\$ 3,985,389</u>

## e. List the other insurers included in the above transactions:

<u>Company</u>	<u>Assumed</u>	<u>Ceded</u>
Munich Reinsurance America, Inc. (10227)	\$ 282,240	\$ -
Commercial Risk Re-Insurance Co. (27955)	-	582,120
General Reinsurance Corporation (22039)	-	13,230,000
nSpire Re Limited (AA-1784124)	-	3,516,267
Platinum Underwriters Reinsurance Inc. (10357)	-	4,103,001
Various	-	<u>8,338,025</u>
Total	<u>\$ 282,240</u>	<u>\$ 29,769,413</u>

## f. Paid Loss/LAE Recoverable:

<u>Company</u>	<u>Paid Loss/LAE Recoverables</u>	<u>Amount Over 90 Days Past Due</u>	<u>Collateral Held</u>
Platinum Underwriters Reinsurance Inc. (10357)	\$ 4,948	\$ -	\$ -
General Reinsurance Corporation (22039)	7,464	6,806	-
nSpire Re Limited (AA-178412)	-	-	1,022,024
Various	<u>17,228</u>	<u>(16,996)</u>	<u>2</u>
Total	<u>\$ 29,640</u>	<u>\$ (10,190)</u>	<u>\$ 1,022,026</u>

## G. Reinsurance Accounted for as a Deposit:

Not applicable.

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

Not applicable.

## 24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

- A. Accrued retrospective premiums (Page 2, Line 15.3) have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts. Ten percent of the amount not offset by retrospective return premiums, other liabilities to the same party (other than loss and loss expense reserves), or collateral as permitted by SSAP No. 66, *Retrospectively Rated Contracts*, has been nonadmitted. The amount shown in Part D below is the Company's proportionate share of the accrued retrospective premiums of the TRV Pool (see Note 26).
- B. The Company records accrued retrospective premium as an adjustment to earned premium.
- C. See Schedule P - Part 7A.

**NOTES TO FINANCIAL STATEMENTS**

D. Not applicable.

E. Calculation of nonadmitted retrospective premium:

1. Total accrued retrospective premium	\$ 8,352,263
2. Unsecured amount	1,417,958
3. Less: Nonadmitted amount (10%)	<u>141,796</u>
4. Admitted amount (1) - (3)	<u>\$ 8,210,467</u>

**25. CHANGES IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES**

During the period from January 1, 2011 to December 31, 2011, the prior year-end total loss and loss adjustment expense reserves developed favorably by \$21,706,000, resulting from better than expected loss and defense and cost containment (DCC) development in the other liability – occurrence, homeowners, fidelity & surety, workers' compensation and other liability – claims made lines, and from lower estimates for adjusting and other expenses, partially offset by loss and DCC deterioration in the commercial auto liability, commercial multi-peril, private passenger automobile liability and products liability – occurrence lines.

The improvement in the other liability – occurrence line was concentrated in the excess coverages for accident years 2005 - 2009 and reflected more favorable legal and judicial environments than the Company expected. Also contributing to the improvement was a reclassification of IBNR to products liability – occurrence. This improvement was partially offset by unfavorable development in asbestos and environmental reserves for prior accident years. The improvement in the homeowners line was driven by better than expected loss development primarily related to catastrophe losses incurred in 2010. The improvement in the fidelity & surety line resulted primarily from better than expected development for accident years 2008 and prior for the contract surety business. The improvement in the workers' compensation line resulted from better than expected development for accident years 2002 – 2009, partially offset by worse than expected frequency-driven deterioration for accident year 2010. The improvement in the other liability – claims made line was concentrated in accident years 2008 and prior and reflected more favorable legal and judicial environments than the Company expected; this improvement was partially offset by unfavorable development for accident years 2009 and 2010. The adjusting and other expense improvement was driven by improvement in the underlying loss and DCC reserves and by the allocation of adjusting and other expense reserves by year as disclosed in the Schedule P Interrogatories of the Company.

The deterioration in the commercial auto liability line was driven by worse than expected severity for the 2008 – 2010 accident years, and by unfavorable development on one catastrophic PIP claim for accident year 1995. The deterioration in the commercial multi-peril line was driven primarily by worse than expected development related to hail claims incurred in 2010. The deterioration in the private passenger automobile liability line was driven by worse than expected development for the bodily injury and uninsured motorist coverages for the 2007 – 2010 accident years. The deterioration in the products liability – occurrence line was primarily caused by a reclassification of IBNR from the other liability – occurrence line.

The remaining changes are generally the result of ongoing analyses of recent loss data and trends. A portion of the change from prior year effects relates to retrospectively rated policies, and these policies are subject to premium adjustments.

**26. INTERCOMPANY POOLING ARRANGEMENTS**

The Company is a participant in the TRV Pool, an intercompany pooling arrangement. The lead company of the TRV Pool is Indemnity. Under the terms of the arrangement, the property-casualty underwriting risks for substantially all lines of business of the intercompany pool participants are reinsured with Indemnity. The pool of net underwriting risks remaining after reinsurance is transacted with third parties by Indemnity is then retroceded to the pool participants based on pool participation percentages. The provision for reinsurance and the write-off of uncollectible reinsurance are reported in the statutory financial statements of Indemnity and are not allocated to the other pool participants.

The names, NAIC company codes and intercompany pool percentages of the companies participating in the TRV Pool are as follows:

<u>TRV Pool Participant</u>	<u>NAIC Company Code</u>	<u>Pool Participation %</u>
St. Paul Fire and Marine Insurance Company	24767	24.79
The Travelers Indemnity Company	25658	23.29
Travelers Casualty and Surety Company	19038	20.36
The Phoenix Insurance Company	25623	5.00
The Standard Fire Insurance Company	19070	4.84
United States Fidelity and Guaranty Company	25887	4.41
Travelers Casualty Insurance Company of America	19046	2.73
Farmington Casualty Company	41483	1.48
The Automobile Insurance Company of Hartford, Connecticut	19062	1.37
The Travelers Indemnity Company of Connecticut	25682	1.37
The Charter Oak Fire Insurance Company	25615	1.27
Northland Insurance Company	24015	1.22
St. Paul Surplus Lines Insurance Company	30481	0.88
The Travelers Indemnity Company of America	25666	0.77
St. Paul Protective Insurance Company	19224	0.58
Northfield Insurance Company	27987	0.52
Travelers Casualty Company of Connecticut	36170	0.47
Travelers Commercial Casualty Company	40282	0.47
Travelers Commercial Insurance Company	36137	0.47
St. Paul Mercury Insurance Company	24791	0.40
Travelers Property Casualty Company of America	25674	0.36
Travelers Property Casualty Insurance Company	36161	0.30
Athena Assurance Company	41769	0.29
St. Paul Medical Liability Insurance Company	41750	0.29
TravCo Insurance Company	28188	0.27
Travelers Excess and Surplus Lines Company	29696	0.27
The Travelers Home and Marine Insurance Company	27998	0.27
Travelers Personal Security Insurance Company	36145	0.27
Travelers Personal Insurance Company	38130	0.27
Discover Property & Casualty Insurance Company	36463	0.14
Discover Specialty Insurance Company	10213	0.14
Northland Casualty Company	24031	0.14
American Equity Specialty Insurance Company	10819	0.10
Fidelity and Guaranty Insurance Underwriters, Inc.	25879	0.10
St. Paul Guardian Insurance Company	24775	0.10

**NOTES TO FINANCIAL STATEMENTS**

All of the above TRV Pool companies are party to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have contractual rights of direct recovery from the non-affiliated reinsurers under the terms of such reinsurance agreements.

As of December 31, 2011 the Company had \$14,750,848 receivable from affiliates as a result of its intercompany reinsurance transactions which settled in January 2012.

**27. STRUCTURED SETTLEMENTS**

The Company has purchased annuities from life insurance companies, under which the claimant is the payee and the Company is the owner of the annuity contract, to fund structured settlements. These annuity contracts are now the direct responsibility of the life insurance companies from whom they have been purchased and claims settled by the purchase of such annuity contracts are treated as closed claims. In the event that the life insurance company fails to make the required annuity payments, the Company would be required to make such payments if and to the extent not paid by state guaranty associations.

The following life insurance companies held reserves at December 31, 2011, for structured settlement annuities purchased by members of the TRV Pool (see Note 26), of which \$141,249,258 is attributable to the Company:

<u>Life Insurance Company and Location</u>	<u>Licensed in Company's State of Domicile</u>	<u>Statement Value of Annuities</u>
Fidelity & Guaranty Life Insurance Company, Baltimore, MD	Yes	\$959,624,027
MetLife Insurance Company of Connecticut, Bloomfield, CT	Yes	404,251,264
Genworth Life and Annuity Insurance Company, Richmond, VA	Yes	249,917,243
Symetra Life Insurance Company, Bellevue, WA	Yes	238,495,490
Genworth Life Insurance Company, Richmond, VA	Yes	199,073,378
All other companies		1,151,569,627

**28. HEALTH CARE RECEIVABLES**

Not applicable.

**29. PARTICIPATING POLICIES**

Not applicable.

**30. PREMIUM DEFICIENCY RESERVES**

As of December 31, 2011, the Company had liabilities of \$0 related to premium deficiency reserves. See Note 1, Part C, regarding the consideration of investment income in the calculation of this premium deficiency reserve.

**31. HIGH DEDUCTIBLES**

At December 31, 2011, the amount of reserve credit recorded by the Company for high deductible policies on unpaid claims was \$309,472,461 and the amount billed and outstanding on paid claims was \$2,951,114. These amounts represent the Company's proportionate share of the TRV Pool (see Note 26).

**32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES**

A. Except for certain third party administered claims, tabular workers' compensation case reserves have been discounted in accordance with the various state laws under which the benefits are paid. The tabular case reserves, as included in Schedule P, reflect a discount rate of 3.5% or as specified by state requirements, generally using the following United States Life Tables:

Non-Fatal Cases:	United States Life Tables Total Population 1969-71 – MI United States Life Tables Total Population 1979-81 – TX United States Life Tables Total Population 1999 – FL, NJ & NY United States Life Tables Total Male or Total Female 1989-91 – CA United States Life Tables Total Male or Total Female 2006 – MA United States Life Tables Total Male or Total Female 2000 – MN United States Life Tables Total Male or Total Female 1999 – all other states
Fatal Cases:	United States Life Tables Total Female 1969-71 – MI * United States Life Tables Total Female 1979-81 – TX * United States Life Tables Total Female 1989-91 – CA * United States Life Tables Total Female 2006 – MA * * and the 1979 NCCI Remarriage Table New York Mandated Mortality & Remarriage Table – NY United States Life Tables Total Female 2000 – MN ** United States Life Tables Total Female 1999 – all other states ** ** and the Railroad Retirement Board Remarriage Table

Other liability reserves related to annuity obligations from structured settlements are discounted using a discount rate of 5% and reflect the 1983 Individual Annuity Mortality table adjusted for impairment and future mortality improvement.

The Company develops loss reserve estimates for workers' compensation tabular claims that are expectations of what the ultimate settlement costs for these claims will be upon final resolution in the future. These estimates are based on the Company's assessment of facts and circumstances currently known and, using Company experience, multiple actuarial estimation methods. This includes estimates of payment patterns reflecting actual mortality, morbidity and settlement history that relate both to claims currently identified as tabular as well as claims not yet identified as tabular ("IBNR" tabular). The total reserves and the corresponding discount that the Company has established for these claims reflects these multiple estimation methods, payment patterns and a discount rate of 5%. The liabilities and discount amounts shown below reflect estimates of the ultimate liability for tabular claims. Furthermore, the case vs. IBNR discount amounts shown below each reflects estimates of the ultimate resolution costs for these claims: case amounts for claims already identified as tabular; IBNR amounts for claims yet to be identified as tabular.

The December 31, 2011 liabilities of the Company and its affiliates listed below included the following amounts of such discounted liabilities:

<u>Company</u>	<u>Workers' Compensation</u>	<u>Other Liability</u>	<u>Other Liability- Structured Payments</u>
St. Paul Fire and Marine Insurance Company	\$ 444,759,640	\$ 11,624,530	\$ 17,563,854
The Travelers Indemnity Company	417,848,002	10,921,147	16,501,099
Travelers Casualty and Surety Company	365,280,606	9,547,211	14,425,177

**NOTES TO FINANCIAL STATEMENTS**

The Phoenix Insurance Company	89,705,453	2,344,600	3,542,529
The Standard Fire Insurance Company	86,834,879	2,269,573	3,429,168
United States Fidelity and Guaranty Company	79,120,210	2,067,937	3,124,510
Travelers Casualty Insurance Company of America	48,979,178	1,280,152	1,934,221
Farmington Casualty Company	26,552,814	694,002	1,048,589
The Automobile Insurance Company of Hartford, Connecticut	24,579,294	642,420	970,653
The Travelers Indemnity Company of Connecticut	24,579,294	642,420	970,653
The Charter Oak Fire Insurance Company	22,785,185	595,528	899,802
Northland Insurance Company	21,888,131	572,082	864,377
St. Paul Surplus Lines Insurance Company	15,788,160	412,650	623,485
The Travelers Indemnity Company of America	13,814,640	361,068	545,549
St. Paul Protective Insurance Company	10,405,883	271,974	410,933
Northfield Insurance Company	9,329,367	243,838	368,423
Travelers Casualty Company of Connecticut	8,432,313	220,392	332,998
Travelers Commercial Casualty Company	8,432,313	220,392	332,998
Travelers Commercial Insurance Company	8,432,313	220,392	332,998
St. Paul Mercury Insurance Company	7,176,436	187,568	283,402
Travelers Property Casualty Company of America	6,458,793	168,811	255,062
Travelers Property Casualty Insurance Company	5,382,327	140,676	212,552
St. Paul Medical Liability Insurance Company	5,202,916	135,987	205,467
Athena Assurance Company	5,202,916	135,987	205,467
TravCo Insurance Company	4,844,094	126,608	191,297
Travelers Excess and Surplus Lines Company	4,844,094	126,608	191,297
The Travelers Home and Marine Insurance Company	4,844,094	126,608	191,297
Travelers Personal Insurance Company	4,844,094	126,608	191,297
Travelers Personal Security Insurance Company	4,844,094	126,608	191,297
Discover Property & Casualty Insurance Company	2,511,753	65,649	99,191
Discover Specialty Insurance Company	2,511,753	65,649	99,191
Northland Casualty Company	2,511,753	65,649	99,191
American Equity Specialty Insurance Company	1,794,109	46,892	70,851
St. Paul Guardian Insurance Company	1,794,109	46,892	70,851
Fidelity and Guaranty Insurance Underwriters, Inc.	1,794,109	46,892	70,851
Total	<u>\$ 1,794,109,069</u>	<u>\$ 46,892,000</u>	<u>\$ 70,850,577</u>

The amount of tabular discount for workers' compensation and other liability reserves at December 31, 2011 was as follows:

Tabular Discount Included in Schedule P - Part 1

Company	Workers' Compensation		Other Liability		Other Liability-
	Case	IBNR	Case	IBNR	Structured Payments
St. Paul Fire and Marine Insurance Company	\$ 90,829,572	\$122,082,395	\$ 3,954,250	\$ 2,976,291	\$ 32,016,146
The Travelers Indemnity Company	85,333,628	114,695,401	3,714,988	2,796,197	30,078,901
Travelers Casualty and Surety Company	74,598,226	100,266,139	3,247,624	2,444,422	26,294,823
The Phoenix Insurance Company	18,319,800	24,623,315	797,550	600,300	6,457,471
The Standard Fire Insurance Company	17,733,566	23,835,369	772,028	581,090	6,250,832
United States Fidelity and Guaranty Company	16,158,064	21,717,764	703,439	529,465	5,695,490
Travelers Casualty Insurance Company of America	10,002,611	13,444,330	435,462	327,764	3,525,779
Farmington Casualty Company	5,422,661	7,288,501	236,075	177,689	1,911,411
The Automobile Insurance Company of Hartford, CT	5,019,625	6,746,788	218,529	164,482	1,769,347
The Travelers Indemnity Company of Connecticut	5,019,625	6,746,788	218,529	164,482	1,769,347
The Charter Oak Fire Insurance Company	4,653,229	6,254,322	202,578	152,476	1,640,198
Northland Insurance Company	4,470,031	6,008,089	194,602	146,473	1,575,623
St. Paul Surplus Lines Insurance Company	3,224,285	4,333,703	140,369	105,653	1,136,515
The Travelers Indemnity Company of America	2,821,249	3,791,991	122,823	92,446	994,451
St. Paul Protective Insurance Company	2,125,097	2,856,305	92,516	69,635	749,067
Northfield Insurance Company	1,905,259	2,560,825	82,945	62,431	671,577
Travelers Casualty Company of Connecticut	1,722,061	2,314,592	74,970	56,428	607,002
Travelers Commercial Casualty Company	1,722,061	2,314,592	74,970	56,428	607,002
Travelers Commercial Insurance Company	1,722,061	2,314,592	74,970	56,428	607,002
St. Paul Mercury Insurance Company	1,465,584	1,969,865	63,804	48,024	516,598
Travelers Property Casualty Company of America	1,319,026	1,772,879	57,424	43,222	464,938
Travelers Property Casualty Insurance Company	1,099,188	1,477,399	47,853	36,018	387,448
St. Paul Medical Liability Insurance Company	1,062,548	1,428,152	46,258	34,817	374,533
Athena Assurance Company	1,062,548	1,428,152	46,258	34,817	374,533
TravCo Insurance Company	989,269	1,329,659	43,068	32,416	348,703
Travelers Excess and Surplus Lines Company	989,269	1,329,659	43,068	32,416	348,703
The Travelers Home and Marine Insurance Company	989,269	1,329,659	43,068	32,416	348,703
Travelers Personal Insurance Company	989,269	1,329,659	43,068	32,416	348,703
Travelers Personal Security Insurance Company	989,269	1,329,659	43,068	32,416	348,703
Discover Property & Casualty Insurance Company	512,954	689,453	22,331	16,808	180,809
Discover Specialty Insurance Company	512,954	689,453	22,331	16,808	180,809
Northland Casualty Company	512,954	689,453	22,331	16,808	180,809
American Equity Specialty Insurance Company	366,396	492,466	15,951	12,006	129,149
St. Paul Guardian Insurance Company	366,396	492,466	15,951	12,006	129,149
Fidelity and Guaranty Insurance Underwriters, Inc.	366,396	492,466	15,951	12,006	129,149
Total	<u>\$366,396,000</u>	<u>\$492,466,300</u>	<u>\$15,951,000</u>	<u>\$12,006,000</u>	<u>\$129,149,423</u>

B. Non-tabular reserves have not been discounted.

C. No changes in the rates or other key assumptions used to discount prior accident year reserves have been made.

**33. ABESTOS/ENVIRONMENTAL RESERVES**

The following represents the Company's allocable share of the pooled property-casualty business of the TRV Pool, based on its pro rata participation percentage of 4.41%.

A. Does the Company have on the books or has it ever written an insured for which you have identified a potential for the existence of a liability due to asbestos losses? Yes (X) No ( )

**NOTES TO FINANCIAL STATEMENTS**

Exposure for asbestos losses arises from liability coverage written many years ago. The exposures include bodily injury and property damage losses.

Because each policyholder presents different liability and coverage issues, the Company generally reviews the exposure presented by each policyholder at least annually. Among the factors which the Company may consider in the course of this review are: available insurance coverage, including the role of any umbrella or excess insurance the Company has issued to the policyholder; limits and deductibles; an analysis of the policyholder's potential liability; the jurisdictions involved; past and anticipated future claim activity and loss development on pending claims; past settlement values of similar claims; allocated claim adjustment expense; potential role of other insurance; the role, if any, of non-asbestos claims or potential non-asbestos claims in any resolution process; and 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 Company continues to be involved in coverage litigation concerning a number of policyholders, some of whom have filed for bankruptcy, who in some instances have asserted that all or a portion of their asbestos-related claims are not subjected to aggregate limits on coverage. In these instances, policyholders also may assert that each individual bodily injury claim should be treated as a separate occurrence under the policy. It is difficult to predict whether these policyholders will be successful on both issues. To the extent both issues are resolved in a policyholder's favor and other Company defenses are not successful, the Company's coverage obligations under the policies at issue would be materially increased and bounded only by the applicable per-occurrence limits and the number of asbestos bodily injury claims against the policyholders. Accordingly, although the Company has seen a moderation in the overall risk associated with these lawsuits, it remains difficult to predict the ultimate cost of these claims.

The Company's quarterly asbestos reserve reviews include an analysis of exposure and claim payment patterns, as well as recent settlements, policyholder bankruptcies, judicial rulings and legislative actions. The Company also analyzes developing payment patterns among various policyholders as well as projected reinsurance billings and recoveries. In addition, the Company reviews its historical gross and net loss and expense paid experience, year-by-year, to assess any emerging trends, fluctuations, or characteristics suggested by the aggregate paid activity. Conventional actuarial methods are not utilized to establish asbestos reserves nor have the Company's evaluations resulted in any way of determining a meaningful average asbestos defense or indemnity payment.

In December 2008, the Company's affiliate, St. Paul Fire and Marine Insurance Company (Fire and Marine) sold Unionamerica. In conjunction with the sale Fire and Marine commuted its assumed intercompany reinsurance agreements with Unionamerica subsidiaries. As a result of these commutations and their impact on the TRV Pool, the Company's 2008 asbestos assumed calendar year paid losses increased by \$8,731,800 and the Company's 2008 asbestos assumed incurred losses decreased by \$1,499,400.

<u>1. Direct Basis - Asbestos:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
a. Beginning reserves:	\$ 182,984,000	\$ 166,251,000	\$ 136,830,000	\$ 128,408,000	\$ 120,717,000
b. Incurred losses and LAE:	(737,000)	2,766,000	7,056,000	9,128,000	6,175,000
c. Calendar year payments for losses and LAE:	<u>15,996,000</u>	<u>32,187,000</u>	<u>15,478,000</u>	<u>16,819,000</u>	<u>14,199,000</u>
d. Ending reserves:	<u>\$ 166,251,000</u>	<u>\$ 136,830,000</u>	<u>\$ 128,408,000</u>	<u>\$ 120,717,000</u>	<u>\$ 112,693,000</u>
<u>2. Assumed Reinsurance Basis - Asbestos:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
a. Beginning reserves:	\$ 22,339,000	\$ 21,027,000	\$ 8,568,000	\$ 8,046,000	\$ 8,896,000
b. Incurred losses and LAE:	739,000	(1,156,000)	1,102,000	2,426,000	2,425,000
c. Calendar year payments for losses and LAE:	<u>2,051,000</u>	<u>11,303,000</u>	<u>1,624,000</u>	<u>1,576,000</u>	<u>1,489,000</u>
d. Ending reserves:	<u>\$ 21,027,000</u>	<u>\$ 8,568,000</u>	<u>\$ 8,046,000</u>	<u>\$ 8,896,000</u>	<u>\$ 9,832,000</u>
<u>3. Net of Ceded Reinsurance Basis - Asbestos:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
a. Beginning reserves:	\$ 178,543,000	\$ 164,554,000	\$ 128,406,000	\$ 121,516,000	\$ 112,268,000
b. Incurred losses and LAE:	1,000	1,609,000	8,159,000	6,173,000	7,718,000
c. Calendar year payments for losses and LAE:	<u>13,990,000</u>	<u>37,757,000</u>	<u>15,049,000</u>	<u>15,421,000</u>	<u>12,507,000</u>
d. Ending reserves:	<u>\$ 164,554,000</u>	<u>\$ 128,406,000</u>	<u>\$ 121,516,000</u>	<u>\$ 112,268,000</u>	<u>\$ 107,479,000</u>

Where appropriate, these agreements also include indemnities and hold harmless provisions to protect the Company.

**B. Ending loss and LAE reserves for unreported claims included in Part A above:**

1. Direct Basis:	\$ 97,396,000
2. Assumed Reinsurance Basis:	\$ 4,696,000
3. Net of Ceded Reinsurance Basis:	\$ 91,120,000

**C. Ending LAE reserves for reported and unreported claims included in Part A above:**

1. Direct Basis:	\$ 31,367,000
2. Assumed Reinsurance Basis:	\$ 125,000
3. Net of Ceded Reinsurance Basis:	\$ 29,719,000

**D. Does the Company have on the books or has it ever written an insured for which you have identified a potential for the existence of a liability due to environmental losses? Yes (X) No ( )**

Exposure for environmental losses arises from liability coverage written many years ago. The exposures include bodily injury and property damage losses.

The resolution of environmental exposures by the Company generally occurs by settlement on a policyholder-by-policyholder basis as opposed to a claim-by-claim basis. Generally, the Company strives to extinguish any obligations it may have under any policy issued to the policyholder for past, present and future environmental liabilities and extinguish any pending coverage litigation dispute with the policyholder. This form of settlement is commonly referred to as a "buy-back" of policies for future environmental liability. In addition, many of the agreements have also extinguished any insurance obligation which the Company may have for other claims, including but not limited to asbestos and other cumulative injury claims. The Company and its policyholders may also agree to settlements which extinguish any liability arising from known specified sites or claims. Where appropriate, these agreements also include indemnities and hold harmless provisions to protect the Company. The Company's general purpose in executing these agreements is to reduce the Company's potential environmental exposure and eliminate the risks presented by coverage litigation with the policyholder and related costs.

In establishing environmental reserves, the Company evaluates the exposure presented by each policyholder and the anticipated cost of resolution, if any. In the course of this analysis, the Company generally considers the probable liability, available coverage, relevant judicial interpretations and historical value of similar exposures. In addition, the Company considers the many variables presented, such as the nature of the alleged activities of the policyholder at each site; the number of sites; the total number of potentially responsible parties at each site; the nature of the alleged environmental harm and the corresponding remedy at each site; the nature of government enforcement activities at each site; the ownership and general use of each site; the overall nature of the insurance

**NOTES TO FINANCIAL STATEMENTS**

relationship between the Company and the policyholder, including the role of any umbrella or excess insurance the Company has issued to the policyholder; the involvement of other insurers; the potential for other available coverage, including the number of years of coverage; the role, if any, of non-environmental claims or potential non-environmental claims in any resolution process; and the applicable law in each jurisdiction. The evaluation of the exposure presented by a policyholder can change as information concerning that policyholder and the many variables presented is developed. Conventional actuarial techniques are not used to estimate these reserves.

In its review of environmental reserves, the Company considers: past settlement payments; changing judicial and legislative trends; its reserves for the costs of litigating environmental coverage matters; the potential for policyholders with smaller exposures to be named in new clean-up actions for both on- and off-site waste disposal activities; the potential for adverse development; the potential for additional new claims beyond previous expectations; and the potential higher costs for new settlements.

The majority of the net environmental reserve is carried in a bulk reserve which includes unresolved environmental claims, incurred but not reported environmental claims and the anticipated cost of coverage litigation disputes relating to these claims. The bulk reserve the Company carries is established and adjusted based upon the aggregate volume of in-process environmental claims and the Company's experience in resolving those claims. The balance of the net environmental reserve consists of case reserves.

As a result of the commutations described above and their impact on the TRV Pool, the Company's 2008 environmental assumed calendar year paid losses increased by \$1,234,800 and the Company's 2008 environmental assumed incurred losses decreased by \$220,500.

1. <u>Direct Basis - Environmental:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
a. Beginning reserves:	\$ 11,851,000	\$ 15,886,000	\$ 14,805,000	\$ 14,676,000	\$ 13,290,000
b. Incurred losses and LAE:	8,145,000	3,740,000	3,705,000	1,755,000	2,911,000
c. Calendar year payments for losses and LAE:	<u>4,110,000</u>	<u>4,821,000</u>	<u>3,834,000</u>	<u>3,141,000</u>	<u>3,438,000</u>
d. Ending reserves:	<u>\$ 15,886,000</u>	<u>\$ 14,805,000</u>	<u>\$ 14,676,000</u>	<u>\$ 13,290,000</u>	<u>\$ 12,763,000</u>
2. <u>Assumed Reinsurance Basis- Environmental:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
a. Beginning reserves:	\$ 5,817,000	\$ 4,826,000	\$ 2,815,000	\$ 2,485,000	\$ 2,322,000
b. Incurred losses and LAE:	11,000	(199,000)	44,000	229,000	618,000
c. Calendar year payments for losses and LAE:	<u>1,002,000</u>	<u>1,812,000</u>	<u>374,000</u>	<u>392,000</u>	<u>415,000</u>
d. Ending reserves:	<u>\$ 4,826,000</u>	<u>\$ 2,815,000</u>	<u>\$ 2,485,000</u>	<u>\$ 2,322,000</u>	<u>\$ 2,525,000</u>
3. <u>Net of Ceded Reinsurance Basis- Environmental:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
a. Beginning reserves:	\$ 18,452,000	\$ 21,605,000	\$ 18,246,000	\$ 17,337,000	\$ 15,458,000
b. Incurred losses and LAE:	8,155,000	3,542,000	3,088,000	1,543,000	3,351,000
c. Calendar year payments for losses and LAE:	<u>5,002,000</u>	<u>6,901,000</u>	<u>3,997,000</u>	<u>3,422,000</u>	<u>3,756,000</u>
d. Ending reserves:	<u>\$ 21,605,000</u>	<u>\$ 18,246,000</u>	<u>\$ 17,337,000</u>	<u>\$ 15,458,000</u>	<u>\$ 15,053,000</u>

## E. Ending loss and LAE reserves for unreported claims included in Part D above:

1. Direct Basis:	\$ 12,562,000
2. Assumed Reinsurance Basis:	\$ 1,475,000
3. Net of Ceded Reinsurance Basis	\$ 13,954,000

## F. Ending LAE reserves for reported and unreported claims included in Part D above:

1. Direct Basis:	\$ 3,663,000
2. Assumed Reinsurance Basis:	\$ 31,000
3. Net of Ceded Reinsurance Basis	\$ 3,594,000

As a result of the processes and procedures described above, management believes that the reserves carried for asbestos and environmental claims at December 31, 2011 are appropriately established based upon known facts, current law and management's judgment. However, the uncertainties surrounding the final resolution of these claims continue, and it is difficult to determine the ultimate exposure for asbestos and environmental claims and related litigation. As a result, these reserves are subject to revision as new information becomes available and as claims develop. The continuing uncertainties include, without limitation, the risks and lack of predictability inherent in complex litigation, any impact from the bankruptcy protection sought by various asbestos producers and other asbestos defendants, a further increase in the cost to resolve and/or the number of asbestos and environmental claims beyond that which is anticipated, the role of any umbrella or excess policies the Company has issued, the resolution or adjudication of disputes pertaining to the amount of available coverage for asbestos and environmental claims in a manner inconsistent with the Company's previous assessment of these claims, the number and outcome of direct actions against the Company, future developments pertaining to the Company's ability to recover reinsurance for asbestos and environmental claims and the unavailability of other insurance sources potentially available to policyholders, whether through exhaustion of policy limits or through the insolvency of other participating insurers. In addition, uncertainties arise from the insolvency or bankruptcy of policyholders and other defendants. It is also not possible to predict changes in the legal, regulatory and legislative environment and their impact on the future development of asbestos and environmental claims. This environment could be affected by changes in applicable legislation and future court and regulatory decisions and interpretations, including the outcome of legal challenges to legislative and/or judicial reforms establishing medical criteria for the pursuit of asbestos claims. It is also difficult to predict the ultimate outcome of complex coverage disputes until settlement negotiations near completion and significant legal questions are resolved or, failing settlement, until the dispute is adjudicated. This is particularly the case with policyholders in bankruptcy where negotiations often involve a large number of claimants and other parties and require court approval to be effective. As part of its continuing analysis of asbestos and environmental reserves, the Company continues to study the implications of these and other developments.

Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the current related reserves. In addition, the Company's estimate of claims and claim adjustment expenses may change. These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company's operating results in future periods.

## 34. SUBSCRIBER SAVINGS ACCOUNTS

Not applicable.

## 35. MULTIPLE PERIL CROP INSURANCE

Not applicable.



## ***NOTES TO FINANCIAL STATEMENTS***

### 36. FINANCIAL GUARANTY INSURANCE

Not applicable.

**NOTES TO FINANCIAL STATEMENTS**

Attachment to the 2011 Annual Statement – Notes to Financial Statements, Note 9 – Part F:  
Names of the companies included with TRV in the December 31, 2011, consolidated Federal income tax return filing

The Travelers Companies, Inc. (TRV) & Subsidiaries

<u>Company Name</u>	<u>FEIN</u>	<u>Company Name</u>	<u>FEIN</u>
AE DEVELOPMENT GROUP, INC.	06-0952727	THE AUTOMOBILE INSURANCE COMPANY OF HARTFORD, CT	06-0848755
AMERICAN EQUITY INSURANCE COMPANY	86-0703220	THE CHARTER OAK FIRE INSURANCE COMPANY	06-0291290
AMERICAN EQUITY SPECIALTY INSURANCE COMPANY	86-0868106	THE PHOENIX INSURANCE COMPANY	06-0303275
ATHENA ASSURANCE COMPANY	41-1435765	THE PREMIER INSURANCE COMPANY OF MASSACHUSETTS	04-3175569
BMR SPORTS PROPERTIES, INC.	52-1852190	THE STANDARD FIRE INSURANCE COMPANY	06-6033509
CAMPERDOWN CORPORATION	41-1762781	THE TRAVELERS HOME AND MARINE INSURANCE COMPANY	35-1838079
CASTLE PINES FIDELITY REALTY, INC.	52-1735211	THE TRAVELERS INDEMNITY COMPANY	06-0566050
COMMERCIAL GUARANTY INSURANCE COMPANY	75-1679830	THE TRAVELERS INDEMNITY COMPANY OF AMERICA	58-6020487
CONSTITUTION PLAZA INC	06-0566030	THE TRAVELERS INDEMNITY COMPANY OF CONNECTICUT	06-0336212
COUNTERSIGNATURE AGENCY, INC.	06-1345091	THE TRAVELERS LLOYDS INSURANCE COMPANY	76-0002592
DISCOVER PROPERTY & CASUALTY INSURANCE COMPANY	36-2999370	THE TRAVELERS MARINE CORPORATION	94-0338230
DISCOVER SPECIALTY INSURANCE COMPANY	52-1925131	TINDY FOREIGN, INC.	20-4403403
ENGLISH TURN FIDELITY REALTY, INC.	52-1466734	TPC INVESTMENTS, INC.	06-1534005
ENGLISH TURN REALTY MANAGEMENT, INC.	52-1715225	TRAVCO INSURANCE COMPANY	35-1838077
FARMINGTON CASUALTY COMPANY	06-1067463	TRAVELERS LLOYDS OF TEXAS INSURANCE COMPANY	75-1732040
FIDELITY AND GUARANTY INSURANCE COMPANY	42-1091525	TRAVELERS (BERMUDA) LTD.	98-0190863
FIDELITY AND GUARANTY INSURANCE UNDERWRITERS, INC.	52-0616768	TRAVELERS ALPHA HOLDINGS, INC.	06-1531058
FIRST FLORIDIAN AUTO AND HOME INSURANCE COMPANY	59-3372141	TRAVELERS AUTO INSURANCE CO. OF NEW JERSEY	22-3499393
FIRST TRENTON INDEMNITY COMPANY	22-3129711	TRAVELERS CASUALTY AND SURETY COMPANY	06-6033504
GULF UNDERWRITERS INSURANCE COMPANY	56-1371361	TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA	06-0907370
JUPITER HOLDINGS, INC.	41-1769846	TRAVELERS CASUALTY COMPANY OF CONNECTICUT	06-1286266
LAUREL VILLAGE FIDELITY REALTY, INC.	52-1551225	TRAVELERS CASUALTY INSURANCE COMPANY OF AMERICA	06-0876835
NORTHBROOK HOLDINGS, INC.	51-0375653	TRAVELERS COMMERCIAL CASUALTY COMPANY	95-3634110
NORTHFIELD INSURANCE COMPANY	41-0983992	TRAVELERS COMMERCIAL INSURANCE COMPANY	06-1286268
NORTHLAND CASUALTY COMPANY	94-6051964	TRAVELERS DISTRIBUTION ALLIANCE, INC.	62-1657094
NORTHLAND INSURANCE COMPANY	41-6009967	TRAVELERS EXCESS AND SURPLUS LINES COMPANY	06-1203698
NORTHLAND RISK MANAGEMENT SERVICES, INC.	41-1720288	TRAVELERS INSURANCE GROUP HOLDINGS INC.	06-1445591
SELECT INSURANCE COMPANY	75-6013697	TRAVELERS LLOYDS MANAGEMENT COMPANY	20-4312440
SPC INSURANCE AGENCY, INC.	41-1888760	TRAVELERS MGA, INC.	75-2676034
ST. PAUL FIRE & CASUALTY INSURANCE COMPANY	41-1419276	TRAVELERS PERSONAL INSURANCE COMPANY	36-3703200
ST. PAUL FIRE & MARINE INSURANCE COMPANY	41-0406690	TRAVELERS PERSONAL SECURITY INSURANCE COMPANY	06-1286264
ST. PAUL GUARDIAN INSURANCE COMPANY	41-0963301	TRAVELERS PROPERTY CASUALTY INSURANCE COMPANY	06-1286274
ST. PAUL LONDON PROPERTIES, INC.	41-1880024	TRAVELERS PROPERTY CASUALTY COMPANY OF AMERICA	36-2719165
ST. PAUL MEDICAL LIABILITY INSURANCE COMPANY	41-1435766	TRAVELERS PROPERTY CASUALTY CORP.	06-1008174
ST. PAUL MERCURY INSURANCE COMPANY	41-0881659	TRAVELERS TEXAS MGA, INC.	27-4469564
ST. PAUL PROTECTIVE INSURANCE COMPANY	36-2542404	UNITED STATES FIDELITY & GUARANTY COMPANY	52-0515280
ST. PAUL SURPLUS LINES INSURANCE COMPANY	41-1230819	USF&G FINANCIAL SERVICES CORPORATION	52-1386957
TCI GLOBAL SERVICES, INC.	52-1965525	USF&G RETAIL ASSOCIATES GP, INC.	52-1704255
		YONKERS FINANCING CORPORATION	20-3033027

# UNITED STATES FIDELITY AND GUARANTY COMPANY GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES - GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State regulating? Connecticut
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change: 12/31/2009
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2009
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2009
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/14/2011
- 3.4 By what department or departments? Insurance Department of Connecticut
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [ X ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ X ] No [ ] N/A [ ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ X ] No [ ]
- 4.12 renewals? Yes [ X ] No [ ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ X ]
- 4.22 renewals? Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1<br>Name of Entity | 2<br>NAIC Co. Code | 3<br>State of Domicile |
|---------------------|--------------------|------------------------|
|                     |                    |                        |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [ X ]
- 6.2 If yes, give full information:
- 
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control .....0.000 %
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)
- | 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
|                  |                     |
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>OTS | 6<br>FDIC | 7<br>SEC |
|---------------------|-----------------------------|----------|----------|----------|-----------|----------|
|                     |                             |          |          |          |           |          |
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
KPMG LLP, One Financial Plaza, 755 Main St., Hartford, CT 06103
- 
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
- 
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]
- 10.6 If the answer to 10.5 is no or n/a, please explain.
- 
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Smitesh Davé, FCAS & MAAA (Vice President and Chief Corporate Actuary), The Travelers Companies, Inc., One Tower Square, Hartford, CT 06183
- 
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ X ] No [ ]
- 12.11 Name of real estate holding company  
Laurel Village Fidelity Realty, Inc.
- 12.12 Number of parcels involved .....8
- 12.13 Total book/adjusted carrying value \$.....0
- 12.2 If yes, provide explanation.  
Holds 727 apartment units in downtown Minneapolis, MN

Annual Statement for the year 2011 of the **UNITED STATES FIDELITY AND GUARANTY COMPANY**  
**GENERAL INTERROGATORIES**

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

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

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

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

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

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [ X ] No [ ]

- 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.

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

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

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

The Code of Business Conduct and Ethics was updated in 2011, but the changes were applicable to all employees.

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

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

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

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

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

**PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS**

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

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

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

**PART 1 - COMMON INTERROGATORIES - FINANCIAL**

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

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

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

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

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

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

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

21.21 Rented from others \$.....0

21.22 Borrowed from others \$.....0

21.23 Leased from others \$.....0

21.24 Other \$.....0

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

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment \$.....0

22.22 Amount paid as expenses \$.....0

22.23 Other amounts paid \$.....0

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

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

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

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

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

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

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

24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$.....7,392,631

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

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes  No  N/A
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes  No  N/A
- 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes  No  N/A
- 25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3) Yes  No
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- 25.21 Subject to repurchase agreements \$.....0
  - 25.22 Subject to reverse repurchase agreements \$.....0
  - 25.23 Subject to dollar repurchase agreements \$.....0
  - 25.24 Subject to reverse dollar repurchase agreements \$.....0
  - 25.25 Pledged as collateral \$.....134,880,390
  - 25.26 Placed under option agreements \$.....0
  - 25.27 Letter stock or securities restricted as to sale \$.....0
  - 25.28 On deposit with state or other regulatory body \$.....180,452,288
  - 25.29 Other \$.....801,488

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes  No
- 26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes  No  N/A
- If no, attach a description with this statement.

- 27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes  No
- 27.2 If yes, state the amount thereof at December 31 of the current year: \$.....0

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

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

1 Name of Custodian(s)	2 Custodian's Address
JPMorgan Chase	270 Park Avenue, New York, NY 10017-2070
The Bank of New York Mellon	One Wall Street, New York, NY 10286

- 28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:
- | 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
| N/A          |                  |                              |

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

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

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

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

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A		

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

29.2 If yes, complete the following schedule:

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

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

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

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	4,098,079,515	4,416,746,367	318,666,851
30.2 Preferred stocks.....	0	0	0
30.3 Totals.....	4,098,079,515	4,416,746,367	318,666,851

30.4 Describe the sources or methods utilized in determining the fair values:  
 Fair values of bonds and preferred stocks are based on prices published in the NAIC Valuations of Securities. If this unit price is not available, the fair value is based upon quoted market prices or dealer quotes, or if prices are unavailable, based on valuation determined, in good faith, by The Travelers Companies, Inc.

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes  No
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes  No
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes  No
- 32.2 If no, list exceptions:

**PART 1 - COMMON INTERROGATORIES - OTHER**

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....2,203,887

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

1 Name	2 Amount Paid
INSURANCE SERVICES OFFICE, INC	892,420

34.1 Amount of payments for legal expenses, if any? \$.....3,772,797

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

1 Name	2 Amount Paid

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....124,236

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

1 Name	2 Amount Paid
US CHAMBER OF COMMERCE - INSTITUTE FOR LEGAL REFORM	33,075

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only. \$.....0
- 1.3 What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$.....0
  - 1.31 Reason for excluding: \_\_\_\_\_

---

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$.....0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$.....0
- 1.6 Individual policies:
  - Most current three years:
    - 1.61 Total premium earned \$.....0
    - 1.62 Total incurred claims \$.....0
    - 1.63 Number of covered lives .....0
  - All years prior to most current three years:
    - 1.64 Total premium earned \$.....0
    - 1.65 Total incurred claims \$.....0
    - 1.66 Number of covered lives .....0
- 1.7 Group policies:
  - Most current three years:
    - 1.71 Total premium earned \$.....0
    - 1.72 Total incurred claims \$.....0
    - 1.73 Number of covered lives .....0
  - All years prior to most current three years:
    - 1.74 Total premium earned \$.....0
    - 1.75 Total incurred claims \$.....0
    - 1.76 Number of covered lives .....0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	\$.....0	\$.....0
2.2 Premium Denominator.....	\$.....836,898,504	\$.....802,531,825
2.3 Premium Ratio (2.1/2.2).....	.....0.0	.....0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....2,040,144,567	\$.....1,994,395,627
2.6 Reserve Ratio (2.4/2.5).....	.....0.0	.....0.0

- 3.1 Does the reporting entity issue both participating and non-participating policies? Yes [X] No [ ]
- 3.2 If yes, state the amount of calendar year premiums written on:
  - 3.21 Participating policies \$.....12,310,263
  - 3.22 Non-participating policies \$.....832,192,115

4. FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:

- 4.1 Does the reporting entity issue assessable policies? Yes [ ] No [ ]
- 4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [ ]
- 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? .....0.0 %
- 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$.....0

5. FOR RECIPROCAL EXCHANGES ONLY:

- 5.1 Does the exchange appoint local agents? Yes [ ] No [ ]
- 5.2 If yes, is the commission paid:
  - 5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] N/A [ ]
  - 5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [ ]
- 5.3 What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact? \_\_\_\_\_

- 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [ ]
- 5.5 If yes, give full information: \_\_\_\_\_

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?

In order to manage its risk, the Company monitors the concentration of insured employees on a location basis. Although the Company currently has no significant workers' compensation treaty reinsurance, the Company reviews available treaty reinsurance coverages periodically and makes purchase decisions as it deems appropriate. Facultative reinsurance purchases are also made as deemed appropriate.

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

The Company uses RiskLink, a product developed by Risk Management Solutions, Inc., to estimate its Probable Maximum Loss (PML). Property exposures are modeled using RiskLink to determine locations of concentration including California, Florida, New Madrid, the Northeast, the Gulf States, and the Mid-Atlantic States. For terrorism risk, the Company uses RMS-PTM, a product developed by Risk Management Solutions, Inc. The Company also develops conventional attack PML's for combined property and workers' compensation exposures for comparison with aggregate corporate guidelines. Buildings with large exposures have a site engineering analysis performed.

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

The Company purchases both excess of loss and proportional reinsurance to protect itself from an excessive catastrophe loss.

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

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

## GENERAL INTERROGATORIES

## PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ X ] No [ ]
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. ....16
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ X ] No [ ]
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [ X ]
- 8.2 If yes, give full information:
- 
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
- (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
- (c) Aggregate stop loss reinsurance coverage;
- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity? Yes [ ] No [ X ]
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliate represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract? Yes [ ] No [ X ]
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
- (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
- (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
- (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [ X ]
- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ X ] No [ ]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ X ] No [ ] N/A [ ]
- 11.1 Has this reporting entity guaranteed policies issued by any other reporting entity and now in force? Yes [ ] No [ X ]
- 11.2 If yes, give full information:
- 
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:
- 12.11 Unpaid losses \$.....7,003,845
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$.....1,384,921
- 12.2 Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds: \$.....6,970,809
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [ X ] N/A [ ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- 12.41 From .....0.0 %
- 12.42 To .....0.0 %
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [ X ] No [ ]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- 12.61 Letters of credit \$.....302,974,830
- 12.62 Collateral and other funds \$.....70,264,605



**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY AND CASUALTY INTERROGATORIES**

- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$.....1,532,475
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. ....3
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:  
Per the Company's Reinsurance Allocation Agreement and Pooling Agreement.
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [X] No [ ]
- 14.5 If the answer to 14.4 is no, please explain:  
 \_\_\_\_\_  
 \_\_\_\_\_

- 15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]
- 15.2 If yes, give full information:  
 \_\_\_\_\_  
 \_\_\_\_\_

- 16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]
- If yes, disclose the following information for each of the following types of warranty coverage:

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

\* Disclose type of coverage: .....

- 17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F-Part 3 that it excludes from Schedule F-Part 5? Yes [ ] No [X]
- Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F-Part 5.  
 Provide the following information for this exemption:
- 17.11 Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5 \$.....0
- 17.12 Unfunded portion of Interrogatory 17.11 \$.....0
- 17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11 \$.....0
- 17.14 Case reserves portion of Interrogatory 17.11 \$.....0
- 17.15 Incurred but not reported portion of Interrogatory 17.11 \$.....0
- 17.16 Unearned premium portion of Interrogatory 17.11 \$.....0
- 17.17 Contingent commission portion of Interrogatory 17.11 \$.....0
- Provide the following information for all other amounts included in Schedule F-Part 3 and excluded from Schedule F-Part 5, not included above:
- 17.18 Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5 \$.....0
- 17.19 Unfunded portion of Interrogatory 17.18 \$.....0
- 17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18 \$.....0
- 17.21 Case reserves portion of Interrogatory 17.18 \$.....0
- 17.22 Incurred but not reported portion of Interrogatory 17.18 \$.....0
- 17.23 Unearned premium portion of Interrogatory 17.18 \$.....0
- 17.24 Contingent commission portion of Interrogatory 17.18 \$.....0
- 18.1 Do you act as a custodian for health savings account? Yes [ ] No [X]
- 18.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$.....0
- 18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]
- 18.4 If yes, please provide the balance of the funds administered as of the reporting date. \$.....0

## FIVE-YEAR HISTORICAL DATA

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

	1 2011	2 2010	3 2009	4 2008	5 2007
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	473,412,418	532,015,636	534,491,140	544,496,643	616,792,585
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	146,537,984	148,501,759	149,289,695	154,896,785	169,763,746
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	298,983,685	287,234,765	273,734,820	267,837,384	268,468,076
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	5,418,986	6,139,779	6,603,698	6,775,495	6,848,556
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	2,168,477	821,162	987,327	(2,779,527)	2,696,801
6. Total (Line 35).....	926,521,550	974,713,102	965,106,679	971,226,781	1,064,569,764
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	392,698,875	374,668,205	371,253,418	377,260,908	369,789,497
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	146,539,483	148,412,645	149,217,868	153,988,623	156,084,757
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	298,976,544	287,228,711	273,719,799	267,808,084	263,839,055
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	4,123,201	4,333,390	4,148,681	3,753,107	2,097,536
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	2,164,276	859,061	1,079,143	(2,856,215)	2,628,846
12. Total (Line 35).....	844,502,378	815,502,013	799,418,910	799,954,508	794,439,691
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	(72,122,014)	46,699,754	77,188,657	58,130,245	84,684,476
14. Net investment gain (loss) (Line 11).....	177,545,530	304,187,133	184,790,193	152,255,956	118,051,250
15. Total other income (Line 15).....	1,120,439	1,435,895	899,541	5,059,587	4,206,853
16. Dividends to policyholders (Line 17).....	1,536,840	1,057,578	770,908	967,971	1,026,031
17. Federal and foreign income taxes incurred (Line 19).....	1,824,489	37,932,043	49,850,203	40,942,657	60,485,087
18. Net income (Line 20).....	103,182,626	313,333,161	212,257,280	173,535,160	145,431,461
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	4,646,799,971	4,599,086,294	4,627,074,603	4,192,651,577	4,079,567,049
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	94,062,825	41,258,299	40,501,265	38,286,677	45,296,020
20.2 Deferred and not yet due (Line 15.2).....	167,611,891	161,453,580	157,683,082	171,310,088	174,520,338
20.3 Accrued retrospective premiums (Line 15.3).....	8,210,467	8,618,785	21,321,491	14,191,608	10,016,456
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	2,158,110,704	2,141,137,360	2,161,318,953	2,126,759,112	2,151,063,995
22. Losses (Page 3, Line 1).....	1,312,376,801	1,277,299,854	1,302,562,430	1,332,835,185	1,370,940,237
23. Loss adjustment expenses (Page 3, Line 3).....	294,496,550	296,097,833	305,832,375	305,237,005	299,080,674
24. Unearned premiums (Page 3, Line 9).....	375,946,854	364,591,325	353,277,656	357,532,748	355,008,826
25. Capital paid up (Page 3, Lines 30 & 31).....	35,214,075	35,214,075	35,214,075	35,214,075	35,214,075
26. Surplus as regards policyholders (Page 3, Line 37).....	2,488,689,267	2,457,948,934	2,465,755,650	2,065,892,465	1,928,503,054
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	64,251,190	105,602,067	165,044,893	198,778,560	252,050,627
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	2,488,689,267	2,457,948,934	2,465,755,650	2,065,892,465	1,928,503,054
29. Authorized control level risk-based capital.....	133,614,130	135,896,625	147,546,024	141,660,953	148,384,027
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	96.2	95.6	87.8	92.5	91.5
31. Stocks (Lines 2.1 & 2.2).....	2.8	2.9	7.7	4.5	4.2
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3).....	0.0	0.0	0.0	0.0	0.0
34. Cash, cash equivalents and short-term investments (Line 5).....	0.8	1.0	4.4	2.8	3.8
35. Contract loans (Line 6).....	0.0	0.0	0.0	0.0	0.0
36. Derivatives (Line 7).....	0.0	0.0	XXX	XXX	XXX
37. Other invested assets (Line 8).....	0.0	0.1	0.1	0.2	0.5
38. Receivable for securities (Line 9).....	0.0	0.0	0.0	0.0	0.0
39. Securities lending reinvested collateral assets (Line 10).....	0.2	0.4	XXX	XXX	XXX
40. Aggregate write-ins for invested assets (Line 11).....	0.0	0.0	0.0	0.0	0.0
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....	0	0	0	0	0
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....	0	0	0	0	0
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....	116,174,504	120,273,535	74,462,726	71,211,947	54,339,610
45. Affiliated short-term investments (Schedule DA, Verification, Col. 5, Line 10).....	0	0	0	0	0
46. Affiliated mortgage loans on real estate.....	0	0	0	0	0
47. All other affiliated.....	0	0	0	0	10,000,000
48. Total of above lines 42 to 47.....	116,174,504	120,273,535	74,462,726	71,211,947	64,339,610
49. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	4.7	4.9	3.0	3.4	3.3

**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1	2	3	4	5
	2011	2010	2009	2008	2007
<b>Capital and Surplus Accounts (Page 4)</b>					
50. Net unrealized capital gains (losses) (Line 24).....	(5,855,496)	(150,938,656)	110,842,752	(6,012,780)	102,672,060
51. Dividends to stockholders (Line 35).....	(77,100,000)	(171,000,000)	0	0	0
52. Change in surplus as regards policyholders for the year (Line 38).....	30,740,333	(7,806,716)	399,863,185	137,389,411	(303,403,399)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1&amp;2)</b>					
53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	363,383,378	378,621,527	387,000,115	461,514,900	446,106,112
54. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	92,987,875	77,140,315	76,735,401	81,102,193	85,848,609
55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	215,505,804	155,958,225	154,241,095	168,911,706	181,150,895
56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	(18,187)	11,262,236	(10,434,582)	12,959,534	76,269,718
57. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	14,211,135	13,201,140	12,768,699	25,531,322	62,152,376
58. Total (Line 35).....	686,070,004	636,183,442	620,310,727	750,019,655	851,527,709
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	205,101,620	203,306,163	186,743,110	196,880,701	161,283,855
60. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	92,390,870	77,637,891	77,429,632	76,009,032	66,750,794
61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	204,820,674	141,077,177	127,701,425	125,578,340	101,353,534
62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	2,987,963	2,771,953	3,326,087	2,881,536	8,124,148
63. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	2,742,434	4,944,455	4,145,249	20,821,279	18,022,755
64. Total (Line 35).....	508,043,561	429,737,638	399,345,503	422,170,888	355,535,087
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
65. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
66. Losses incurred (Line 2).....	64.9	50.4	46.1	48.3	46.9
67. Loss expenses incurred (Line 3).....	12.0	11.6	12.2	13.2	12.1
68. Other underwriting expenses incurred (Line 4).....	31.7	32.1	32.0	31.2	30.3
69. Net underwriting gain (loss) (Line 8).....	(8.6)	5.8	9.6	7.3	10.7
<b>Other Percentages</b>					
70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	31.3	31.5	32.0	30.4	29.5
71. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	76.9	62.0	58.3	61.5	59.0
72. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	33.9	33.2	32.4	38.7	41.2
<b>One Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	(13,987)	(41,178)	(47,343)	(60,994)	(25,862)
74. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100).....	(0.6)	(1.7)	(2.3)	(3.2)	(1.2)
<b>Two Year Loss Development (000 omitted)</b>					
75. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(72,720)	(85,584)	(111,937)	(75,779)	(31,248)
76. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(2.9)	(4.1)	(5.8)	(3.4)	(1.6)

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

Yes [ ] No [ ]

If no, please explain:

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments						12 Number of Claims Reported-Direct and Assumed		
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments			10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX	39,789	18,891	14,081	718	4,821	80	1,364	39,003	XXX
2. 2002.....	837,337	162,310	675,026	431,269	91,874	53,249	7,675	26,984	2,659	15,820	409,294	XXX
3. 2003.....	908,286	177,342	730,945	410,846	65,455	45,765	6,140	27,396	2,588	16,681	409,824	XXX
4. 2004.....	913,881	155,282	758,599	380,940	65,591	38,113	4,950	29,889	2,754	16,941	375,647	XXX
5. 2005.....	880,738	130,323	750,415	433,148	116,311	34,790	5,158	30,693	1,984	14,965	375,178	XXX
6. 2006.....	866,773	108,477	758,296	320,787	40,199	29,414	3,012	34,297	1,053	15,695	340,235	XXX
7. 2007.....	953,663	165,969	787,693	330,517	31,747	29,444	2,336	36,926	827	18,208	361,978	XXX
8. 2008.....	884,203	89,073	795,130	396,432	40,581	28,019	2,124	42,866	639	18,398	423,973	XXX
9. 2009.....	871,965	71,389	800,576	326,439	18,778	20,840	1,177	41,229	458	15,439	368,095	XXX
10. 2010.....	866,909	64,377	802,532	313,503	16,511	15,681	821	41,186	373	15,808	352,666	XXX
11. 2011.....	899,628	62,730	836,899	284,971	13,470	7,854	530	36,834	264	11,230	315,396	XXX
12. Totals.....	XXX	XXX	XXX	3,668,640	519,407	317,251	34,640	353,123	13,679	160,550	3,771,288	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	307,508	96,433	249,128	43,695	29,321	5,605	49,489	4,247	29,198	116	759	514,548	XXX
2. 2002.....	21,374	7,153	20,158	4,063	1,715	305	4,912	937	1,413	19	138	37,095	XXX
3. 2003.....	19,305	3,626	24,510	7,493	2,028	422	5,005	859	4,252	39	1,125	42,661	XXX
4. 2004.....	18,720	5,321	21,672	6,456	1,858	178	4,963	981	1,552	19	614	35,811	XXX
5. 2005.....	18,258	6,001	30,596	8,702	1,882	309	5,223	825	1,538	27	922	41,633	XXX
6. 2006.....	25,071	5,781	36,756	8,078	2,601	188	5,677	657	2,139	8	1,174	57,532	XXX
7. 2007.....	27,436	4,205	45,069	8,746	3,620	242	8,406	554	2,312	(7)	2,151	73,103	XXX
8. 2008.....	47,870	5,205	53,841	9,169	5,499	311	13,371	1,172	4,425	(9)	4,368	109,158	XXX
9. 2009.....	57,869	9,015	72,055	8,938	7,061	350	14,973	1,128	5,261	(7)	5,420	137,797	XXX
10. 2010.....	85,186	6,843	102,200	8,394	8,564	407	21,556	1,040	7,596	(9)	8,427	208,427	XXX
11. 2011.....	138,753	18,999	183,036	11,679	9,321	492	28,946	1,061	21,274	(10)	17,284	349,108	XXX
12. Totals.....	767,351	168,582	839,020	125,413	73,470	8,810	162,521	13,461	80,961	186	42,382	1,606,873	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	416,508	98,040
2. 2002.	561,074	114,685	446,389	67.0	70.7	66.1	0	0	4.41	30,316	6,779
3. 2003.	539,107	86,622	452,485	59.4	48.8	61.9	0	0	4.41	32,696	9,965
4. 2004.	497,708	86,249	411,459	54.5	55.5	54.2	0	0	4.41	28,615	7,196
5. 2005.	556,128	139,317	416,811	63.1	106.9	55.5	0	0	4.41	34,150	7,483
6. 2006.	456,742	58,975	397,767	52.7	54.4	52.5	0	0	4.41	47,969	9,563
7. 2007.	483,730	48,650	435,081	50.7	29.3	55.2	0	0	4.41	59,554	13,549
8. 2008.	592,323	59,192	533,131	67.0	66.5	67.0	0	0	4.41	87,338	21,820
9. 2009.	545,727	39,836	505,892	62.6	55.8	63.2	0	0	4.41	111,972	25,825
10. 2010.	595,471	34,379	561,092	68.7	53.4	69.9	0	0	4.41	172,148	36,278
11. 2011.	710,990	46,486	664,504	79.0	74.1	79.4	0	0	4.41	291,111	57,997
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	1,312,377	294,497

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

**SCHEDULE P - PART 2 - SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	One Year	Two Year
1. Prior.....	1,144,415	1,224,208	1,335,734	1,395,215	1,433,338	1,447,874	1,466,294	1,463,757	1,463,069	1,468,597	5,528	4,841
2. 2002.....	450,291	412,646	426,659	432,914	435,838	433,168	432,281	430,183	422,309	422,382	73	(7,801)
3. 2003.....	XXX	451,193	427,918	437,906	436,422	438,932	440,014	431,595	427,283	425,469	(1,814)	(6,126)
4. 2004.....	XXX	XXX	493,973	448,252	429,002	417,437	402,854	396,376	389,151	384,643	(4,508)	(11,732)
5. 2005.....	XXX	XXX	XXX	501,873	460,689	445,087	414,642	402,410	392,725	388,464	(4,261)	(13,946)
6. 2006.....	XXX	XXX	XXX	XXX	419,691	405,921	383,609	375,355	369,268	364,571	(4,697)	(10,784)
7. 2007.....	XXX	XXX	XXX	XXX	XXX	432,286	420,786	409,094	408,969	398,570	(10,399)	(10,524)
8. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX	496,960	501,327	499,082	488,276	(10,806)	(13,050)
9. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	465,314	462,375	461,717	(658)	(3,597)
10. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	497,155	514,711	17,556	XXX
11. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	609,131	XXX	XXX
12. Totals.....											(13,987)	(72,720)

**SCHEDULE P - PART 3 - SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)										11	12
	1	2	3	4	5	6	7	8	9	10	Number of Claims Closed With Loss Payment	Number of Claims Closed Without Loss Payment
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
1. Prior.....	.000	289,909	442,071	577,810	677,348	753,619	836,818	880,731	923,786	958,048	XXX	XXX
2. 2002.....	127,142	213,785	266,513	308,604	339,304	358,410	370,837	377,697	382,115	384,969	XXX	XXX
3. 2003.....	XXX	130,993	224,825	285,505	321,354	348,989	364,483	373,534	379,845	385,017	XXX	XXX
4. 2004.....	XXX	XXX	130,830	223,213	268,139	301,814	321,633	334,862	343,441	348,512	XXX	XXX
5. 2005.....	XXX	XXX	XXX	139,888	242,546	282,456	310,423	328,329	340,741	346,469	XXX	XXX
6. 2006.....	XXX	XXX	XXX	XXX	134,031	207,644	247,024	275,498	297,076	306,990	XXX	XXX
7. 2007.....	XXX	XXX	XXX	XXX	XXX	145,845	227,675	273,128	305,133	325,878	XXX	XXX
8. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX	191,064	291,513	345,736	381,746	XXX	XXX
9. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	178,971	276,947	327,325	XXX	XXX
10. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	201,465	311,852	XXX	XXX
11. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	278,826	XXX	XXX

**SCHEDULE P - PART 4 - SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted)									
	1	2	3	4	5	6	7	8	9	10
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Prior.....	547,322	461,323	442,719	414,508	398,030	374,637	339,925	315,245	288,659	263,063
2. 2002.....	221,886	102,766	73,085	54,613	44,387	38,226	35,089	31,461	22,324	21,341
3. 2003.....	XXX	225,067	111,813	76,351	53,589	44,585	42,238	31,680	25,185	22,402
4. 2004.....	XXX	XXX	264,758	143,810	93,786	66,232	46,658	35,140	25,936	20,397
5. 2005.....	XXX	XXX	XXX	230,987	143,604	108,952	65,711	47,491	32,880	27,756
6. 2006.....	XXX	XXX	XXX	XXX	197,029	130,525	85,049	61,073	45,364	35,390
7. 2007.....	XXX	XXX	XXX	XXX	XXX	190,340	119,607	82,065	63,597	45,789
8. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX	199,805	123,303	88,194	58,195
9. 2009.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	188,725	109,486	78,587
10. 2010.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	183,507	116,059
11. 2011.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	201,630

# UNITED STATES FIDELITY AND GUARANTY COMPANY SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

## Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL.....L.....		(367,227)	108,073	0	3,140,726	(1,349,316)	36,212,933	0	0
2. Alaska.....AK.....L.....		1,092,918	1,045,384	0	1,146,483	883,683	4,080,405	197	0
3. Arizona.....AZ.....L.....		(599,401)	630,918	0	2,682,954	217,220	11,396,546	0	0
4. Arkansas.....AR.....L.....		149,308	118,769	0	999,617	4,779,545	12,778,513	163	0
5. California.....CA.....L.....		32,217,387	35,294,365	0	36,818,931	35,269,584	293,151,574	49,364	0
6. Colorado.....CO.....L.....		251,277	182,320	0	829,614	1,748,268	10,176,275	367	0
7. Connecticut.....CT.....L.....		1,082,985	714,828	0	2,386,615	1,383,142	8,784,416	2,606	0
8. Delaware.....DE.....L.....		478,225	321,773	0	551,771	1,052,994	2,285,982	451	0
9. District of Columbia.....DC.....L.....		26,049	27,094	0	89,839	24,713	1,091,826	3	0
10. Florida.....FL.....L.....		312,237	335,553	0	7,635,386	(46,946,690)	43,165,217	381	0
11. Georgia.....GA.....L.....		1,692,640	1,163,352	0	1,452,597	2,528,495	18,243,950	2,793	0
12. Hawaii.....HI.....L.....		(133,540)	(7,409)	0	335,306	(127,740)	1,811,617	0	0
13. Idaho.....ID.....L.....		237,290	168,644	0	140,387	235,493	1,805,711	523	0
14. Illinois.....IL.....L.....		2,382,312	2,412,045	0	1,540,301	2,057,769	32,036,591	2,483	0
15. Indiana.....IN.....L.....		378,473	396,499	0	(284,674)	(342,601)	15,053,132	215	0
16. Iowa.....IA.....L.....		888,266	2,236,061	0	644,965	1,817,413	11,108,276	606	0
17. Kansas.....KS.....L.....		310,571	55,504	0	1,180,585	1,370,157	7,373,720	274	0
18. Kentucky.....KY.....L.....		100,886	253,626	0	773,830	2,745,521	22,309,164	84	0
19. Louisiana.....LA.....L.....		541,500	420,501	0	2,876,480	(59,931,052)	25,853,553	466	0
20. Maine.....ME.....L.....		156,451	106,058	0	1,139,109	405,553	4,997,866	266	0
21. Maryland.....MD.....L.....		31,232	55,187	0	1,953,624	2,707,593	13,337,528	0	0
22. Massachusetts.....MA.....L.....		(2,872)	524,135	0	4,673,942	(4,023,083)	25,398,841	0	0
23. Michigan.....MI.....L.....		4,629,859	4,358,995	0	(1,990,766)	76,380,255	138,495,374	5,650	0
24. Minnesota.....MN.....L.....		1,771,667	3,782,793	0	1,785,506	4,918,926	13,959,004	1,424	0
25. Mississippi.....MS.....L.....		361,236	162,812	0	1,971,199	(20,168,837)	33,889,458	322	0
26. Missouri.....MO.....L.....		828,929	517,038	0	4,769,441	3,550,780	18,384,265	1,097	0
27. Montana.....MT.....L.....		236,504	106,129	0	(2,022,251)	(2,640,587)	6,348,484	504	0
28. Nebraska.....NE.....L.....		158,206	372,724	0	241,242	754,753	5,808,763	131	0
29. Nevada.....NV.....L.....		169,293	147,210	0	(634,778)	652,770	4,921,173	233	0
30. New Hampshire.....NH.....L.....		206,171	440,154	0	164,485	(32,429)	2,080,525	406	0
31. New Jersey.....NJ.....L.....		636,665	624,164	0	3,946,656	26,422,894	54,783,807	1,136	0
32. New Mexico.....NM.....L.....		(5,033)	(5,172)	0	1,009,281	714,462	13,647,700	0	0
33. New York.....NY.....L.....		1,779,522	1,718,419	0	6,195,202	21,694,405	53,697,779	2,871	0
34. North Carolina.....NC.....L.....		1,042,831	852,996	0	4,313,949	5,963,627	17,460,508	1,458	0
35. North Dakota.....ND.....L.....		13,148	15,296	0	(3,178)	103,761	398,217	2	0
36. Ohio.....OH.....L.....		606,666	2,178,023	0	362,712	1,231,509	18,095,591	517	0
37. Oklahoma.....OK.....L.....		139,956	262,899	0	337,943	1,750,325	19,104,826	8	0
38. Oregon.....OR.....L.....		882,287	2,580,855	0	3,246,336	(1,042,876)	7,172,431	1,616	0
39. Pennsylvania.....PA.....L.....		3,151,774	4,080,441	0	8,400,677	(24,085,091)	78,075,932	3,512	0
40. Rhode Island.....RI.....L.....		22,512	17,592	0	(277,208)	(324,694)	2,250,622	59	0
41. South Carolina.....SC.....L.....		321,789	633,374	0	1,245,553	(24,317)	14,056,039	466	0
42. South Dakota.....SD.....L.....		328,179	181,884	0	274,166	105,819	1,323,476	239	0
43. Tennessee.....TN.....L.....		(39,153)	(119,391)	0	1,615,248	1,868,427	23,353,312	0	0
44. Texas.....TX.....L.....		391,091	963,519	0	1,899,058	(1,433,945)	52,519,360	490	0
45. Utah.....UT.....L.....		429,507	335,106	0	139,003	403,709	4,018,261	841	0
46. Vermont.....VT.....L.....		1,786,967	1,218,907	0	567,763	(278,047)	5,552,040	3,128	0
47. Virginia.....VA.....L.....		1,215,397	1,122,973	0	2,994,507	(1,207,154)	31,304,965	1,820	0
48. Washington.....WA.....L.....		(298,611)	6,441	0	602,332	3,138,119	5,667,420	0	0
49. West Virginia.....WV.....L.....		53,271	117,434	0	454,999	18,106	2,326,689	14	0
50. Wisconsin.....WI.....L.....		6,375,854	14,068,511	0	9,807,142	1,820,043	35,198,092	2,463	0
51. Wyoming.....WY.....L.....		32,861	31,509	0	44,368	216,559	665,647	1	0
52. American Samoa.....AS.....N.....		0	0	0	0	0	0	0	0
53. Guam.....GU.....N.....		0	0	0	0	0	0	0	0
54. Puerto Rico.....PR.....L.....		1,625	2,791	0	(158,812)	(9,024,680)	5,280,080	0	0
55. US Virgin Islands.....VI.....L.....		400	400	0	0	11,101	26,154	0	0
56. Northern Mariana Islands.....MP.....N.....		0	0	0	0	0	0	0	0
57. Canada.....CN.....N.....		0	0	0	0	(196)	1,777	0	0
58. Aggregate Other Alien.....OT.....XXX.....		(596,784)	(593,848)	0	0	(39,142,134)	102,389,036	0	0
59. Totals.....(a).....53.....		67,861,553	86,746,261	0	124,010,163	(1,177,979)	1,374,710,440	91,651	0

### DETAILS OF WRITE-INS

5801. Other Alien Combined.....XXX.....		(596,784)	(593,848)	0	0	(39,139,870)	102,385,897	0	0
5802. Egypt.....XXX.....		0	0	0	0	(20)	1,471	0	0
5803. Norway.....XXX.....		0	0	0	0	(1,116)	1,111	0	0
5898. Summary of remaining write-ins for Line 58 from overflow page.....XXX.....		0	0	0	0	(1,128)	557	0	0
5899. Totals (Lines 5801 thru 5803+ Line 5898) (Line 58 above).....XXX.....		(596,784)	(593,848)	0	0	(39,142,134)	102,389,036	0	0

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

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

Explanation of Basis of Allocation of Premiums by States, etc.

1. FIRE; 2. ALLIED LINES; 3. FARMOWNERS MULTIPLE PERIL; 4. HOMEOWNERS MULTIPLE PERIL; 5. COMMERCIAL MULTIPLE PERIL; 12. EARTHQUAKE; 26. BURGLARY AND THEFT; 27. BOILER AND MACHINERY-LOCATION OF PROPERTY INSURED; 8. OCEAN MARINE-LOCATION WHERE CONTRACT OF INSURANCE IS NEGOTIATED, EXCEPT BUILDERS RISKS WHICH ARE ALLOCATED ON LOCATIONS OF RISK; 9. INLAND MARINE-ADDRESS OF INSURED OR STATE OF PRINCIPAL EXPOSURE, BRIDGES AND TUNNELS-LOCATION OF PROPERTY; 10. FINANCIAL GUARANTY; 13. GROUP ACCIDENT AND HEALTH; 15. OTHER ACCIDENT AND HEALTH; 28. CREDIT-LOCATION OF INSURED; 11. MEDICAL MALPRACTICE; 16. WORKERS COMPENSATION; 17. OTHER LIABILITY; 18 PRODUCTS LIABILITY-LOCATION OF RISK; 19. AUTO LIABILITY; 21. AUTO PHYSICAL DAMAGE-LOCATION OF PRINCIPAL GARAGE OF INSURED; 22. AIRCRAFT (ALL PERILS)-LOCATION OF AIRPORT FROM WHICH INSURED AIRCRAFT PRINCIPALLY OPERATE; 23. FIDELITY-FORGERY-LOCATION OF INSURED, PUBLIC AND FEDERAL OFFICIAL-LOCATION OF OFFICIAL, ALL OTHER FIDELITY-LOCATION OF EMPLOYER; 24. SURETY-CONSTRUCTION CONTRACT-LOCATION OF WORK, SUPPLY CONTRACTS-LOCATION OF CONTRACTOR, JUDICIAL-LOCATION OF COURT, LICENSE-LOCATION OF OBLIGEE; ALL OTHER-LOCATION OF PRINCIPAL.

See note on page 92.1

During 2011, the Company detected and corrected an error related to the reporting of auto unlimited no-fault claims for private passenger auto and commercial auto which are ceded to mandatory reinsurance pools in the states of Michigan and New Jersey. The Company previously reported the unpaid losses for these claims on a net basis, rather than within the applicable components of direct and ceded. As a result of this correction, there was a increase in year-end Direct Losses Incurred and Direct Losses Unpaid. This correction had no net financial impact to the Company, as these losses are 100% ceded to the mandatory reinsurance pools.

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

### PART 1 - ORGANIZATIONAL CHART

The Travelers Companies, Inc.	Minnesota	41-0518860	... .. English Turn Fidelity Realty, Inc.	Maryland	52-1466734
... St. Paul Fire and Marine Insurance Company (24767) *	Connecticut	41-0406690	... .. English Turn Limited Partnership (99%)	Maryland	59-2635727
... .. St. Paul Mercury Insurance Company (24791) *	Connecticut	41-0881659	... .. Fidelity English Turn Club General Partnership (99%)	Maryland	59-2709441
... .. St. Paul Guardian Insurance Company (24775) *	Connecticut	41-0963301	... .. English Turn Limited Partnership (1%)	Maryland	59-2635727
... .. St. Paul Fire and Casualty Insurance Company (40967) *	Wisconsin	41-1419276	... .. English Turn Realty Management, Inc.	Maryland	52-1715225
... .. St. Paul Surplus Lines Insurance Company (30481) *	Delaware	41-1230819	... .. Fidelity English Turn Club General Partnership (1%)	Maryland	59-2709441
... .. Athena Assurance Company (41769) *	Connecticut	41-1435765	... Camperdown Corporation	Delaware	41-1762781
... .. St. Paul Medical Liability Insurance Company (41750) *	Connecticut	41-1435766	... SPC Insurance Agency, Inc.	Minnesota	41-1888760
... .. Northbrook Holdings, Inc.	Delaware	51-0375653	... Aprilgrange Limited	United Kingdom	
... .. Discover Property & Casualty Insurance Company (36463) *	Illinois	36-2999370	... F&G U.K. Underwriters Limited	United Kingdom	
... .. St. Paul Protective Insurance Company (19224) *	Illinois	36-2542404	... SPAL Pension Trustees Limited	United Kingdom	
... .. Discover Specialty Insurance Company (10213) *	Illinois	52-1925132	... Peacockgrange Limited	United Kingdom	
... .. United States Fidelity and Guaranty Company (25887) *	Connecticut	52-0515280	... Travelers Underwriting Agency Limited	United Kingdom	
... .. Fidelity and Guaranty Insurance Underwriters, Inc. (25879) *	Wisconsin	52-0616768	... Travelers Syndicate Management Limited	United Kingdom	
... .. Fidelity and Guaranty Insurance Company (35386) *	Iowa	42-1091525	... .. Travelers Asia Pte. Ltd.	Singapore	
... .. Laurel Village Fidelity Realty, Inc.	Maryland	52-1551225	... St. Paul Surety Europe Limited	United Kingdom	
... .. Laurel Village Joint Venture Partnership (50%)	Minnesota	41-1616702	... Travelers Corporate Trustee Ltd.	United Kingdom	
... .. Laurel Village I Limited Partnership (99%)	Minnesota	41-1542260	... Travelers London Limited	United Kingdom	
... .. Laurel Village II Limited Partnership (99%)	Minnesota	41-1542261	... .. Solicitors Professional Indemnity Limited (49%)	United Kingdom	
... .. Laurel Village III Limited Partnership (99%)	Minnesota	41-1542263	... St. Paul London Properties, Inc.	Minnesota	41-1880024
... .. Laurel Village IV Limited Partnership (99%)	Minnesota	41-1542264	... TCI Global Services, Inc.	Delaware	52-1965525
... .. Laurel Village Tower A Limited Partnership (99%)	Minnesota	41-1542266	... Travelers Management Limited	United Kingdom	
... .. Laurel Village Tower B Limited Partnership (99%)	Minnesota	41-1593312	... Travelers Insurance Company Limited *	United Kingdom	AA-1121375
... .. Laurel Village Tower C Limited Partnership (99%)	Minnesota	41-1542267	... .. Travelers Professional Risks Limited	United Kingdom	
... .. Laurel Village Swinford Limited Partnership (99%)	Minnesota	41-1542255	... Travelers Property Casualty Corp.	Connecticut	06-1008174
... .. USF&G Retail Associates GP, Inc.	Maryland	52-1704255	... .. Constitution Plaza, Inc.	Connecticut	06-0566030
... .. USF&G/Fidelity Retail Associates Limited Partnership (1%)	Maryland	52-1704256	... .. Travelers Insurance Group Holdings Inc.	Delaware	06-1445591
... .. USF&G/Fidelity Retail Associates Limited Partnership (83.95%)	Maryland	52-1704256	... .. The Standard Fire Insurance Company (19070) *	Connecticut	06-6033509
... .. BMR Sports Properties, Inc.	Maryland	52-1852190	... .. Standard Fire Properties, LLC	Delaware	06-6033509
... .. Black Mountain Ranch Limited Partnership (1%)	Maryland	52-1573778	... .. Bayhill Restaurant II Associates (50%)	California	94-3097171
... .. Black Mountain Ranch Limited Partnership (85%)	Maryland	52-1573778	... .. Standard Fire UK Investments, LLC	Delaware	06-6033509
... .. MMI Capital Trust I	Delaware	52-2073764	... .. The Automobile Insurance Company of Hartford, Connecticut (19062) *	Connecticut	06-0848755
... .. Promenade Partners, LLC	Delaware	41-0406690	... .. Auto Hartford Investments, LLC	Delaware	06-0848755
... .. USF&G Capital I	Delaware	52-1953822	... .. Travelers Personal Security Insurance Company (36145) *	Connecticut	06-1286264
... .. USF&G Capital III	Delaware	52-2044075	... .. Travelers Property Casualty Insurance Company (36161) *	Connecticut	06-1286274
... .. 350 Market Street, LLC	Delaware	41-0406690	... .. Travelers Personal Insurance Company (38130) *	Connecticut	36-3703200
... .. UA Combined Investment Company Limited (67%)	United Kingdom		... .. Travelers Texas MGA, Inc.	Texas	27-4469564
... .. Jago Dedicated Limited (88.9%)	United Kingdom		... .. Oregon Evergreen Investor I, LLC	Delaware	06-6033509
... .. Jago Capital Limited	United Kingdom		... .. Lone Rock Timber Investments I, LLC (75%)	Delaware	61-1639956
... .. Jago Dedicated Limited (11.1%)	United Kingdom		... .. Travelers (Bermuda) Limited *	Bermuda	98-0190863
... .. St. Paul Risk Management International Limited	United Kingdom		... .. Travelers Lloyds Management Company	Texas	20-4312440
... .. MFCM Limited	United Kingdom		... .. TPC Investments Inc.	Connecticut	06-1534005
... .. Travelers Special Services Limited	United Kingdom		... .. Travelers Casualty and Surety Company (19038) *	Connecticut	06-6033504
... .. Yonkers Financing Corp.	Delaware	20-3033027	... .. AE Development Group, Inc.	Connecticut	06-0952727
... .. Castle Pines Fidelity Realty, Inc.	Maryland	52-1735211	... .. Ponderosa Homes (23.5%)	Connecticut	06-0961413
... .. Castle Pines Fidelity Associates Limited Partnership (1%)	Maryland	52-1735213	... .. Ponderosa Homes (76.5%)	Connecticut	06-0961413
... .. Fidelity Castle Pines Limited Partnership (50%)	Maryland	52-1631820	... .. Farmington Casualty Company (41483) *	Connecticut	06-1067463
... .. Castle Pines Fidelity Associates Limited Partnership (99%)	Maryland	52-1735213	... .. Travelers Guarantee Company of Canada*	Canada	

**Notes:**

\* Denotes affiliated insurer

Unless otherwise stated, subsidiaries listed above are 100% owned by respective parent



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

94.1

... .. Coronation Insurance Company, Ltd. *	Canada		... .. Phoenix UK Investments LLC	Delaware	06-0303275
... .. Travelers Casualty and Surety Company of America (31194) *	Connecticut	06-0907370	... .. The Premier Insurance Company of Massachusetts (12850) *	Massachusetts	04-3175569
... .. Travelers Brazil Holding, LLC	Delaware	06-0907370	... .. TravCo Insurance Company (28188) *	Connecticut	35-1838077
... .. Travelers Brazil Acquisition LLC	Delaware	06-0907370	... .. TINDY Foreign, Inc	Delaware	20-4403403
... .. J. Malucelli Participações em Seguros e Resseguros S.A. ("Holdco") (43.4%)	Brazil		... .. Travelers Commercial Casualty Company (40282) *	Connecticut	95-3634110
... .. J. Malucelli Resseguradora S.A. *	Brazil		... .. Travelers Distribution Alliance, Inc.	Delaware	62-1657094
... .. J. Malucelli Controle de Riscos Ltda. (0.01%)	Brazil		... .. The Travelers Home and Marine Insurance Company (27998) *	Connecticut	35-1838079
... .. J. Malucelli Seguradora S.A. *	Brazil		... .. The Travelers Lloyds Insurance Company (41262) *	Texas	76-0002592
... .. J. Malucelli Controle de Riscos Ltda. (99.99%)	Brazil		... .. Travelers Marine, LLC	Delaware	06-0566050
... .. J. Malucelli Seguros S.A. *	Brazil				
... .. Travelers Casualty Insurance Company of America (19046) *	Connecticut	06-0876835			
... .. Travelers Casualty Company of Connecticut (36170) *	Connecticut	06-1286266			
... .. Travelers Casualty UK Investments, LLC	Delaware	06-6033504			
... .. Travelers Commercial Insurance Company (36137) *	Connecticut	06-1286268			
... .. Travelers Excess and Surplus Lines Company (29696) *	Connecticut	06-1203698			
... .. Travelers Lloyds of Texas Insurance Company (41564) *	Texas	75-1732040			
... .. Travelers MGA, Inc.	Texas	75-2676034			
... .. The Travelers Indemnity Company (25658) *	Connecticut	06-0566050			
... .. Arch Street North LLC	Delaware	06-0566050			
... .. The Charter Oak Fire Insurance Company (25615) *	Connecticut	06-0291290			
... .. Countersignature Agency, Inc.	Florida	06-1345091			
... .. First Floridian Auto and Home Insurance Company (10647) *	Florida	59-3372141			
... .. First Trenton Indemnity Company (29930) *	Connecticut	22-3129711			
... .. Gulf Underwriters Insurance Company (42811) *	Connecticut	56-1371361			
... .. Select Insurance Company (22233) *	Texas	75-6013697			
... .. Gulf Underwriting Limited *	United Kingdom				
... .. Travelers Casualty and Surety Company of Europe, Limited *	United Kingdom				
... .. Commercial Guaranty Insurance Company (38385) *	Delaware	75-1679830			
... .. Crystal Brook, LLC	Delaware	06-0566050			
... .. Durham Holding, LLC	Delaware	06-0566050			
... .. Sutton Holdco, LLC	Delaware	06-0566050			
... .. Cadet Limited, LLC	Delaware	06-0566050			
... .. Arrowhead Company, LLC	Delaware	06-0566050			
... .. Eastern Asset, LLC	Delaware	06-0566050			
... .. Jupiter Holdings, Inc.	Minnesota	41-1769846			
... .. American Equity Insurance Company (43117) *	Arizona	86-0703220			
... .. American Equity Specialty Insurance Company (10819) *	Connecticut	86-0868106			
... .. Northland Insurance Company (24015) *	Connecticut	41-6009967			
... .. Northfield Insurance Company (27987) *	Iowa	41-0983992			
... .. Northland Casualty Company (24031) *	Connecticut	94-6051964			
... .. Northland Risk Management Services, Inc.	Minnesota	41-1720288			
... .. Travelers Indemnity UK Investments LLC	Connecticut	06-0566050			
... .. TPC U.K. Investments LLC	Delaware	06-0566050			
... .. The Phoenix Insurance Company (25623) *	Connecticut	06-0303275			
... .. The Travelers Indemnity Company of America (25666) *	Connecticut	58-6020487			
... .. The Travelers Indemnity Company of Connecticut (25682) *	Connecticut	06-0336212			
... .. Travelers Property Casualty Company of America (25674) *	Connecticut	36-2719165			
... .. Constitution State Services, LLC	Delaware	06-1501229			

*Notes:*

\* Denotes affiliated insurer

Unless otherwise stated, subsidiaries listed above are 100% owned by respective parent

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